

## **Zoo Development and Welfare Fund - 2013**

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The audit of financial statements of the Zoo Development and Welfare Fund for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and the income and expenditure statement, and cash flow statement and a summary of significant accounting policies and other explanatory notes 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 Section 08(5) Of National Zoological Gardens Act No 41 of 1982. My comments and observations in respect of the above financial statements appear in this report.

### 1.2 Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### 1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgements, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### 1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## 02 Financial Statements

### 2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of Zoo Development and Welfare Fund as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### 2.2 Comments on Financial Statements

#### 2.2.1 Accounting Deficiencies

The following observations are made.

- a) Tickets valued at Rs. 86,530 that remained at the ticket counter at the end of the year under review, had not been included in the stock.
- b) Deposits of Rs. 1,208,000 obtained in renting out cafeterias, had been included in the General Deposit Account of the Department of Zoological Gardens, instead of being stated under Current Liabilities of the Fund.
- c) Although it was not necessary to pay VAT on the expenses reimbursed, it was observed that VAT had been paid on expenses for electricity amounting to Rs. 313,805 reimbursed from 03 lessees of the cafeteria after being considered as income.
- d) As an amount of Rs. 2,354,094 had been depreciated even in the year under review for the assets valued at Rs. 47,081,891 that had exceeded the effective lifespan and been fully depreciated, provisions for depreciation and depreciation had been overstated by the similar amount.
- e) An amount of Rs. 2,787,045 earned through sale of tickets on 31 December of the year under review, had not been accounted as income of the year under review.

#### 2.2.2 Unexplained Differences

The following observations are made.

- a) The balance of the Treasury Deposit Account amounted to Rs. 1,318,581,680 as at the end of the year under review whereas, it was Rs. 1,319,172,030 according to the Treasury computer print outs. Action had not been taken to reconcile and identify the difference of Rs. 590,350.
- b) Although the expenditure for animal exchange for the year under review had been stated as Rs. 6,871,929 in the financial statements, a difference of Rs. 123,484 was observed as such expenditure was Rs. 6,748,445 according to registers maintained by the Fund.

- c) A difference of Rs. 2,538,670 was observed between the ticket income according to the detailed schedules and the ticket income brought to account during the year under review. There was a further difference of Rs. 248,375 after an amount of Rs. 2,787,045 being adjusted as an unaccounted income.

### 2.2.3 Lack of Evidence for Audit

Evidence stated against the following items had not been presented to audit.

<u>Item</u>	<u>Value</u> <u>Rs.</u>	<u>Evidence Not Presented</u>
(a) Work in progress (Relating to constructions at New Zoological Garden- Wagolla, Safari Park, and Zoological Garden , Dehiwala)	756,763,930	Schedules showing the completed constructions separately.
(b) Prior year adjustments (with regard to years 2012 and 2013)	8,490,000	Journal entries.
(c) Stocks of Souvenirs	3,049,123	Approval of the Treasury for write offs the Register of Losses and Damages, and Financial Regulation-104 reports.
(d) Souvenir Books	2,032,544	Detailed Schedules and Distribution Schedules on books distributed in the year 2012.
(e) Deposit Accounts	935,700	Detailed Schedules and approval for write offs
(f) Creditors	340,982	Detailed Schedules and age analysis

### 2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

A Registry of Fixed Assets had not been properly maintained in terms of Treasury Circular No. 842 dated 19 December 1978.

## 03. Financial Review

### 3.1 Financial Results

According to the financial statements presented, the financial results of the Fund for the year under review amounted to a surplus of Rs.415,114,492 as compared with the corresponding surplus of Rs.397,537,423 for the preceding year, thus indicating an increase of Rs.17,577,069 in the financial results of the year under review.

### 3.2 Analytical Financial Review

The following observations are made.

