

Botanical Gardens Trust Fund - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Botanical Gardens Trust Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the fund as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

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 for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the fund's stability 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.

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

1.4 Auditor's Responsibility 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 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 an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- 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 fund'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 fund'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 fund 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 as far as 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 fund;
- 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 Non-compliance with Laws, Rules, Regulations

| Reference Laws, Rules Regulations | to Non-compliance | Management Comment | Recommendation |
|--|--|--|--|
| ----- | ----- | ----- | ----- |
| Public Finance Circular No.02/2018 dated 18 August 2018. | Although it had been discussed at the Department of Public Finance on 1 March 2019 to establish this trust fund as a statutory fund and continue to run without closing it. However, it had not been established as a statutory fund by 31 March 2022. | The Cabinet has approved the creation of a new statutory fund called the Botanical Garden Development Fund and its inclusion in the amended new Act. | Action should be taken to convert this fund into a statutory fund or closed as per the circular. |

2. Financial Review

Financial Result

The operating result of the year under review amounted to a surplus of Rs.21,546,128 and the corresponding surplus in the preceding year amounted to Rs.60,241,942. Therefore a deterioration amounting to Rs.38,695,814 of the financial result was observed. This deterioration was mainly due to ticket revenue decrease from Rs.37,030,400.

3. Operational Review

Management Inefficiencies

| Audit Observation | Management Comment | Recommendation |
|--|---|--|
| ----- | ----- | ----- |
| (a) Although no financial provision was made for the construction of the museum gallery at the Royal Botanic Gardens in the action plan of the year under review, an advance of Rs.13,604,179 had been paid to the | It had been informed that, approval was obtained to expedite the works related to the celebration of the 200 year anniversary of the Royal Botanic Gardens and to use the | The allocated provision should be used for the activities planned to be performed by the |

contractor for the said activity on 30 December 2021.

remaining provisions for that fund. purpose at the meeting of the Botanic Gardens Trust Fund held on 10 December 2021 and this payment was made from the remaining provisions.

(b). The 25 percent ticket revenue that has been accumulating form several years is Rs.140,824,507 and was not a receivable amount from an external party, action had not been taken to obtain approval and removed.

This balance is nominally a recorded balance and it has been informed that this balance will be discussed at the next meeting of the Botanic Garden Trust Fund and arrangements will be made to remove this balance or take appropriate action.

Since it is not an amount to be received from an external party, it should be removed.

(c). In the years 2015, 2018 and 2021, 2988 copies of various publications printed at a cost of Rs.4,217,169 of the fund related to 05 categories worth Rs.3,547,564 were included in the stock as at 31 December of the year under review. The sales of those publications have been low and 84 percent of the value of the final stock was comprised of the value of these publications.

Sales have decreased due to fewer visits of tourists due to the Corona pandemic situation.

It should be stored safely and sold regularly in future years.

4. Accountability and Good Governance

Budgetary Control

| Audit Observation | Management Comment | Recommendation |
|---|---|---|
| <p>a. In relation to 08 activities in the action plan for the year under review, Expenditure Rs.8,221,773 which is 93 percent had been incurred in excess over the estimated allocation of Rs.8,850,000. as well as according to the action plan in relation to 19 activities expected to be carried out an estimated amount of Rs.67,450,000 out of which provision of Rs.29,453,668 was not utilized.</p> | <p>Expenditure has been incurred in excess of the provision with the approval of the Board of Trustees. Provisions have been remained due to, not being able to complete procurement activities within the stipulated time and offices had been closed due to the Covid- 19 pandemic situation.</p> | <p>Action should be taken to incur expenses within the allocation limits.</p> |

- b. Financial provision of Rs.2,600,000 has been allocated for works which were not specified in the action plan prepared in relation to the year under review. Provisions are thus allocated to meet the recurring expenditure required for the continuation of the activities of the gardens. Activities have to be performed should be clearly identified and provisioned.