

Botanical Gardens Trust Fund - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Botanical Gardens Trust Fund for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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(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. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the fund as at 31 December 2022, 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 Qualified Opinion

I expressed a qualified opinion 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 for the Audit of the Financial Statements section of my report. I believe that the audit evidence that 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

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 those 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 Audit Observations on the preparation of Financial Statements

Accounting Deficiencies

The following observations are made.

Audit Observation	Management Comment	Recommendation
(a) Although the work in progress land development activities and buildings were Rs.22,621,698 and Rs.64,483,040 respectively as on the last day of the year under review, due to stating in the statement of financial position as Rs.24,974,950 and Rs.63,991,257, the work in progress land development activities were overstated by Rs.2,353,252 and work in progress buildings were understated by Rs.491,783.	Corrections will be made in preparing future accounts.	Accurate balances should be identified and brought to account.
(b) The amount of Rs.126,265 which was paid for supplying underground electricity at Seethawaka Wet-zone Botanical Garden was not capitalized under land development activities during the year under review.	Corrections will be made in preparing future accounts.	Expenses should be accurately stated in the financial statements.
(c) Although the battery car income of the year under review was Rs.19,038,160, due to accounting for it as Rs.19,710,120, the income for the year was overstated by Rs.670,960.	Corrections will be made in preparing future accounts.	Income related to the year should be accurately identified and brought to account.
(d) Although the flower plantation book income of the year under review was Rs.378,575, due to accounting it as Rs.591,315, the income for the year was overstated by Rs.212,740.	Corrections will be made in preparing future accounts.	Income related to the year should be accurately identified and brought to account.
(e) Although the souvenirs and gifts income of the year under review was Rs.656,420, due to accounting it as Rs.574,300, the income for the year was understated by Rs.82,120.	Corrections will be made in preparing future accounts.	Income related to the year should be accurately identified and brought to account.
(f) Although two commemorative plates and 195 cactus pots were sold during the year under review, due to the quantities sold had not been deducted from the closing stock, the final stock was overstated by Rs.299,928.	Corrections will be made in preparing future accounts.	The balance of the closing inventory should be accurately stated.

1.6.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules Regulations etc.	Non-compliance	Value Rs.	Management Comment	Recommendation
(a) Public Finance Circular No. 02/2018 dated 18 August 2018.	Without proceeding to close down this fund, a cabinet paper had been drafted and submitted to the Ministry of Tourism to make this trust fund in to a statutory fund.	-	That a required cabinet paper had been drafted and submitted to the Ministry of Tourism for submit a Cabinet Memorandum to make it a statutory fund.	Action should be taken in according to the Circular instructions
(b) Employees' Provident Act No. 15 of 1958 and Employers' Provident Fund Act No. 46 of 1980	The contributions payable for two employees who had been recruited on a contract basis in the years 2017 and 2018 had not been paid.	-	That appropriate action will be taken after consulting the Department of Labor.	Action should be taken in accordance with the provisions of the acts.
(c) National Budget Circular No. 03/2022 dated 26 April 2022	The money had been spent during the year under review without obtaining the approval of the Treasury for four activities related to the bicentennial celebration of the Royal Botanic Gardens.	15,002,943	That the trust deed has been approved by the Treasury for the establishment of the trust fund to collect, spend and invest 25 percent of the ticket income and the income from other sources.	Action should be taken according to the Circular instructions

2. Financial Review

Financial Result

The operating result of the year under review amounted to a surplus of Rs.100,639,364 and the corresponding surplus in the preceding year amounted to Rs.21,546,128. Therefore, an improvement amounting to Rs.79,093,236 of the financial result was observed. The improvement was mainly due to an increase in ticket income.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Management Comment	Recommendation
(a) Based on an total cost estimate of Rs.4,655,000 without certification of civil engineer who had prepared by an	That the verbal instructions of the Engineer of the Department have been	Estimates prepared as per Building Standard

<p>officer of the Scientific Service to construct a live plant wall near the main entrance of the Royal Botanic Gardens, for its frame Rs.1,235,000 and for flower pots Rs.3,420,000 had been recommended to be paid.</p>	<p>obtained.</p>	<p>Rate Analysis (BSR) should be certified by a civil engineer.</p>
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<p>(b) In the years 2015, 2018, 2021 and 2022, 5248 floriculture instruction books worth Rs.8,160,594 were printed without specifically identifying the need and were idle as at 31 December of the year under review.</p>	<p>Sales have been decreased due to fewer tourist visits due to the COVID-19 pandemic situation and the non-holding of the opening ceremony which was scheduled to be held simultaneously with the bicentennial celebration of the Royal Botanic Garden.</p>	<p>Books should be printed on demand.</p>
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3.2 Defects in Contract Administration

Audit Observation	Management Comment	Recommendation
<p>The contract for the construction of four museum halls in the Peradeniya Botanical Garden premises was awarded to the contractor on 30 December 2021 agreed for an amount of Rs.45,347,264. For that, Rs.7,175,225 had been paid, while 46 activities in the cost estimate related to the contract had not been completed.</p>	<p>That payment is essential to avoid unnecessary delays in contract work.</p>	<p>Payment should be made only for the work completed.</p>