

Botanical Gardens Trust Fund - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Botanical Gardens Trust Fund for the year ended 31st December 2020 comprising the statement of financial position as at 31st December 2020 and the statement of financial performance and Statement of changes in Equity for the year then ended, and Cash flow statement, Notes to the financial statements, summarized significant accounting policies for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of 2018 and Article 4(a) of the Deed of trust of the Botanic Gardens Trust Fund dated December 20th , 1996. My comments and observations which I consider to be reported to parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Fund as at 31st December 2020, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in “the Auditor’s Responsibilities on the Audit of the Financial Statements” section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those charged with Governance for the Financial Statements

It is the responsibility of the Management to determine internal control that necessary for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and the financial statements that are free from material misstatements, whether due to fraud or errors

In preparing the financial statements, management is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund’s financial reporting process.

In accordance with Section 16(1) of the National Audit Act No.19 of 2018, the Institution shall maintain proper books and records on its own income, expenditure, assets and liabilities so as to be able to prepare annual and periodic financial statements.

1.4 Auditor's Responsibilities on the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with the Sri Lanka Audit Standards, I acted with professional judgment and professional scepticism during the audit. I further,

- Design and perform appropriate and responsive audit procedures so as to identify and assess the risks of material misstatement of the financial statements, whether due to frauds or errors in order to provide a basis for audit opinion provided. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and whenever necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the institute
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non-Compliance with reference to particular Standard	Management Comments	Recommendation
(a) In accordance with paragraph 47 (b) of Standard No.03, In the rectification of prior period errors in the Financial Statements, It had not been corrected retrospectively when the restating the opening balances of the Statement of changes in Equity.	Corrections have been made in the financial statements of the Garden Trust Fund for the year 2020 with effect from 01 st January 2020 onwards through the journal notes to re-state the opening balances of the assets/ liabilities, Equity/ retained earnings as at 01 st January 2020.	In the statement of change in Equity, the adjustment of the previous years' adjustments to the opening balance of the year under review should be clearly presented.
(b) The cash flow statement had not been properly prepared in accordance with Standard No.02	Since the cash flow statement for the year 2020 has also been prepared under indirect method, the working capital changes have been adjusted in the manner it occurs. Although In 2019, the cash flow statements are based on the nominal profit, the cash flow statements for the year 2020 are based on the actual cash receipts (Imprest receipts) so that an accurate understanding of the actual cash flow of the Garden Fund can be obtained.	Action should be taken to prepare the cash flow statement correctly.

1.5.2 Accounting Deficiencies

Audit Observation

Due to the fact that, the Over-statement of ticket revenue for the previous year by Rs.360,000 had been debited to the Ticket revenue account for the year under review instead of being adjusted to the Accumulated fund Account, the Revenue for the year under review had been under stated by that amount.

Management Comments

That debit note should be recorded in the retained earnings account so that action will be taken to correct those errors in the preparation of future accounts.

Recommendation

Revenue for the year should be properly accounted for.

1.5.3 Lack of written evidence for the Audit

Subject	Amount	Non-submitted Audit evidence	Management Comments	Recommendation
	Rs.			
Ticket Revenue Receivables	194,051,390	Ensure the Existence, Accuracy and Completeness	25 percent of the Garden's ticket fees is adjusted to the Ticket revenue receivables account as revenue of the fund, and Out of that an amount equivalent to the expenses for that month is deducted from the Ticket revenue receivables account and adjusted to the General deposit account as the income received for each month. As a result, the balance remained as on 31 st December 2020 by being accrued this balance.	Relevant evidence to confirm the balance should be submitted to the audit.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comments	Recommendation
Public Finance Circular No.02/2018 dated 18 th August 2018	Action should be taken to close down this fund in accordance with the provisions of the Circular. However, it was discussed at the Department of Public Finance on March 01 st ,	During the discussion held at the Department of Public Finance, it was discussed that it is appropriate to make this trust fund a statutory fund and to maintain it and	Action should be taken to convert this fund into a statutory fund or to liquidate it in accordance with the

2019 to establish this trust fund as a statutory fund and to continue, without closing it down, But as of July 09th, 2021, it had spent Rs.64,689,090 for the year under review without the establishment of a statutory fund.

to continue the functions of the Fund until then. The required provisions have been sent to the Legal Draftsman's Department to establish a statutory fund called the Botanic Gardens Development Fund Under a new Botanic Gardens Act. circular.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.60,241,942 and the corresponding surplus in the preceding year amounted to Rs.103,488,041. Therefore a deterioration amounting to Rs.43,246,099 of the financial result was observed. This deterioration was mainly due to the decrease in ticket revenue and other revenue by Rs.125,676,371 and decrease in expenditure by Rs.82,430,271 as a result of the corona epidemic in the country.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation

The main objective of the establishment of the Botanic Gardens Trust Fund was to finance ancillary activities for the proper and orderly maintenance of the Botanic Gardens. However, Rs.6,534,371 was spent on employee uniforms and printing expenses which did not meet the objective of the fund.

Management Comments

I would like to inform you that they will be provided with sewn garments instead of the uniform allowance of Rs.4,000 to the workers, which will not incur any additional cost to the Government and will result in savings. Printing costs are special recurrent payments made for printing of entrance tickets to the parks.

Recommendation

Expenses should be incurred, In accordance with the objectives of the establishment of the Fund

3.2 Operational Inefficiencies

The following observations are made.

Audit Observation

(a) Although the estimated cost for the 12 activities expected to be completed as per the action plan for the year under review was Rs.49,640,000, the actual cost was Rs.33,983,583 and the

Management Comments

The reasons for the savings of these provisions were delays in the commencement of construction work due to the close down of offices, including the Botanic Gardens, for

Recommendation

Action should be taken to complete the tasks on time as per the action plan.

balance was Rs.15,656,417. That saving ranged from 10 percent to 100 percent of the provision.

several months, Limiting expenses, including purchases, as much as possible and Inability to carry out plant exploration activities at the expected level. Further, due to non-receipt of the Imprest as requested for the year, There was also a balance of Rs.4,732,280 as bills in hand.

- (b) When preparing the action plan for the year under review, Out of the total estimate Rs.10,300,000, or 13 percent, was allocated as recurrent expenditure, contingent and general expenditure without mentioning specific functions.

The Board of Trustees of the Botanical Gardens' Fund is informed on the allocations made for common functions and the approval has been obtained at the Board of Trustees Meetings for these expenses required to improve the performance of the Fund in accordance with the objectives C, E, F stated in the Deed of Trust of the Botanical Garden's Fund and 5(b) of the said document.

It should act with due consideration in allocating funds for recurrent expenditure.