

Head 322 Department of National Botanical Gardens

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of National Botanical Gardens for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance and cash flow statement 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. The summary report containing my comments and observations on the financial statements of the Department of National Botanical Gardens was issued to the Accounting Officer on 31 May 2022 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 24 May 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of National Botanical Gardens as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements.

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for 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 summary report that includes my opinion. Reasonable assurance is a high level of assurance 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Recurrent Expenditure

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) According to the submitted financial statement summary of expenditure by program in format ACA-2 (ii), which was classified under other goods and services, vote 1101, local travelling expenses of Rs.2,086,572 were stated under salaries and wages and other employee benefits in the statement of financial performance.	It had been informed that the statement of financial performance has been corrected.	Expenses should be shown under correct classifications.
(ii) The total of Rs.346,500, three capital votes had been accounted for the year under review, under vote 1201 which is stationery and office requisites.	It has been informed that these assets will be accounted for while correcting the asset account of the department.	Capital expenditure should be accurately identified and brought to account.
(iii) The total of Rs.2,386,677, 38 recurrent expenditure had been shown under vote number 322-2-1-11-2506 which is the infrastructure development.	It is informed that these recurrent expenses have been borne under the head of capital expenditure.	Recurrent expenditure should be accurately identified and brought to account.

(b) Capital expenditure

Audit Observation	Comment of the Accounting Officer	Recommendation
The total of Rs.22,874,052, 19 votes of capital asset rehabilitation and improvement expenditure and capital asset acquisition expenditure had been shown under vote 322-2-1-11-2506 which is the infrastructure development.	It has been informed that the necessary capital expenditure for the development of the infrastructure had been incurred in this vote.	Expenditure should be accurately identified and brought to account.

(c) **Non-Financial Assets**

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(i) Although the balance of non-financial assets, property, plant and equipment as on 1 January of the year under review had been stated in the statement of financial position as Rs.7,618,013,766, According to the relevant treasury Printouts Non-Financial Assets Statement SA82, the balance on that day was Rs.7,585,753,454, and there was a difference of Rs.32,260,312.	It has been informed that the balances to be further corrected will be corrected and reported in the year 2022.	Maintaining accurate accounts compared with treasury books.
(ii) According to the Treasury Print Non-Financial Assets Statement format SA82 of the year under review, non-financial asset acquisitions in the year 2021 were Rs.91,231,407, although according to the statement of financial performance, acquisitions of capital assets were Rs.91,767,957 and there was a difference of Rs.536,550.	It has been informed that they will check and re-account in this regard.	Maintaining accurate accounts compared with treasury books.
(iii) Although there was no sale, devalue or disposal of assets during the year under review, treasury print non-financial assets statement format SA82 stated non-financial asset disposals of Rs.29,767,326 in the value of Buildings and Construction, Vehicles and Machinery and Equipment.	It has been informed that this will be checked and reported to the audit.	Asset disposal should be accurately identified and brought to account.
(iv) The total of Rs.67,943,891 which are related to salaries, telephone expenses, repair expenses, overtime payment, electricity bill payment, fuel, water bill, travelling expenses had been shown under department vote 2105 Land and Land Development expenditure.	It has been informed that the relevant officers have been informed to prepare annual estimates without estimating recurrent expenditure under land and land development	Expenditure should be accurately identified and brought to account under correct vote.

- (v) Although Rs.23,582,498 was spent to acquire capital asset under 04 capital votes, which are 2101,2102,2103 and 2104 in the year under review, the fixed assets were not correctly classified in the format SA82 treasury print non-financial asset statement submitted by the department.
- It has been informed that asset class will be classified correctly.
- Asset acquisitions should be accurately identified and brought to account.
- (vi) The assets of Rs.789,631,963 which had been identified under the Botanic Gardens Trust Fund since 2010 from that asset Rs.305,587,837 of building repairs and land development and Rs.843,297 of library books had not been accounted.
- It has been informed that the assets will be included in the assets account in the year 2022.
- The department should be accurately identified all the assets and brought to account.

(d) Cash Flow Statement

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(i) Although the advance collections for the year under review were Rs.29,382,244, It was stated under cash flows generated from operating activities in the cash flow statement as Rs.24,656,611 and understated cash inflows by Rs.4,725,633. Further advance payment was Rs.30,451,860, it was stated under cash flows generated from operating activities in the cash flow statement as Rs.28,122,342 and understated cash outflows by Rs.2,329,518.	Advance recoveries and payments of Rs.24,656,611 and Rs.30,451,861 are shown only as advances recovered and paid by this department excluding advances settled by cross entry to other departments.	Advance collections and payments should be accurately identified and brought to account.
(ii) Although cash outflow of salary and wages operating expenditure for the year under review were Rs.568,602,369, it was stated under cash flow generated from operating activities in the statement of cash flow as Rs.507,950,626 and understated cash outflow by Rs.60,651,743.	Only the expenditure identified in ACA-2(II) as per Treasury Formats is shown under recurrent expenditure	Operating activities should be accurately identified and brought to account.

