

Wildlife Conservation Fund - 2016

The audit of Financial Statements of the Wildlife Conservation Fund for the year ended 31 December 2016 comprising the balance sheet as at 31 December 2016 and the income and expenditure statement, the 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 Regulations issued under Section 71(2)(h) of the Fauna and Flora Protection Ordinance as amended by the Fauna and Flora Protection (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. 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 judgment, including the assessment of 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 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 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 Wildlife Conservation Fund as at 31 December 2016 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 Sri Lanka Public Sector Accounting Standards

Depreciation of an asset begins when it is available for use, in terms of Section 69 of the Sri Lanka Public Sector Accounting Standard 7, contrary to that, the accounting policy on depreciation of fixed assets of the Fund had been determined. Accordingly, the depreciation had been made for the entire year by the Fund and as such the depreciation totalling Rs.6,549,506 had been overstated.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) A sum of Rs.4,716,463 to be accounted as works-in-progress of the year under review had been brought to accounts as buildings repair expenses.
- (b) Revenue totalling Rs.24,455,199 received direct to the bank account as at 31 December of the year under review had been brought to accounts as revenue receivable and as such the current assets in the statement of financial position had been overstated by that amount.

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

Non-compliances with the following laws, rules, regulations and management decisions were observed.

Reference to laws, rules etc.

Non-compliance

(a) Treasury Circulars:

- (i) Circular No.842 of 19 December 1978. Even though, the invoice value of fixed assets purchased had been indicated in the register of fixed assets, particulars such as annual depreciation, revaluations or disposals had not been separately included.

- | | | |
|------|--|---|
| (ii) | Circular No.IAI/2002/02 of 28 November 2002. | A separate register of fixed assets in respect of Computers, Accessories and Software valued at Rs.5,840,653 had not been maintained. |
| (b) | Public Enterprises Circular No.PED/12 of 02 June 2003. | |
| (i) | Section 5.2.4 | The Budget for the ensuing year should be approved by the Board of Directors before three months of the close of the year. However, the budget for the year had been approved on 04 March 2016. |
| (ii) | Section 8.2.2 | Even though, a sum of Rs.630,839,778 had been invested in Treasury bills in the year under review, the concurrence of the Minister of Finance and the approval of the relevant Minister had not been obtained therefor. |
| (c) | Internal Accounts Circulars No.4/2013 of 07 August 2013. | Action in terms of the Circular had not been taken in respect of taking over and accounting of donations totalling Rs.2,018,765. |

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the surplus of the Fund for the year ended 31 December 2016 amounted to Rs.1,168,164,618 as compared with the surplus of Rs.942,005,927 for the preceding year. As compared with the preceding year, an improvement of Rs.226,158,691 in the financial results for the year under review had indicated. Even though, the total expenditure had increased by Rs.250,160,200, increase of park entrance fees and service charges amounting to Rs.381,680,278 and Rs.63,406,700 respectively had mainly attributed to this improvement in the financial results

4. Operating Review

4.1 Performance

In terms of the Gazette Notification No.14/830 dated 29 November 1968, the functions of the Fund are as follows.

- (i) The promotion of public interest in the protection and conservation of Wildlife.
- (ii) The maintenance, improvement and development all areas established for the purpose of protection and conservation of Wildlife.
- (iii) The payment of rewards or awards to officers and members of the public who have done good work or shown outstanding merit or who have shown bravery in the exercise, discharge or performance of their powers, functions or duties.
- (iv) The payment of rewards to persons who, in their capacity as informers or otherwise had been directly or indirectly responsible for securing the conviction of persons for offences committed under any written law stipulated in schedule 11 of the Fauna and Flora Protection Ordinance to these regulations.

The following observations are made in the achievement of the above objectives.

- (a) Thirty eight projects for which a provision of Rs.366,350,000 made in the Action Plan prepared had not been commenced even up to 30 June 2017.
- (b) A sum of Rs.109,510,950 had been spent for 56 projects which had not been included in the Action Plan.
- (c) The financial and physical progress of 14 projects for which a sum of Rs.51,510,000 had been released during the year under review had recorded less than 50 per cent.
- (d) Even though, a provision of Rs.8,000,000 had been made for the construction of 4 observation chambers in the Udawalawa Elephant Transit Home belonging to the Southern Wildlife Region, only 2 observation chambers had been constructed by incurring an actual expenditure of Rs.8,208,600.

4.2 Management Activities

The following observations are made.

