

Annexure C

Botanical Society of South Africa: February 2019 AGM

TREASURER'S REPORT Y/E 31 MARCH 2018

The new Interim Council has been in office since August 2018, so this report, which covers the years ended 31 March 2016, 2017 and 2018, deals with three financial periods when this Council was not in control of policies or financial decisions.

The first key points to note are that when the Interim Council came into office in August 2018, we found the Society in a healthy financial position; and that we found no evidence of fraud or financial misappropriation. I wish to lay those concerns to rest right at the outset.

That said, there were certainly some decisions taken with financial implications that we would not have allowed had we been in office at the relevant times. I mention in particular the two forensic reports, namely the Price Waterhouse Cooper(PWC) Report of May 2017 at a cost of R178 000 and the Horizon Forensics Report of November 2018 at a cost of just under R300 000. I shall deal with what we regard as unwarranted expenditure on consultants later in this report.

The 2016 and 2017 Annual Reports incorporating the financial reports appeared respectively in the September 2016 and September 2017 Veld & Flora publications, and I refer Members to those reports which were the responsibility of the Council Members then in office.

I wish to explain very briefly to Members how it came to be that we have to consider and approve three sets of Annual Financial Statements in one sitting:

2016 AFS

In respect of the 2016 statements there was conflict between the then auditor, Mr Richard Browne on the one side and the Executive Director and certain of the Council Members on the other side. Without going into the details of the conflict, the upshot was that Mr Browne, for reasons of professional independence and accounting and audit rules, refused to sign off the final statements, so they could not be presented to Members for approval. Mr Browne was not reappointed for the 2017 audit and was unable to perform the requisite handover to the incoming auditor, so the defective 2016 accounts were carried forward. Inter alia, Mr Browne sued the Society for unpaid work done, and also for the alleged defamation previously referred to.

I interpose my history here to note that Richard Browne had served the Society with distinction as its auditor for twenty years or more. On behalf of the Society as a whole, I wish to thank Mr Browne for the essential role he performed over an extended period of time and to note an apology to him for the manner of his

departure. In particular the Interim Council withdraws unreservedly and apologises on behalf of the Society for the statement made about Mr Browne in the 2016 and 2017 Annual Reports. I am also happy to report that we have satisfactorily settled all the legal issues between the Society and Mr Browne and can move forward.

2017 AFS

Returning to the history. The 2017 financials were presented to Members at the September 2017 Annual General Meeting. However, they could not be voted on because the notice of the meeting did not contain the requisite provision for a postal vote. The Chairman at that AGM agreed to place both the 2016 and 2017 statements before Members at a Special General Meeting (SGM). This SGM was convened to be held at Durban Botanic Gardens on the 8th of March 2018. Regrettably, and perhaps predictably, it was inquorate, so once again approval had to be deferred.

That brings us to the present. We recognised that in order to set the accounts to rights it was essential to put past and present auditors together so that a proper handover could take place in accordance with auditing convention. Annelie Lucas the present auditor and Richard Browne the past auditor met in November 2018 to exchange information and complete the handover that should have taken place much earlier, and accordingly the 2016 statements could now be presented to the Interim Council for approval, and then to Members, to whom the auditor reports. These are the 2016 and 2017 Financial Statements before you today. Without the opening 2016 figures, the 2017 Financial Statements could not be satisfactorily presented. Annelie Lucas has reported to us now her satisfaction with both the 2016 and 2017 Financial Statements and has signed them off. The Finance sub-committee of the Interim Council has signed them off and has no reservation in presenting them to you, the Members for approval. I note here that I and other Members raised a number of queries about the reporting, particularly of the 2017 Financial Statements. I hope that my analysis of the 2018 Financial Statements below will indirectly clear up those queries, many of which arose from an imperfect understanding caused by a lack of explanatory detail in the Statements or accompanying reports.

2018 AFS

I want to deal with and analyse the 2018 Annual Financial Statements in more detail. I am not a Chartered Accountant, although as a former merchant banker I have some experience in reading financial reports. I found the BotSoc financial statements particularly difficult to understand, so I asked a few stupid questions and from the answers and help I received I'll try to unpack the figures from a lay perspective to attempt to clarify them to Members.

