

## **Forest Department Fund – 2018**

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### **Opinion**

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The audit of the financial statements of the Forest Department Fund for the year ended 31 December 2018 comprising the balance sheet as at 31 December 2018 and the account of income and expenditure for the year then ended and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018. This report includes my opinions and observation which should be presented to the parliament.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Forest Department Fund as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **1.1 Basis for Opinion**

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I audited in accordance with Sri Lanka Audit Standards (SLAuS). My responsibility under these audit standards is further described in the Auditor's Responsibility section on the Financial Statement Audit in this report. It is my belief that the audit evidence I have obtained is sufficient and appropriate to provide the basis for my qualified opinion.

### **1.2 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Fund.

### 1.3 Auditor's Responsibilities for the Audit of the Financial Statements

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- In my opinion, obtaining adequate and appropriate audit evidence to avoid risks of fraud or error, by planning appropriate audit procedures, in order to identify and assess the risks of financial statements that may result in fraud or misrepresentation. Failure to recognize an inadequate amount of false statements made by a fraud is more powerful than the impact of a mistake and can result in fraud, misconduct, forgery, intentional avoidance or internal control.
- Understanding the internal control of the Fund for the purpose of planning appropriate audit procedures, but does not intend to comment on the effectiveness of internal controls.
- Evaluate the appropriateness of the accounting policies adopted by management and the fairness of the disclosures associated with the accounting estimates used.
- The relevance of using the firm's continuity basis for accounting was determined based on the audit evidence obtained regarding whether there was sufficient uncertainty about the fund's existence as a result of the circumstances or circumstances. If I conclude that there is sufficient uncertainty, my audit report should focus on the disclosures in the financial statements, and if that disclosure is not sufficient, my opinion must be modified. My conclusions are based on audit evidence obtained up to the date of the auditor's report. However, persistence may end on future events or circumstances
- Evaluate the structure and content of the financial statements containing the disclosures and the transactions and events that underpin the financial statements in an appropriate and reasonable manner.

The scope of the audit has also been expanded to examine the following to the highest extent and whenever necessary.

- Ensures that the organization, systems, procedures, books, reports and other documents are properly and adequately designed so that the functions of the Fund are continually evaluated in relation to the submission of information, and that such systems, procedures, books, reports and other documents are effectively maintained;

- That the Fund has acted in compliance with any applicable written law or any other general or special directive issued by the Board of Governors of the Fund;
- Acted in accordance with its powers, duties and functions,
- Procure and utilize resources in a timely and efficient manner, in accordance with relevant regulations,

## 1.4 Financial Statements

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### 1.4.1 Internal control Over Preparation of Financial Statements

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The funds needs to maintain an adequate "well-designed" internal accounting control system to ensure fair comparisons and corrective action in case of changes, operation with the general and specific authority of the management of transactions, recording transactions and maintaining accounting for the assets as required to prepare financial statements in accordance with applicable reporting standards, accessing to assets with the general and specific authority of management and accountability with existing assets

## 2 Financial Review

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### 2.1 Financial Results

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The result of the year under review was Rs. 11,881,129 surplus, which corresponds to a surplus of Rs. 13,049,342 in previous year. Accordingly, a decline of Rs. 1,168,213 was observed in the financial results. This decline was mainly due to a decrease in court fines by Rs 2,748,659 compared to the previous year and an increase of Rs 1,351,010 in other payments.

## 3 Operational Review

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### 3.1 Preparation of Estimates

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Audit Observation	Comments of the Management	Recommendation
Although the Fund's annual estimated revenue and expenditures were in line with actual revenues and expenditures, the estimated expenditure for the year under review was estimated at 73 percent. As a result, it was observed that the estimates of expenditure had been made without adequate evaluation	No comments received	Budget estimates should be a financial control factor

