

Wildlife Conservation Fund - 2014

The audit of financial statements of the Wildlife Conservation Fund for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 and the statement of income and expenditure and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 55 of the Fauna and Flora Protection Ordinance as amended by the Fauna and Flora (Amendment) Act, No. 22 of 2009. My comments and observations on the above financial statements appear in this report.

1.2 Management's Responsibility for the 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, conducted in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items and the elements making up the balance sheet, statement of income and expenditure and the cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

- (a) According to Sri Lanka Public Sector Accounting Standard 07 assets should be depreciated from the day they are brought to the useful condition. The depreciation

for the year had been overstated by a sum of Rs.10,136,160 due to the failure to take action accordingly.

- (b) The basis of valuation of stocks had not been disclosed in financial statements in terms of Sri Lanka Public Sector Accounting Standard 09.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) A sum of Rs.4,004,160 for milk powder, a sum of Rs.126,658 for electricity and Rs.61,880 for newspaper advertisements payable in respect of the year under review had not been shown as accrued expenses in the financial statements.
- (b) Even though a sum of Rs.4,178,965 had been paid in the year under review for the purchase of 7,500 rubber bullets, the stocks had not been received. Nevertheless, payment had been written off as an expenditure instead of being shown in the financial statements as stocks in transit.
- (c) The sum of Rs.3,000,000 received from a private institution as reimbursement of the damage caused to the Wildlife Reservation from the Naya Ganga Micro Hydroelectric Plant had not been brought to account.

2.2.3 Lack of Evidence for Audit

- (a) The evidence indicated against the following items had not been furnished to audit.

Item	Value	Evidence not made available
-----	-----	-----
	Rs.	
(i) Stocks of Elephant Cartridges	761,712	Physical Verification Reports
(ii) Awareness Programmes	800,000	List of Participants and particulars of Resource Persons
(iii) Bonus Payable	33,197,326	Detailed Schedules and Age Analysis

- (b) The transactions carried out by the Department of Wildlife Conservation on behalf of the Fund had been copied to the Ledger of the Fund through Journal Entries. Even though those Journals Entries had been recorded in a Journal, Journal Vouchers had not been prepared. The supporting documents forming the basis for the Journal Entries had not been furnished to audit. As such, it was not possible to vouch satisfactorily in audit, the transactions valued at Rs.2,158,036,329 transferred to the Fund through Journal Entries during the year under review.

2.3 Accounts Receivable and Payable

The service charges balances payable older than three years amounted to Rs.60,063,971.

2.4 Transactions not supported by adequate Authority

The following observations are made.

- (a) A sum of Rs.3,377,500 had been paid in the year under review to the Field Officers of the Department of Wildlife Conservation as incentives without the approval of the Director General of Establishments.
- (b) Fifteen Bowser Trailers and 12 Tipping Trailers valued at Rs.7,945,400 had been purchased without obtaining the approval of the Department of National Budget of the General Treasury.

2.5 Non-compliance with Laws, Rules and Regulations

The following instances of non-compliance were observed during the course of audit.

Reference to Laws, Rules and Regulations

Non-compliance

- | | |
|--|---|
| (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
Financial Regulation 757(1) | Furniture and equipment costing at Rs.6,265,797 had not been recorded in the Inventory Register of the Marandamadu Forest Lodge. |
| (b) Procurement Guidelines 2006 | |
| (i) Section 5.4.4 (i) | Advances amounting to Rs.337,650 had been granted without obtaining an Advance Payment Guarantees. |
| (ii) Section 8.13.4 | Even though additional work and the cost variances of the construction of Lunuwewa Circuit Bungalow had exceeded 10 per cent of the total cost the approval of the Secretary to the Ministry had not been obtained for such payments. |

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Fund for the year ended 31 December 2014 amounted to a surplus of Rs.735,934,278 as compared with the corresponding surplus of Rs.530,377,190 for the preceding year, thus indicating an increase of Rs.205,557,088 in the financial results. The increase of the Parks entrance fees for the year under review by a sum of Rs.240,316,894 as compared with the preceding year had been the main reason for the improvement.

