

## **Zoological Gardens Development and Welfare Fund - 2014.**

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The audit of the financial statements of Zoological Gardens Development and Welfare Fund for the year ended 31 December 2014 comprising the statement of balance sheet as at 31 December 2014 and the statement of income, statement of changes in equity and the 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 08(5) of the National Zoological Gardens Act, No.41 of 1982. My comments and observations on the above financial statements appear in this report.

### **1.2 Management's responsibility for the Financial Statements**

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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**

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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 the 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 risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the preparation and fair presentation of the fund's 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 the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **1.4 Basis for Qualified Audit Opinion**

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

## 2 Financial Statements

### 2.1 Qualified Opinion

In my opinion, except for the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Zoological Gardens Development and Welfare Fund as at 31 December 2014 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

- (a) Deposits obtained on rent out of canteens amounting to Rs.1,764,000 and guarantee deposits made by animal food suppliers amounting to Rs.2,388,358 had been included in general deposit account of Department of Zoological Gardens instead shown under the current liabilities of the Fund.
- (b) Value Added Taxes amounting to Rs.31,996,982 paid during the year under review had been deducted from profit before tax and shown as income tax in the income statement .

#### 2.2.2 Lack of audit evidence

The following evidence for use items shown below had not presented for the audit.

<b>Item</b>	<b>Value(Rs)</b>	<b>Evidence not presented</b>
(a) Work in Progress(In relation to the constructions of new zoological Garden and safari garden at Wagolla and zoological Garden at Dehiwala)	756,763,930	Separate schedules to show the costs incurred before 2014 on constructions of which physical work was completed.
(b) Souvenirs	2,032,544	Distribution lists of the books which distributed in the year 2012.
(c) Creditors	340,982	Detailed schedules and Age Analysis.
(d) Ticket book stock	3,306,042	Stock verification reports.
(e) souvenirs stock	7,168,059	Stock verification reports

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

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A fixed asset register had not been maintained according to the provisions made in the Treasury Circular No. 842 of 19 December 1978.

## 3 Financial Review

### 3.1 Financial Results

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According to the financial statements presented, the financial result of the operation of the Fund for the year under review had resulted in a surplus of Rs. 550,500,998 as compared with the corresponding surplus of Rs.415,114,491 for the preceding year. Thus indicated that an increase of Rs.135,386,507 of the financial result for the year under review as compared with the preceding year.

### 3.2 Analytical Financial Review

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It was observed an increase of Rs.187,403,875 in the total income of the Fund compared to the preceding year whilst an increase of expenditure Rs.46,328,652. Further there was a net increase of Rs.147,533,970 of total income on selling tickets , compared with the income of the preceding year, income generated from Zoological Garden at Dehiwala had been decreased by Rs.1,322,390 when compared to the preceding year.

## 4 Operational Review

### 4.1 Performance

#### 4.1.1 Visit of spectators and Income

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Details of the visits of spectators to the Zoological Garden at Dehiwala and Elephant Orphanage at Pinnawala and income generated thereon, during the year under review and the preceding year, are given follows.

#### (a) Zoological Garden at Dehiwala

	2014		2013	
	No. of spectators visited	Income earned Rs.	No. of spectators visited	Income earned Rs.
Local	1,249,562	98,383,110	1,429,322	112,079,300
Foreign	28,823	46,895,300	27,120	34,521,500
Total	<u>1,278,385</u>	<u>145,278,410</u>	<u>1,456,442</u>	<u>146,600,800</u>

The foreign spectators visited to the Zoological Garden at Dehiwala had increased by 1,703 representing 6 per cent compared with the preceding year. Therefore the total income had been increased by Rs.12,373,800 representing 35 per cent. However the number of local

spectators visited and income generated thereon had been decreased by 179,760 and Rs.13,696,190 respectively.

**(b) Elephant Orphanage at Pinnawala**

	2014		2013	
	No. spectators visited	Income earned Rs.	No. spectators visited	Income earned Rs.
Local	444,483	32,601,730	437,628	33,115,310
Foreign	320,040	698,887,000	278,740	549,517,060
Total	<u>764,523</u>	<u>731,488,730</u>	<u>716,368</u>	<u>582,632,370</u>

The foreign spectators to visited to the Elephant Orphanage at Pinnawala had increased by 41,300 representing 15 per cent compared to the preceding year. Therefore the total income generated had been increased by Rs.149,369,940 representing 27 per cent. The visits of local spectators had increased by 6,855 representing 9 per cent during the year under review. However, the income generated from the local spectators had decreased by Rs.513,580

**4.2 Management Inefficiencies**

The following observations were made.

- (a) Even though a Register of Animals’ Needs had been prepared, it was not done by a committee appointed for that purpose. Further a report had not been prepared and presented to the Ministry, as enable to review the progress. A program to purchase new animals in place of dead animals of the Zoo, was not presented for the audit.
- (b) It was allowed to outside parties to look after 16 elephants valued at Rs.95,222,500 at the end of the year under review. However the breathe of the animal had not been confirmed.

**4.3 Contract Administration**

Bills valued at of Rs.1,488,565,804 related to 70 contracts of which construction works was completed was shown as work in progress in the statement of financial position as at 31 December for the year under review. Construction works completed could not be brought to account as fixed assets , due to several reasons such as payments made out of the Fund as well as from vote of expenditure of the Department was not segregated and contractors were not in a position to submit final bills as the price variances on bills presented to an independent party to confirm the price variances were not yet settled.

**4.4 Transactions of Contentious Nature**

With reference to the three bids for supplying animals’ food for zoological gardens at Dehiwala, Pinnawala and Safari Hambanthota, the contract was granted to the second bidder as the first bidder selected had not obliged and in relation to another two contracts third

bidder had been selected as the second bidder also did not undertake the contracts. Supply contracts were awarded to the next bidders in that manner.

This position was observed during the preceding years as well and it was observed that bids had not been to accepted due to failure in taking into consideration by the fund in respect of confirmation on capacity of supplying of suppliers (financial viability, bank accounts, statements of accounts in preceding years) and legal and organizational position. (registered certificates etc.)

## **5 Accountability and Good Governance**

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### **5.1 Internal Audit**

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Internal audit was not carried out by the Zoological Gardens Development Fund for the year under review.

### **5.2 Budgetary Control**

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The capital expenditure estimated for the year under review amounted to Rs.515,000,000 and actual expenditure was Rs.739,223,871 this exceeding the estimate by Rs.224,223,871 revealed that the budget had not been used as an effective instrument of financial control.

## **6 Systems and Controls**

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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 systems and controls.

- (a) Budgetary Control
- (b) Accounting
- (c) Maintenance of Registers
- (d) Procurement of Animals' Foods
- (e) Stock Control