

Botanic Gardens Trust Fund - 2014

The audit of financial statements of the Botanic Gardens Trust Fund for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014, and statement of income and expenditure and cash flow statement for the year then ended and a summary of other explanatory information was carried out under my direction in pursuance of provisions in Article 154 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 4 (J) of the Agreement dated 20 December 1996 entered into between the Secretary to the General Treasury, Secretary to the Ministry of Agriculture, Land and Forest Resources, Director of the Botanic Gardens, Director of Budget of the General Treasury and Director General of Agriculture. My comments and observations on the above financial statements appear in this report.

1.2 Management's Responsibility for the Financial Statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000- 1810). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgment including the assessment of the risks of material misstatements of

the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Audit opinion

My opinion is qualified on the matters described in Paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Botanic Gardens Trust Fund as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Weaknesses in the Presentation of Accounts

In the preparation of the balance sheet, all assets and liabilities had not been disclosed in the sequence of liquidity in terms of the Sri Lanka Public Sector Accounting Standards.

2.2.2 Accounting Deficiencies

A suspense balance of Rs.53,650 had been shown as current liabilities in the revised financial statements presented on 19 June 2015 while action had not been taken to settle it.

2.2.3 Unreconciled Control Accounts

(a) Even though the opening balance of the year and the commitments during the year totalled Rs.8,872,644, release of retention money during the year under review amounted to Rs.4,207,535 thus the balance to be released further should have been Rs.4,665,109. Instead, it had been shown as Rs.4,982,251 in the financial statements, thus a difference of Rs.317,142 was observed in the examination of the ledger Account of accrued expenses.

(b) The cost of goods sold included in the Working Loss Account of the year under review and the cost of sold goods included in the Notes presented for audit amounted to Rs.108,348 and Rs.116,151 respectively. As such, a difference of Rs.7,803 was observed between those two balances.

2.3 Accounts Receivable and Payable

Even though the guarantee period had expired by the end of the year under review, retention money amounting to Rs.1,344,109 pertaining to four contracts had retained without being settled.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Fund for the year ended 31 December 2014 had resulted in a surplus of Rs.92,916,624 as compared with the corresponding surplus of Rs.89,368,125 for the preceding year, thus

indicating an improvement of Rs. 3,548,499 in the financial results for the year under review. Even though the expenditure on six Objects had increased by Rs.18,192,526 during the year under review as compared to the preceding year, two items of Revenue had also increased by Rs.20,323,872 comparatively, thus the increase in revenue over the expenditure had mainly attributed to the increase in the surplus.

4. Operating Review

4.1 Management inefficiencies

Even though the Trust Deed by which the Fund was established had legalized that 25 per cent of the annual income from tickets of the Botanic Garden should be credited to the Botanic Garden Fund, the total income earned had been credited to the Treasury. As the funds granted annually by the Treasury is less than 25 per cent of the income earned, that difference had been brought to account as income receivable. The accumulated balance of accrued income since the year 1997 amounted to Rs.50,401,172 as at 31 December of the year under review. In the accounting of income, attention of the Management had not been drawn to the accounting of income after being prudently identified that those were being received definitely.

4.3 Underutilization of Funds

Out of the total provision of Rs.1,685,000 made for 3 activities in the Budget prepared for the year under review, a sum of Rs.1,505,843 had not been utilized. Accordingly, the total amount utilized had been Rs.179,157 and it ranged from 1 per cent to 40 per cent out of the financial provisions allocated for each activity.

5. Accountability and Good Governance

5.1 Action Plan

The annual budget prepared for the year under review had been revised twice during the year, whereas certain activities included in the budget had not been included in the Annual Action Plan.

5.2 Tabling of Annual Reports

Annual Reports had not been tabled in Parliament since the year 2006.

5.3 Unresolved Audit Paragraphs

Even though the following directives had been given by the Committee on Public Enterprises held on 08 March 2013, those recommendations had not been implemented even by 20 March 2015.

- (a) Even though it had been directed that the Internal Auditor of the Ministry should check the accounts until an Internal Auditor is appointed, it had not been implemented.

- (b) As the number of members of the Trust Fund had reduced up to three, due to the change of the Ministry, the Act had not been amended accordingly.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Fund through audit queries from time to time. Special attention is needed in respect of the following areas of control.

- (a) Budgetary Control
- (b) Accounting
- (c) Creditors Control