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| (iii) | Although the cash flow related to subsidies and transfers was Rs.80,095,987, it was stated as Rs.1,476,034 and understated by cash outflow of Rs.78,619,953. | Cash flow related to subsidies and transfers has been stated as Rs.1,476,034 in the statement of financial performance under recurrent expenditure as per treasury formats only the expenditure identified in ACA-2(II). | Subsidies and transfers should be accurately identified and brought to account. |
| (iv) | Although the expenditure incurred for other votes for the year under review was Rs.18,564,455, it was stated under cash flows generated from operational activities as Rs.16,168,340 and understated cash outflow by Rs.2,396,115. | Rs.2,396,115 were understated to amount accounted by cross-entry debiting the expenditure head of the Pension Department and crediting the advance account of the Department for recover the credit balance of the retired officers. | Expenditure which is spending for other votes should be accurately identified and brought to account. |
| (v) | Although the construction or purchase of physical assets and acquisition of other investments for the year under review was Rs.91,767,956, it was stated as Rs.231,039,652 under cash flows generated from investing activities and overstated cash outflows by Rs.139,271,696. | Cash flow related to acquisitions of investment have been stated as Rs.231,039,652 identified expenditures as per the statement of financial performance under capital expenditure and as per treasury format ACA-2(II). | Investing activities should be accurately identified and brought to account. |

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although a net provision of Rs.1,115,680,000 was made for recurrent and capital expenditure for the year under review, from that Rs.375,172,598 was remain. It was 34 percent from the total net provision. Further, 92 percent of the remaining were capital remains, and it was 60 percent of the net capital provision which was Rs.344,440,348.	It was accepted that, the capital and recurrent net provision was Rs.1,115,680,000 and the balance was Rs.375,172,598.	Provisions should be utilized efficiently and effectively.

- (b) Rs.355,882,937 which is 55 percent had been remaining out of Rs.644,330,000 the net provision of 28 recurrent and capital votes. That remaining ranged from 10 percent to 100 percent of the net provision of each vote. It was accepted that, the provision of 28 votes are remaining. The need should be properly identified, prior plan should be done and expenditure should be done by proper management.

2.2 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Observation		Comments of the Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations.	Value Rs.	Non-compliance	
(a) Rule 193 of the Public Service Commission of the Democratic Socialist Republic of Sri Lanka.	-	Thirty one employees of the Floriculture Research and Development Unit, Peradeniya, Hakgala Botanical Garden and Gampaha Botanical Garden had worked in the same workplace for 5 to 23 years.	Action should be taken in according to the Procedural Rules.
(b) Circular of the Ministry of Disaster Management No.1/2011 dated 10 February 2011.	-	Although it is mandatory to obtain a suitability certificate/recommendation from the National Building Research Organization before starting any construction work in the Nuwaraeliya district, such a certificate or recommendation had not been obtained by 30 November 2021 in relation to the construction of the	Arrangements should be made to obtain a relevant suitability certificate/recommendation.

cafeteria restaurant
proposed in the Hakgala
Botanical Garden.

2.3 Deposit Balances

Audit Observation

Although all deposits older than 02 years from the date of deposit should be credited to government revenue as per Financial Regulations 570 and 571, Rs.10,639,463 in respect of 113 deposits had not been complied with above regulations.

Comment of the Accounting Officer

It has been informed that, it is noted overcoming these shortcomings in the year 2022.

Recommendation

Action should be taken in accordance with Financial Regulations.

3. Operating Review

3.1 Delays in the Execution of Projects

The following observations are made.

Audit Observation

Comments of the Accounting Officer

Recommendation

(a) A contract for the construction of a toilet system and storage building at Gampaha Botanic Gardens had been awarded on 12 April 2021 at a value of Rs.5,969,866 excluding value added tax (VAT) was offered for completion before 12 October 2021. The related works of installing electrical devices, water devices and sanitary devices, fitting tiles and installing doors had not been completed by 12 January 2022.

The contractor has paid an advance to get the necessary tiles, tiling the building and it has been informed that it is not possible to install electrical devices, water devices, sanitary devices and doors until the tiling work is completed.

Action should be taken to complete relevant construction activities on time.

(b) Although Rs.2,370,000 had been provided for the 03 activities such as painting the chain link fence, improving the collection of aquatic plants and improving the Anthurium section of the Floriculture Research and Development Unit included in the annual action plan for the year under review, the works had not been started by 31 December 2021.

It has been informed that, due to the Covid-19 pandemic, the contractor did not start painting the chain link fence and improving the aquatic plant collection and Improvements of the Anthurium section could not be carried out due to the new plans of the gardens.

