

Zoological Gardens Development and Welfare Fund - 2015

The audit of financial statements of the Zoological Gardens Development and Welfare Fund for the year ended 31 December 2015 comprising the balance sheet as at 31 December 2015 and the statement of income, statement of changes in equity 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 8(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

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 Auditing 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 judgement, including the assessment of the risks of material misstatement 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.

2. 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 the National Zoological Gardens Development and Welfare Fund as at 31 December 2015 and its financial performance and cash flows for the period then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

In depreciating the property, plant and equipment in terms of the Sri Lanka Public Sector Accounting Standard 07, those had been depreciated on the basis of the overall value disregarding the effective life of each asset.

2.2.2 Accounting Policies

Even though the current value of animals for exhibition for the year under review had been shown under the non-current assets as Rs.980,835,650, the criteria used for the valuation of those assets had not been disclosed in the accounting policies.

2.2.3 Accounting Deficiencies

The following observations are made.

- (a) The books valued at Rs.59,551 and Rs.36,327 purchased during the year under review for the libraries of the Dehiwala Zoological Gardens and the Ridiyagama Safari Park respectively had been brought to account under the sundry expenditure instead of being brought to account as assets.
- (b) The value of balance of animal feed as at 31 December of the year under review had not been computed and brought to account.
- (c) The assets brought to usable status and used for operating activities by the Fund totaling Rs.490,282,904 as at the end of the year under review had been shown as the work-in-progress instead of capitalizing and as such the depreciation thereon had not been brought to account.
- (d) Action had not been taken for takeover and account for a sum of Rs.10,301,650 spent by the Department of Zoological Gardens on behalf of the Safari and Zoological Gardens Fund.

- (e) Unidentified payments amounting to Rs.72,196,556 and unidentified receipts amounting to Rs.360,590 according to the Bank Reconciliation Statement prepared as at 31 December 2015 had not been identified and brought to account.

2.2.4 Unexplained Differences

The following observations are made.

- (a) According to the financial statements presented for the year under review, the accrued expenses amounted to Rs.1,424,798 and according to the expenditure ledger of the Fund, that amounted to Rs.1,830,882 and as such a difference of Rs.406,084 was observed.
- (b) According to the financial statements presented, the value of work-in-progress amounted to Rs.135,737,022 and according to the schedules relating thereto, that amounted to Rs.93,176,728. As such a difference of Rs.42,560,294 was observed.
- (c) The opening balance of the Treasury Deposit Account for the year under review and the closing balance as at 31 December amounted to Rs.1,432,763,200 and Rs.1,842,490,560 respectively and the opening balance and the closing balance according to the balance sheet of the Fund amounted to Rs.1,431,478,742 and Rs.1,849,298,100 respectively. As such differences amounting to Rs.1,284,458 and Rs.6,807,540 respectively were observed.

2.2.5 Lack of Evidence for Audit

The evidence indicated against the following items of account had not been furnished to Audit.

Item -----	Value ----- Rs.	Evidence not made available -----
Income, Expenditure, Assets and Liabilities	4,833,084,966	General Ledger, Assessments and Journal Entries
Work-in-progress	1,290,924,857	Detailed Contract Payment Register
Creditors	340,982	Detailed Registers or Schedules and Age Analysis
Exhibition Animals	980,835,650	Register of Fixed Assets Containing the Current Value of Animals
Property, Plant and Equipment	217,513,175	Register of Fixed Assets
Prior Year Adjustments	484,820	Journal Entries

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

The following instances of non-compliance were observed.

Reference to Laws, Rules, Regulations, Non-compliance and Management Decisions

(a) National Zoological Gardens

Act, No.41 of 1982

- Section 8(3) (a)

Expenditure on incentives to the Public Officers serving in the Department of Zoological Gardens amounting to Rs.22,134,258, foreign training amounting to Rs.3,522,050, Local training amounting to Rs.10,000 and employees welfare expenses amounting to Rs.451,040 had been incurred from the Fund during the year under review.

- Section 9(1)

The Minister may appoint an Advisory Committee with Director as the Chairman and 11 other members for the purpose of advising the Director in connection with all matters and problems relating to the Zoological Gardens and for making recommendations to the Minister. Such Advisory Committee had not been appointed.

- Section 9(2)

Even though the Advisory Committee should meet at least twice each year, such meetings had not been held.

-Section 14

Expenditure amounting to Rs.2,541,875,764 had been spent up to 31 December of the year under review on the Wagolla Zoological Gardens, the Hambantota Rediyagama Safari Park and the Kahapola Environmental Park which do not fall under interpretation of the word Zoological Gardens in terms of the Act and without legal provisions.

(b) Government Procurement Guideline
of 25 January 2006

Fish feed valued at Rs.3,214,302 had been purchased from January 2013 to 31 December 2015 from the open market on ad hoc advance basis without following the Procurement Process. Such advances had been settled without producing the necessary documents.

- (c) Value Added Tax Act, No.14 of 2002 Value Added Tax amounting to Rs.33,103,307 relating to the payments of the Department of Zoological Gardens had been posted under the Zoological Gardens Development and Welfare Fund.