- a) The overall income of the Fund had increased by an amount of Rs. 62,789,692 as compared with the previous year and the expenditure of the Fund had increased by an amount of Rs.45,212,622. Furthermore, the overall ticket income had increased by Rs. 66,793,720 as compared with the previous year and of which a sum of Rs.55,950,950 was observed to be the increase of ticket income at the Elephant Orphanage in Pinnawala.
- b) Payments made as incentives and accident allowances during the year under review had increased by Rs. 13,198,814 as compared with the previous year. This had been due to the increasing of the monthly accident allowance from Rs. 2,100 to Rs. 2,500 with effect from 01 January 2013. Even though a methodology of computation of accident allowance based on attendance had been introduced, it had not been properly implemented.

## 04. Operating Review

### 4.1 Performance

#### 4.1.1 Arrival of Viewers and Income

Particulars on the No of viewers to the Zoological Garden , Dehiwala and Elephant Orphanage, Pinnawala and the income generated during the year under review and the previous year, are as follows.

#### (a) Zoological Garden , Dehiwala

	<u>2013</u>		<u>2012</u>	
	No of Viewers	Income Generated From Viewers	No of Visitors	Income Generated from Viewers
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		Rs.		Rs.
Local	1,429,322	112,079,300	1,412,062	110,039,210
Foreign	<u>27,120</u>	<u>34,521,500</u>	<u>21,188</u>	<u>25,108,000</u>
Total	<u>1,456,442</u>	<u>146,600,800</u>	<u>1,433,250</u>	<u>135,147,210</u>

The number of foreign viewers to the Zoological Garden , Dehiwala had increased by 5,932 or 28 per cent as compared with the previous year and the income generated had increased by Rs. 9,413,500 or 37.5 per cent. Similarity, the number of local visitors and the income earned through them had increased by 17,260 and Rs. 2,040,090 respectively.

(b) Elephant Orphanage, Pinnawala

	<u>2013</u>		<u>2012</u>	
	No of Viewers	Income Generated through Viewers	No of Visitors	Income Generated through Viewers
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		Rs.		Rs.
Local	437,628	33,115,310	497,157	36,083,510
Foreign	<u>278,740</u>	<u>516,401,750</u>	<u>266,297</u>	<u>455,554,750</u>
Total	<u>716,368</u>	<u>549,517,060</u>	<u>763,454</u>	<u>491,638,260</u>

The No of foreign visitors to the Elephant Orphanage, Pinnawala had increased by 12,443 or 4.7 per cent as compared with the previous year and the income generated had increased by Rs. 60,847,000 or 13.3 per cent. Nevertheless, the No of local visitors had decreased by 59,529 or 12 per cent. Accordingly, the income generated through local viewers had decreased by Rs. 2,968,200.

- (c) A separate ticket counter for the convenience of foreigners had not been allocated. Even though it was necessary to deploy a staff proficient in foreign languages including English at the ticket counters, it had not been so done. Furthermore, action had not been taken to facilitate the tourists by establishing observation centers

4.2 Operating Inefficiencies

Three sales outlets at the Zoological Gardens, Dehiwala, had been rented out to 03 institutes for a period of one year at monthly rentals amounting to Rs. 30,000, Rs. 20,000 and Rs. 15,000 without mentioning VAT. However, an amount of Rs. 62,678 had been paid as Value Added Tax from the Fund during the year under review.

4.3 Management Inefficiencies

Fifteen elephants and tuskers worth of Rs. 89,015,000 including 03 elephants and tuskers given in the year under review, had been provided with external parties in order to look them after and , the existence of those animals had not been established.

4.4 Uneconomic Transactions

The following weaknesses were observed as the bid valued at Rs. 7,615,725 was awarded for the supply of fruits to Elephant Orphanage, Pinnawala for the year 2013/2014.

- (i) Two bids received following the first newspaper advertisement had been rejected without adducing acceptable reasons and bids had been invited again again by publishing another newspaper advertisement. The bidder selected in that manner was the same person who submitted bids in the first instance; however, in the second bidding, he had submitted bids at Rs. 95, Rs. 126, and Rs. 175 for sour plantain, water melon, and pineapple respectively by increasing the price of every kilogram by Rs. 10. As the first bid had been cancelled under no acceptable reason, the Technical

Evaluation Committee and the Procurement Committee had incurred an apparent loss of Rs. 690,618 to the Fund.