Action should be taken to complete relevant construction activities on time.

3.2 Annual Performance Report

In terms of paragraph 10.2 of Public Finance Circular No.2/2020 of 28 August 2020, the Annual Performance Report should have been prepared in accordance with the Format specified in Guideline 14, issued by the Department of Public Finance. The following observations are made in this connection.

Audit Observation

Comments of the Accounting Officer

Recommendation

Under the targets of the draft performance report for the year under review, the National Diploma in Floriculture and Horticulture NVQ – 5 and NVQ 6 levels and issuance of Vocational Competency Certificates has been mentioned. However the performance of related activities to achieve those goals was at a minimum level.

It has been informed that they are planning to deal with this matter during the recruitment of new officers.

That activities related to achieving the goals of the performance report should be planned.

3.3 Procurements

The following observations are made.

Audit Observation

Comments of the Accounting Officer

Recommendation

(a) Although arrangements should be made to enter into a formal contract agreement for goods or services exceeding 500,000 as per 8.9.1 (b) of Government Procurement Guideline, in related to the purchase of goods and services worth Rs.22,023,990 on 9 occasions the National Herbarium, Floriculture Research and Development Unit and Hakgala Botanic Garden had not been signed formal agreement.

It has been informed that, agreements will be entered into in accordance with the Government Procurement Guidelines.

Action should be taken in accordance with the Government Procurement Guidelines.

(b) Provisional sum (PS) items are included in the preparation of estimates for contracts when items that cannot be sufficiently identified to determine the cost in a contract, that cannot be planned, or items cannot be

It has been informed that, Provisional sum (PS) was included as the prices were constantly changing and the prices could not be found in the market due to the imposition of

Arrangements should be made to prepare quantity bills whenever possible in relation to each item of the respective work or contract.

taken sufficiently detailed. However, in the quantity bills prepared for the repair of Curator's Bungalow and the construction of a plant outlet in Gampaha Botanic Garden, A sum of Rs.1,325,000 was included as Provisional sum (PS) for making pantry cupboards, laying of tiles and installation of polycarbonate roofing sheets etc.

import restrictions on the goods available in the market and the fall in the value of the rupee against the US dollar.

3.4 Security of Public Officers

----- Audit Observation -----	----- Comments of the Accounting Officer -----	----- Recommendation -----
Although as per the Financial Regulation 880 officers required to give security deposit when Officers who are administratively responsible for, or who under delegation are entrusted with, the receipt or custody of public money, revenue stamps or stores, or will be required to give security deposit in accordance with the Public Officers (Security) Ordinance 612, However, the relevant security deposit was not collected from 6 officials who are responsible for the money and stores of the National Herbarium and Hakgala Botanical Garden.	It has been informed that, arrangements have been made to collect security deposits from all the officials who have to pay security deposit.	Action should be taken in accordance with Financial Regulations.

3.5 Losses and Damage

The following observations are made.

----- Audit Observation -----	----- Comments of the Accounting Officer -----	----- Recommendation -----
(a) During the sample test of the plants in the garden nursery section of the Gampaha Botanical Garden, there was a deficiency of 4921 plants worth Rs.203,460 in relation to 7 types of plants between the physical number of plants and the balance of plants in the books.	It has been informed that this is not a deficiency of plants, However a deficiency caused by books not being updated correctly.	Action should be taken to maintain a Registers formally and a formal investigation of deficiencies should be conducted.

- (b) Although the technical evaluation committee had recommended that the contract for the construction of a toilet system and a storage building in the Gampaha Botanic Garden be awarded to the company that submitted the lowest price for an amount of Rs.5,544,956 excluding value added tax, regardless of this procurement committee had been awarded the contract to the second lowest bidder to Rs.5,969,866 excluding value added tax due to that the government incurred a loss of Rs.424,910.
- It has been informed that as this bid was opened on 2 February 2020 and circular 4/2020 dated 9 November 2020 had based.
- The evaluation of bids should be done in such a way as to provide maximum economic benefits resulting in minimum cost.

3.6 Management Weaknesses

The following observations are made.

Audit Observation

Although according to the Section 4 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka the debt balances of the retired, deceased and suspended officers should be recovered and no action had been taken to recover the debt balance of Rs.3,758,347 due from the 27 officials.

Comments of the Accounting Officer

A cabinet paper has been submitted for approval for payment of pension. It has been informed that the loan balance will be settled as soon as the work is completed regarding this.

Recommendation

Action should be taken in according to the provisions of the Establishments Code regarding to recover arrears.

6. Human Resource Management

Audit Observation

Although the needs of the employees should be identified at the appropriate time and recruitments should be made when necessary to maintain the activities of the gardens in a proper and orderly manner there were 162 vacancies at the end of the year under review.

Comments of the Accounting Officer

Not commented

Recommendation

Action should be taken to fill the vacancies.