3. Financial Review

Financial Results

According to the financial statements presented, the financial result of the Fund for the year ended 31 December 2015 amounted to a surplus of Rs.631,057,480 as compared with the corresponding surplus of Rs.550,500,998 for the preceding year thus indicating an improvement of Rs.80,556,482 in the financial result for the years under review as compared with the preceding year. The increase of the income of the Dehiwala Zoological Gardens and the Pinnawala Elephant Orphanage by Rs.86,539,782 and Rs.5,256,614 respectively had been the main reason for the increase of the above improvement.

An analysis of the financial results of the year under review and the 04 preceding years indicated that the surplus of Rs.373,338,295 in the year 2011 had continuously improved to Rs.631,057,480 in the year 2015. In taking to account the depreciation on the non-current assets and the taxes paid, the contribution of Rs.420,557,041 in the year 2012 had continuously improved to Rs.692,779,039 in the year 2015.

4. Operating Review

4.1 Performance

According to the National Zoological Gardens Act, No.41 of 1982 the objectives of the Fund are as follows.

- (i) Recruitment of employees for the administration of the National Zoological Gardens Development and Welfare Fund.
- (ii) Supply of special areas for parking of motor vehicles of the persons visiting to view the Dehiwala Zoological Gardens.
- (iii) Formulation of welfare and incentive schemes for the employees of the Zoological Gardens.
- (iv) The establishment of an Advisory Committee for providing advice to the Director on all matters and problems relating to the Zoological Gardens and to make recommendations to the Minister.
- (v) Holding the meetings of the above Advisory Committee at least twice each year.

- (b) Even though provisions amounting to Rs.565,000,000 had been made according to the Action Plan for 45 projects a sum of Rs.246,420,391 only had been spent. Eight projects valued at Rs.39 million planned had been indefinitely postponed.

4.2 Management Activities

The following observations are made.

- (a) Bid deposits amounting to Rs.1,959,900 older than two years as at 31 December of the year under review had been retained in the Deposit Account without being settled appropriately or writing back to income.
- (b) The profitability or the loss of each Zoological Garden could not be ascertained as separate income statements for each Zoological Garden had not been prepared.
- (c) Action had not been taken for the settlement of retention money totalling Rs.44,828,258 collected by the Fund from the suppliers and contractors.

4.3 Transaction of Contentious Nature

The following observations are made.

- (a) Even though the Cabinet of Ministers had decided in connection with the Cabinet Memorandum No.CM/13/1038/562/006 dated 16 August 2013 relating to the Ministry of Botanical Gardens and Public Recreation, against the payment of a sum of Rs.10,976,195 to the Consultancy Firm in connection with construction of the Pinnawala Zoological Gardens, the Ministry of Tourism and Sports had submitted an incorrect Memorandum in the year 2015, obtained the approval of the Cabinet of Ministers and paid the above sum to relevant Compny.
- (b) The contract for the construction of the Hambantoa Safari Park at an estimated cost of Rs.157,570,248 had been awarded to the Central Engineering Consultancy Bureau without inviting bids in terms of the Government Procurement Guidelines. The Central Engineering Consultancy Bureau had subcontracted the contract to three institutions without the approval of the Fund. It was observed in audit that an overpayment of Rs.49,614,290 had been made in the payment for construction work done.

4.4 Identified Losses

Lorries with 31/2 cube capacity had been used for the disposal of animal droppings and garbage of the Pinnawala Elephant Orphanage and a sum of Rs.3,685,696 had been overpaid in that connection.

4.5 Apparent Irregularities

A sum of Rs.502,500 had been paid for the transport of gravel earth for preparing the access road to the Pinnawala Elephant Orphanage. At an audit examination of the payments it was observed that the vehicle numbers given for the transport of gravel had been the numbers assigned to buses and vans.

4.6 Staff Administration

Human Resources Management Plan had not been prepared for the Zoological Gardens Development and Welfare Fund.

5. Accountability and Good Governance

5.1 Internal Audit

The Zoological Gardens Development and Welfare Fund did not have an Internal Audit Section during the year under review and an internal audit of the Fund had not been done even by the Ministry.

5.2 Procurement Plan

Even though the Guideline 4.2.1 of the Government Procurement Guidelines 2006 requires that a Master Procurement Plan at least for a period of three years with the detailed procurements for the immediately succeeding year should be prepared, such instruction had not been complied with in connection with the Zoological Gardens Development and Welfare Fund.

5.3 Budgetary Control

Significant variances ranging from 54 per cent to 100 per cent were observed between the estimated expenditure for the year under review and the actuals in respect of 11 items thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

Areas of Systems and Controls

Observation

(a) Fixed Assets Control	(i) The value had not been capitalized immediately after the completion of construction and depreciated. (ii) Expenditure on the same construction project had been met by the Zoological Gardens Development and Welfare Fund and the Provisions in the Departmental Head and as such in capitalizing the real value of an asset had not been reflected.
(b) Internal Audit	An internal audit of the transactions of the Fund had not been carried out.
(c) Maintenance of Registers	The registers containing the particulars and the value of all fixed assets, contract payments and exhibition animals had not been maintained.
(d) Purchases	The proper methodology for the purchase of animals and fish had not been followed.
(e) Valuation of Animals and Maintenance of Records.	An acceptable methodology had not been followed in the valuation of animals. The standard records in terms of the Financial Regulations had not been maintained for dead animals.