

## **Botanic Gardens Trust Fund – 2017**

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The audit of financial statements of the Botanic Gardens Trust Fund for the year ended 31 December 2017 comprising the financial position as at 31 December 2017, 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. A detailed report issued to the Chairman of Botanic Gardens Trust Fund on 27 April 2018.

### **1.2 Management's Responsibility for the Financial Statements**

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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**

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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**

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

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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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 2017 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**

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#### **2.2.1 Sri Lanka Public Sector Accounting Standards**

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The following observations are made.

Sri Lanka Public Sector Accounting Standard 07.

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- (a) According to section 58 of the standard each important part of property plant and equipment with a cost that is significant in relation to the initial cost of the assets shall be depreciated separately. However a depreciation provision had not been made for totally a sum of Rs.231,614,009 including an expenditure amounting Rs.21, 125,089 incurred in the year to develop the lands of the fund.
- (b) According to section 69 of the standard depreciation of assets begins when it is available for use. Instead of charging depreciation for the year of acquisition, the fund has recognized a principle to fully charge depreciation for the year of disposal.

#### **2.2.2 Accounting Deficiencies**

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The following observations are made.

- (a) An advance amount of Rs. 4,738,476 incurred for a construction contract of Botanical Garden at Gampaha had been completed during the year under review further shown as unsettled advances in the financial statements instead of capitalized them under buildings.
- (b) Even though the cabinet paper No. 95/3010/105/221 dated 14 February 1996 had stated that 25 per cent of the annual ticket income from botanical gardens should be credited to botanical garden trust fund, the total ticket income had been credited to Consolidated Fund. As the imprest amount granted by the Treasury is less than 25 per cent of calculated income, that difference had been brought to account as income receivable. Therefore a Receivable account balance of Rs.171,988,473 had been occurred as at 31 December of the year under review.

### **2.3 Non – Compliance with laws, rules, Regulations & management decisions**

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According to the amendmed Public administrative circular No.25/2014(1) of 29 December 2014, Pension circular No.07/2015 of 23 July2015 and the shop and office Employees Act No 19 of 1954, even though in considering in respect of the concept in obtaining the labour service on ad hoc basis a sum of Rs.14,519,023 paid as a salaries during the year under review that servants had not been contributed for Employee Provident Fund.

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the operations of the Fund had resulted in a surplus of Rs.134,504,012 as compared with the corresponding surplus of Rs.152,235,357 for the preceding year indicating an deterioration of Rs. 17,731,345 in the financial result of the year under review as compared with the preceding year. Although the admission ticket income had increased by Rs.10,824,703, the increased in building repair & maintenance cost, labour costs, flower union expenses, floriculture (royal Garden) and Security expenses by Rs.2,110,993, Rs.4,907,717, Rs.5,402,316, Rs.6,081,025, and Rs.7,750,236 respectively had mainly attribute to the above deterioration.

### **4. Operating Review**

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#### **4.1 Management Activities**

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The following observations are made.

- a) A sum of Rs,887,402 had been paid in August 2017 for the barcode labels that bought to use for dry samples of national green house have not been used until the audit date of 18 April 2018 due to the unavailability of other necessary accessories.
- b) A proper recruitment procedure with approved service conditions had not been prepared to recruit employees for the activities of the fund.
- c) As per the Public Finance Circular No.PF/423 dated 22 December 2006, even if there is a reasonable reason to further remain the non-statutory fund, such a fund could be legislated through a Parliament Act by reporting it to the Public Finance department. But the management has not given their attention to legislate the fund through an Act until 18 April 2018.
- d) A sum of Rs.240,000 has been paid to a private institution by the management for preparation of financial statements of botanical garden trust fund.

**4.2 Staff Administrations**  
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Without a proper Recruitment procedure a pensioner has been recruited to the post of Administrative Assistant by extending his service annually as per the letter issued by secretary to the fund dated on 01 December 2008. At the review year the employer has reached to the age of 71 years and government officers entitlement leave had been given to that officer as per the Establishment Code.

**5. Systems and Controls**  
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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**  
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**Observations**  
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(a) Payment Control	(i) Preparation and Inspection of vouchers had not been executed as per Financial regulations.
	(ii) Photo copies were used instead of original documents in settling of advances.
(b) Human Resources Management	Proper procedure had not been implemented for recruitment, assign duties and supervising.
(c) Accounting	Transactions had not been entered in the relevant ledgers at the time of occurred.