- (a) An advance of Rs.1,933,200 had been paid for the construction of staff quarters in Manner, the Range Office and Labour quarters and entered into an agreement in the year 2011, but the construction works had not been commenced even up to 08 March 2017. The management had not taken action to recover loss arisen due to non - recovery of the advance bond before the warranty period from the responsible officers.

- (b) Hand written General 172 receipts forms had been used for the collection of fees from Local and foreign tourists who came to view the elephant transit home and attention had not been paid to issue receipt on an mechanical system.
- (c) Even though, a sum of Rs.86,635,431 had been spent to purchase elephant gunshots during the year under review with the objective of minimizing loss of human lives, 88 human lives had been lost from animals during the year under review.
- (d) Udawalawa Elephant Transit Centre

The following observations are made.

- (i) An agreement had been entered into with the State Engineering Corporation on 05 April 2016 for Rs.10,247,956 for the construction of 3 observation rooms and the contract should have been completed within 90 days according to the agreement. However, construction works had not been completed and handed over even by 08 March 2017, the dated of audit. In terms of Section 6.4 of the contract agreement, a demurrage charge of 0.05 per cent of the initial contract amount per day should be recovered, but it had not been so recovered even up to 30 June 2017.
- (ii) Even though, a sum of Rs.678,425 had been paid in respect of crushing the road in front of the elephant detaining centre by using earth, the relevant construction works had not been done even by 19 March 2017.
- (iii) Even though, it was decided to use 3 GI pipes of 2' in place where 2 GI pipes of 2' had been used to strengthen the fence in the Udawalawa Elephant detaining centre premises, a sum of Rs.309,556 had been paid despite GI pipes had not been used in the detaining centres No.13 and 19.

4.3 Idle and Under utilized Assets

It was observed that the Kollankanaththa (Weewala) circuit bungalow situated in the Vilpaththu Nation Park, constructed by incurring a sum of Rs.11,730,808 in the year 2012 had been idle without being used due to water problems.

4.4 Vehicles Utilisation

A sum of Rs.5,846,203 had been paid out of the Fund to obtain insurance coverage for 86 motor vehicles belonged to the Department of Wildlife.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

In terms of Paragraph 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, all funds should send their financial statements and draft annual report to the Auditor General within 60 days after the close of the financial year. However, the financial statements of the Fund for the year 2016 had been sent to the Auditor General on 02 May 2017.

5.2 Corporate Plan

A Corporate Plan for the period 2014 – 2018 had not been prepared in terms of Paragraph 5.1.2 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

5.3 Internal Audit

Even though, the Internal Audit Division of the Fund had observed that the system of internal control of Fund was weak, it was observed in audit that there was no approach to strengthen those systems within the Fund and action had not been taken to increase the staff of the internal audit division along with the widening of functions of the Fund. Furthermore, a sufficient attention was not paid in the annual internal audit program for the audit of performance of the Fund.

5.4 Budgetary Control

Variations ranging from 18 per cent to 208 per cent were observed in 11 instances between the budgeted and actual income and expenditure thus the budget had not been made use of as an effective instrument of management control.

5.5 Tabling the Annual Reports in Parliament

Even though, the annual report of the Fund should be tabled in Parliament within 150 days after the close of the year of accounts in terms of Paragraph 6.5.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003 the annual report for the year 2015 had not been tabled in Parliament even by 31 May 2017.

6. Systems and Controls

Weaknesses in systems and controls observed in audit had been reported to the Director General of the Fund from time to time. Special attention is needed in respect of the following areas of systems and controls.

Areas of Systems and Control	Observations
-----	-----
(a) Operating Control	<ul style="list-style-type: none"> (i) Not taking action to recognise receipts of fines in terms of the relevant years. (ii) Non-maintenance of register of Computers, Register of Counterfoils and detailed schedules.
(b) Contract Administration	Contracts not executed in terms of agreements.
(c) Stock Control	Non-maintenance of stock books properly in the Regional Offices.
(d) Issue of Tickets	It was observed in audit that there would be a possibility to misappropriate cash and the correctness of cash in hand would be problematic as attention had not been paid to issue tickets by a computerised system.
(e) Motor vehicles control	<ul style="list-style-type: none"> (i) Non-maintenance of a register in respect of motor vehicles by the officer incharge of vehicles. (ii) Log books in respect of vehicles belonged to the Fund not updated. (iii) Non-rendition of the originals of monthly summaries along with daily running charts of all vehicles to the Auditor General. (iv) Action not taken to embosse the state emblem and the name of the institution on vehicles.