3.2 Analytical Financial Review

The following observations are made.

- (a) The income of the Fund for the year under review amounting to Rs.1,199.6 million for the year under review as compared with the income of Rs.942.4 million for the preceding year indicated an increase of Rs.257.2 million or 27.3 per cent.
- (b) The expenditure of the Fund for the preceding year amounted to Rs.412 million and that had increased by a sum of Rs.51.68 million or 12.5 per cent to Rs.463.68 million. That increase was mainly due to the increase of expenditure on foreign training and the Value Added Tax by 623 per cent and the increase of the expenditure on the Conservation of Wildlife by 517 per cent and the increase of expenditure on chasing of elephants by 113 per cent.

4. Operating Review

4.1 Management Inefficiencies

The following observations are made.

- (a) The Circuit Bungalow at Marandamadu had been constructed to provide accommodation facilities to 60 tourists and a Bungalow keeper and a Bungalow Assistant only had been attached to that Circuit Bungalow. It was observed in audit that it is not possible to properly maintain the Bungalow due to the failure to attach an adequate number of officers.
- (b) According to the Register of Tourists, the Maradamadu Forest Lodge had been opened to the local tourists with effect from 11 July 2014. In addition, the name of the permit holder only had been recorded in the register. The times of arrival and departure of the tourists had not been recorded therein. As such that register had not been maintained in the correct and proper manner.

4.2 Transactions of Contentious Nature

Contrary to the objectives of the Fund, a sum of Rs.358,000 had been spent for the printing of 100,000 almanacs of the year under review.

4.3 Idle and Underutilized Assets

The following observations are made.

- (a) Even though the construction of the Mahawewa Circuit Bungalow had been completed at a cost of Rs.12,873,293 , it had not been made use of over a period exceeding one year up to February 2015 as an access road not been constructed.
- (b) The Circuit Bungalow at Weewala constructed at a cost of Rs.11,727,309 remained closed down over a period of 01 year 09 months by July 2015 due to the lack of water.

4.4 Identified Losses

The following observations are made.

- (a) A sum of Rs.15,668,338 had been overpaid to the contractor on account of the construction of the Marandamadu Forest Lodge in the Wilpattu National Park.
- (b) The offer of the lowest quotation received in connection with the hire of large scale LED Television Screen for installing at the Deyata Kirula Exhibition Grounds had not been awarded. As such the Fund had incurred a loss of Rs.891,935 due to not awarding the contract to the institution which quoted the lowest offer.

4.5 Deficiencies in Contract Administration

The following observations are made.

- (a) A sum of Rs.1,201,847 in exceed of the Engineering Estimate had been spent in the construction of the Lunuwewa Circuit Bungalow. In addition, it was observed during the course of audit physical examination of the work measurements of the official quarters of the Circuit Bungalow Keepers' Quarters, Mahakandarawa Mihintale, that a sum of Rs.748,760 had been overpaid.
- (b) Out of the liquidated damages amounting to Rs.4,157,820 recoverable for the delays in the construction of the Circuit Bungalows at Lunuwewa, Mahakandarawa, Maha Wewa and Weewala, a sum of Rs.66,664 only had been recovered.
- (c) A sum of Rs.26,777,087 had been spent in connection with the additional and extra works relating to the construction of Very Important Persons (VIP) rooms in all the 4 Circuit Bungalows referred to above. It was further observed that during rainy days, in addition defects in planning such as rain water flowing into the bungalow (with the wind) lack of drains systems to ensure flow out of rain water, absence of gutters were also observed.
- (d) The construction of the Manikkapola Uttu Circuit Bungalow had been awarded to a contractor for the Engineering Estimate of Rs.13,524,826. Even though the work

should have been completed on 10, May 2013 as specified in the agreement, the work had not been completed even by the end of February 2015. Even though it had been agreed to lay 100 mm PVC pipes for the water tank constructed, certain PVC pipes not conforming to standards which had been issued to the Department of Irrigation had been used and a bill for Rs.106,500 had been produced for that. The Central Engineering Consultancy Bureau had agreed to provide consultancy services for this construction for a fee of Rs.786,000 and a sum of Rs.652,256 had been paid by April 2015.