- (ii) The bid for supplying fruits for the years 2012/2013 had been awarded to the same bidder he had supplied the aforesaid items at prices lesser by Rs. 30, Rs. 61 and Rs. 65 per kilogram respectively as compared with the prices for the year 2013/2014.
- (iii) As compared with that of the Zoological Garden , Dehiwala, those prices were higher than the prices, by of Rs. 45.50, Rs. 67 and Rs. 105 respectively. Hence, the prices for supplying fruits to Elephant Orphanage, Pinnawala were higher than that of the Zoological Garden , Dehiwala by 92 per cent, 113 per cent, and 150 per cent respectively.
- (iv) An overpayment of Rs. 1,788,953 had been made as 19,575 Kg of fruits had been supplied more than the agreed quantities from January 2013 to 27 December 2013.

#### 4.5 Weaknesses in Contract Administration

The following observations are made.

- (a) The State Engineering Corporation had been assigned to repair the collapsed area of the wall near the quarry of the of Zoological Garden premises, Dehiwala at an estimate of Rs. 6,023,174. Mobilization Advance amounting to Rs. 1,204,634 had been paid though, the repair works had remained incomplete even as at 31 July 2014 as the State Engineering Corporation had been removed from all construction work following a Cabinet decision.

The Director had informed that action had been taken to settle this money against the other bills to be paid in future.

- (b) The contract value paid with regard to “*Nidahas Ali Arana*” abandoned halfway by the State Engineering Corporation in the year under review amounted to Rs. 10,264,754 and, the construction had not been completed even as at 30 September 2014.

#### 4.6 Transactions of Contentious Nature

The rental income of the welfare sales outlet maintained at the Zoological Garden, Dehiwala, amounting to Rs. 4,882,250 for the year under review had been given to the Welfare Association of the Department without being credited to the income of the Fund. Hence, the income of the Fund had been understated by a similar amount. Further, the Department had paid an amount of Rs. 240,000 at Rs. 20,000 per month as electricity charges of the sales outlet.

## 05 Accountability and Good Governance

### 5.1 Action Plan

The following observations are made.

- (a) Provisions for each program under main projects for the current year had not been stated in the Action Plan prepared for the year 2013.
- (b) Even though performance reports had been prepared on quarter basis by the Institute, sufficient information required to compare the estimated provision and actual expenses , had not been presented.
- (c) Matters such as, the expected total expenditure for each task, estimated expenditure during the year and, the actual expenditure incurred during the year, had not been included.
- (d) Allocations of funds had been stated only under main activities and, the expenditure on sub activities and its financial performance had not been stated in the performance reports.
- (e) It was not possible to identify through the performance reports that funds had been spent on each activity either by Zoological Gardens Development Fund or the Department of Zoological Gardens.

### 5.2 Internal Audit

The Zoo Development and Welfare Fund had not conducted an internal audit for the year 2013.

### 5.3 Audit Committees

Audit Committee meetings for the year 2013 had not been held.

### 5.4 Budgetary Control

An amount of Rs 442,000,000 had been provided through the capital estimates under Development Fund on the construction of Safari Park, Hambantota, New Zoological Garden and Elephant Orphanage in Pinnawala and a sum of Rs. 284,000,000 had been provided through the Heads of the Department of Zoological Gardens for the same constructions. However , funds had not been provided by separately identifying the relevant activities under the project. Hence, it was not possible to identify the value of the constructions relating to the capital expenditure correctly.

### 5.5 Unresolved Audit Paragraphs

An amount of Rs. 3,049,123 stated as the difference between stocks of souvenirs by the end of the years 2011 and 2012, had been written off from the Accumulated Fund in the year 2012. Once this was pointed out in audit, it was informed that the erroneous write offs would be rectified by the financial statements for the year 2013; nevertheless, such a rectification had not been done in the year 2013. Hence, the balance of the Accumulated Fund had been understated by a similar amount.

### 06 Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director from time to time. Special attention is needed in respect of the following areas of control.

- (a) Budgetary Control
- (b) Accounting for Fixed Assets
- (c) Process of supplying animal foods
- (d) Issuance of tickets and collection of income
- (e) Internal audit
- (f) Stocks control
- (g) Control of vehicles
- (h) Control of expenses