First thing to note is that all the financial figures of the Society are consolidated into a single column under the respective year heading, albeit with some explanatory notes. But this column does not clarify from which function of the Society each figure arises. The Society has a number of functions:

- (1) It provides services to its Members and their Branches, among other things receiving their annual contributions, issuing membership cards and paying an agreed ten percent of subscriptions to SANBI who in turn allow “free” entry for Members to the National Botanical Gardens.
- (2) The Society also operates the bookshops at Kirstenbosch to disseminate botanical related literature and information.
- (3) Both from Head Office and through its Branches the Society manages botanical related projects around the country, providing particular assistance to its partner SANBI.
- (4) It receives and allocates donations and bequests from Members and others who trust the Society’s ability to deploy funds to the optimal effect.
- (5) It invests the Society’s accumulated funds to the best effect, to offset the effects of inflation and provide additional income.

The financial effects of all of these activities are consolidated into a single income statement and balance sheet. Although such consolidation is procedurally and technically correct, it is difficult to gain an understanding of which figures relate to which function.

I want to try and break down the consolidated accounts to give a better picture of the functions described above.

BALANCE SHEET - 2018

Non-current assets

I’ll start with the balance sheet, or Statement of financial position on page 8. Note the bulk of the non-current assets are investments, comprising about R35 million, about R18.5 million of which is in interest-bearing deposits, and R16.5 million in listed share investments. This is a healthy sum of money but I want to leave Members and the incoming Council with the thought that consideration should be given to investing some of this nest egg into projects and assets that carry forward the objectives of BotSoc rather than keeping it in passive investments. It seems to me overly prudent to have all that wealth simply sitting there, and quite possibly diminishing each year with inflation.

Reserves

On the other side of the balance sheet we see Designated Reserves of R20.5 million, and an Accumulated Surplus of R16 million. The **Accumulated Surplus** is what it says, an accumulation of surplus funds built up year on year and not set aside for any defined purpose. I want to spend a little time on **Designated Reserves**. These are shown in more detail in the table on page 19 of the Financial Statements. The heading of each reserve fund gives some idea of its purpose, which is to set aside funds for specific projects and draw down on them when required for that specific purpose. So for example you can guess that the Centenary and Strategic Fund has long outlived its purpose, having been set up for the Centenary celebrations in 2013.

We were fortunate in having Dr Bruce McKenzie on our Interim Council, the former Chief Executive Officer of the Society from some time back. When it became apparent that we had a huge need for a steadying hand in the Head

Office, he stood down from the Interim Council in order to give advice to the Society in place of the General Manager of the Society. He has undertaken, given his institutional knowledge, to revise and simplify the fund setup within the Designated Reserves and I am sure the incoming Council will find this absolutely invaluable in the future. We particularly wish to focus on establishing a conservation unit, promote plants and support programmes for informing the country's youth from all sectors of society about the unique and magnificent botanical heritage that is theirs to guard for their descendants.

In addition, the infrastructure and systems at our Head Office have not been updated in the past 10 years and funds will be required to remedy this.

DETAILED INCOME STATEMENT - 2018

Donations and Bequests

I draw Members' attention to the Detailed Income Statement on page 17 of the Financial Statements. The first item in the Revenue column is Donations and Bequests. I give below the donations and bequests for the past four years:

	2015	2016	2017	2018
Donations in	R5 548 120	R2 225 485	R1 771 097	R3 999 656
Donations out	R1 916 920	R1 079 562	R2 844 925	R2 327 654

Overwhelmingly the main recipient of the donations out from the Society has been our partner SANBI. Included in the donations out is the 10% of membership fee income payable to SANBI in terms of the Memorandum of Understanding with SANBI, under which SANBI provides free access to SANBI gardens for paid-up Members. A large part of the balance of donations out relates to the CREW programme with SANBI, which is subject to a three year agreement signed in 2017 and therefore continues into 2019.

It is critical to note that wherever possible the Council endeavors to apply donations received towards the specified purpose, and so they cannot simply be applied to subsidising general expenses. At all times, the Council can be expected to ensure that the funds are applied in the best interests of the Society's objectives.