A sum of Rs.383,670 had been paid on the certificate of the Central Engineering Consultancy Bureau for the construction of the banister inside the Bungalow out of ginisapu timber and polishing. As the banister did not conform to the standards it had started to decay even before the opening of the Circuit Bungalow. The physical inspection of the work revealed that due to the defects in the designs and lack of concern for the work the completion of construction had been delayed.

- (e) According to the agreement signed with the contractor for the construction of the Marandamadu Forest Lodge of the Wilpattu National Park, the work should have been completed on 12 June 2013. But it had not been completed in accordance with the agreement, and the liquidated damages had not been recovered. Deficiencies such as the failure of the consultants to prepare proper designs, non-submission of information to audit, lack of physical progress reports, recommendations made for making payments on 02 bills for additional work without submitting the final bill and defects in the bidding documents and other connected documents produced by the contractor were observed in connection with this contract. The management had not taken action either to rectify the above weaknesses or to furnish the comments in this connection.

5. Accountability and Good Governance

5.1 Action Plan

An Action Plan for the year under review had not been prepared.

5.2 Procurement Plan

Construction of buildings costing Rs.22,335,666 and the purchase of rubber bullets valued at Rs.4,178,966 not included in the Procurement Plan for the year under review had been carried out.

5.3 Meetings of the Audit Committee

Even though a period of two years had elapsed since taking a decision to introduce the issue of admission tickets in instances where the issue of computer generated receipts is not possible in order to prevent the misconduct that could take place in the issue of General 172 Receipts, such tickets had not been introduced up to date.

5.4 Unresolved Audit Paragraphs

The Fund / Department had not taken any steps whatsoever in connection with the following audit observations pointed out by the audit in the preceding year.

- (a) Board of Survey not conducted in respect of firearms, cartridges and elephant cartridges from the year 2008 and the failure of the officers who were deployed in the past to handover assets in their custody in writing.
- (b) Misplacing of 16 Ticket Books valued at Rs.58,000 of the Elephant Intermediate Shelter.
- (c) It was observed that the collection of revenue at National Parks by issue of General 172 Receipts could lead to frauds. Even though two years had elapsed after an agreement was reached at the meeting of the Audit Committee that this position should be set right, the Management had not taken any action to rectify the matter.
- (d) Even though a sum of Rs.4,574,919 had been spent for the construction of the platform for herding and unloading of elephants at the Angamedilla National Park, the buildings remained idle.
- (e) Even though the contract for the construction of Staff Quarters, Range Forest Office and the labour quarters at cost of Rs.8,630,360 had been awarded to a contractor and an agreement had been signed in the year 2011 and a mobilization advance of Rs.1,933,200 had been paid to the contractor for completion of the work by the end of the year 2011, the work on the Project had not been commenced even by the end of the year under review.

5.5 Discharge of Environmental and Social Responsibilities

Even though the major objective of the enactment of the Fauna and Flora Protection (Amendment) Act, No. 22 of 2009 had been the protection and conservation of the habitats of the fauna and flora of Sri Lanka, the prevention of the use of those fauna and flora and their habitats improperly for commercial and other purposes and making provision for the safeguard of biodiversity of Sri Lanka, action had been taken contrary to that for allowing 14,485 trees to be felled and removed under the Moragahakanda and Kaluganga Projects and for the collection of money for the tress and granted approval for a private institution to construct a Hydroelectric Power Station under the Naya Ganga Project in the Strict Natural Reserve and recovered a sum of Rs.3 million in that connection.

5.6 Budgetary Control

The expenditure under 07 items of the Budget of the Fund had exceeded the budget limit by a sum of Rs.43,765,791. Further, the budget of the Fund had been revised in 21 January 2015. Accordingly, the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

- (a) Collection of Revenue from the Wildlife Parks
- (b) Collection of Fines and Payment of Bonuses
- (c) Cadre Management
- (d) Maintenance of Documents
- (e) Contract Administration
- (f) Stock Control