

Botanic Gardens Trust Fund – 2016

The audit of financial statements of the Botanic Gardens Trust Fund for the year ended 31 December 2016 comprising the financial position as at 31 December 2016, and statement of financial performance, statement of changes in equity 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

The 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 Auditing 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 judgement, 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 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 Opinion

My opinion is qualified based on the matters described in paragraph 2:2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of Botanic Gardens Trust Fund as at 31 December 2016 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 Sri Lanka Public Sector Accounting Standards

The following non-compliances were observed.

- (a) The Accounting Standards adopted in accounting the constructions and development expenditure not covered by the Sri Lanka Public Sector Accounting Standards had not been disclosed in the financial statements.
- (b) Even though each material class of similar items shall be presented separately in the financial statements in terms of Section 13 of the Sri Lanka Public Sector Accounting Standard 07, the computers and accessories purchased at a cost of Rs.3,887,001 in the year under review had been shown under the mechanical equipment. As such, the computer accessories and mechanical equipment had been depreciated under **a same rate of depreciation.**

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) The revenue expenditure amounting to Rs.960,453 incurred as payments to the contract labourers for the maintenance work of Botanic Garden at Hakgala in the year 2016 had been accounted as capital expenditure under the land development.
- (b) Fees amounting to Rs.120,000 payable in respect of the preparation of financial statements and providing consultancy services for the year under review **had omitted** from accounts.
- (c) The advance of Rs.4,643,510 granted for the construction of Plant House in the Botanic Garden at Gampaha in the year under review had been accounted erroneously under the assets of building development.
- (d) The under adjustment of Rs.1,079,773 of the closing stock of books on **floriculture** and leaflets of guidelines had not been rectified in the year under review, thus the opening stock had been understated **by the similar amount.**

2.2.3 Suspense Account

The balance of Rs.5,180 in the Suspense Account shown in the financial statements of the year 2015 had not been identified and debited to the Suspense Account in the year under review without journal entries and credited to the surplus brought forward in the preceding year.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Fund had resulted in a surplus of Rs.152, 235,357 as compared with the corresponding surplus of Rs.121,905,252 for the preceding year indicating an improvement of Rs. 30,330, 105 in the financial result of the year under review as compared with the preceding year. The increase of income from 04 Revenue Items by Rs.62,098,721 in the year under review as compared with the preceding year had been the main reason therefor.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Even though the financial statements should be presented to the Auditor General within 60 days after the close of the year of accounts in terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the financial statements had been presented only on 15 June 2017.

5. Systems and Controls

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

Areas of Systems and Control

Observations

(a) Fixed Assets Control

- (i) Non-maintenance of a Register of Fixed Assets including all the information.
- (ii) Failure to account for the assets at accurate values after being classified correctly.

- (b) Stock Control
 - (i) Failure to record the receipts and issues of stocks properly.
 - (ii) Failure to carry out Stock Physical Verification
- (c) Control of Debtors and Creditors
 - (i) Failure to account for the debtors and creditors relating to the accounting period after being accurately identified.
 - (ii) Non-settlement of debtors and creditors balances without delay.

Auditor General