I did consider providing a breakdown of who the donors are, but in the absence of permission from each donor to do so, I would rather not risk a breach in confidentiality.

Events and Fundraising

The revenue from events and fundraising has shown a depressing decline as a direct consequence of the conflict within the Society. The table below is self explanatory:

2015	2016	2017	2018
R544 711	R741 539	R96 305	R185 987

It is to be hoped that this aspect of the Society's functions will be rejuvenated with the restored emphasis on Branch activity.

Bookshops

The two Kirstenbosch bookshops have been the subject of some debate within the Society. In 2017 they were summarily removed from the management of the Kirstenbosch Branch and brought under the control of the Head Office. But the financial management of the shops brought too much of a load onto the already busy Head Office financial staff, and two resignations later, we have at least temporarily steadied the ship. The shops, despite the best efforts of a committed staff, have also suffered considerably from lack of any relevant management input or supervision from Head Office for the past year. We asked Mike Martin, previously CEO of Jacana Publishers and past Treasurer of Kirstenbosch Branch, to provide us with some advice about how to optimise this important asset of the Society. Following on from this, discussions are being held with Kirstenbosch Branch and other Branches interested in managing satellite bookshops.

In order to give a fair picture of the scale of the bookshops I give below the summarised income statements of the bookshops for the past two years. We believe that the bookshops are a critical tool in the Society's communication strategy and would like the incoming Council to consider an expansion of the bookshops into other National Botanical Gardens.

	2017 R	2018 R
Sales	4 130 885	3 695 313
Cost of sales	(2 637 226)	(2 324 451)
Gross income	1 499 921	1 370 862
Less: Expenses	(1 201 803)	(1 108 465)
Net return	298 119	262 397

Membership fees and administration costs

Membership fees over the past four years have been:

2015	2016	2017	2018
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R5 111 976	R5 330 927	R5 540 005	R5 599 059

Bruce McKenzie has calculated the cost of administration of the Society for 2018 as being in the region of R5,4 million. Thus a small surplus can be expected over members' subscriptions. An urgent priority for the incoming Council will be to conduct a review of staffing responsibilities and remuneration. It is likely that this will lead to at least a temporary increase in administration costs, and the Council will have to consider ways of balancing the budget.

It is likely that the Council will have to have a long hard look at some of the Operating Expenses of the Society (shown on Page 18 of the AFS), and without going in to detail, I draw attention to the printing, design and postal costs of Veld & Flora in particular. Consideration must be given to producing an electronic version with a view to allowing members a choice and lowering postage costs.

It is necessary also to point out that there has been an unacceptable level of expenditure on consultants in the past two years, including in this, the financial year to March 2019. I have already mentioned the Price Waterhouse Cooper and Horizon Forensics reports. There was also considerable reliance on Public Relations and HR consultants, and legal advisers. I cite an egregious example of the August 2018 SGM that was requisitioned in terms of the 2013 Constitution by members. The then administration of the Society sought to cancel the SGM. The members who had requisitioned the meeting had to take the matter urgently to Court to reinstate the meeting. This application was unsuccessfully opposed by the Society's administration with the consequence among other things that the Society was saddled with the costs of both sets of lawyers.

IN CLOSING

BotSoc has been through a traumatic period and I have no doubt that the costs of the trauma will reflect in the 2019 Annual Financial Statements, with a startling level of legal and other consultants' fees, the great majority of which were incurred prior to the Interim Council taking office.

However, the Society has a very strong balance sheet and a large and increasing membership, that sets it apart from many South African NGOs. Now that it has a truly representative Council, a modernised Constitution and reinvigorated Branches, it is well set to face the many challenges of the coming years.

I took on this position as a temporary measure, to help where I could to put BotSoc back into a position where it could achieve its mission as set out in the Constitution. Although the task is by no means complete, I have decided to stand down in favour of a person or persons far more qualified than I am to take on the responsibility for the ongoing financial affairs of the Society.

Thank you

Brian Christie
BotSoc Treasurer 12 February 2019