

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Department of National Zoological Gardens for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) 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. The summary report including my comments and observations on the financial statements of the Department of National Zoological Gardens was issued to the Accounting Officer on 31 May 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018 and the Detailed Annual Management Audit Report in terms of Section 11 (2) of the National Audit Act was issued to the Accounting Officer on 31 May 2019. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of National Zoological Gardens as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Department 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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 the summary report of the Auditor General 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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

I express the following matters in accordance with Section 6 (d) and Section 38 of National Audit Act, No. 19 of 2018.

Since there was no need for the preparation of financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were consistent with the preceding year.

1.6 Comments on Financial Statements

1.6.1 Non-compliance of Financial Statements to the Provisions of Circulars

Even though financial statements should be prepared in terms of the Public Accounting Circular No.267/2018 of 21 November 2018, instances of deviated from that requirements are as follows.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Imprest Adjustment Account had not been prepared by the Department of National Zoological Gardens.	Action should be taken as per the Public Accounts Circular No.267/2018 and dated 21 November 2018.	Action will be taken to prepare the Imprest Adjustment Account in the following year according to the relevant Circular.

1.6.2 Statement of Financial Performance

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) It was observed that although a sum amounted to Rs.483,848,000 had been shown as treasury imprest according to the Statement of Financial Performance , a sum amounting to Rs.746,790,000 had been received in the year under review as treasury imprest according to the monthly summary of accounts and other information presented to audit.	Accurate information should be reported.	A sum of Rs.483,848,000 which has been granted actually as imprests by the Treasury has been shown according to the Statement of Financial Performance and the balance amounting to Rs.263,000,000 is a sum transferred by the Development Fund. As a result of existence of one imprest account relating to the two accounts of 7042657 and 7042658 under the department ,the balance of the Development Fund has been shown in the Statement of Financial Performance under other receipts.

Therefore , a sum amounting to Rs.263,000,000 is included in it.

- (b) Even though, according to the financial statements of the Department of National Zoological Gardens , a sum of Rs.1,008,802,202 had been shown as receipts from the Development and Welfare Fund, the said value amounted to Rs.1,008,194,599 according to the accounts of that Fund. Thus a difference amounted to Rs.607,603 observed.
- Information should be reported as per the provisions.
- According to the financial statement, a sum of Rs.1,008,802,202 has been computed as other receipts from the Fund, by the cash book of the Development Fund of the year 2018.
- (c) Even though a sum amounted to Rs.1,014,529,096 had been shown in the Statement of Financial Performance as other receipts, according to the information presented to audit, it was observed that other receipts amounted to Rs.16,995,542.
- Should be brought to account accurately by identifying the reasons for the difference and avoid from such deficiencies.
- Receipts of the Development Fund amounting to Rs.1,014,529,096 has been shown in the Statement of Financial Performance as other receipts and I kindly informed that if it is not shown such a manner, it is failure to adjust the imprest balance. I further informed that the reason for the above matter is the existence of one imprest account for both accounts. You revealed in the audit report that the difference between the receipts and payments of the Government Revenue Heads and the said adjustment has been adjusted under other receipts and through the reconciliation of imprest.

1.6.3 Statement of Financial Position

The following observations are made

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) A difference amounted to Rs.2,645,579,202 observed between the assets and liabilities shown in the Statement of Financial Position prepared by the Department of Zoological Gardens.	Action should be taken as per the Public Accounts Circular No.267/2018 dated 21 November 2018.	Action will be taken to correct the error in the preparation of accounts for the year 2019.
(b) Even though the balance of the Advance Account amounted to Rs.77,354,959 by 31 December 2018 according to the Treasury Notes , it had been shown in the Statement of Financial Position as Rs.72,354,959 by a mistake.	-Do-	-Do-
(b) A similar value to the balance of property plant and equipment in the statement of financial position should be shown as a reserve under net assets . However, action had not been taken accordingly. Similarly, the difference between the balance of the Advance Account and the balance of the Deposit Account had not been identified as net assets.	-Do-	-Do-
(d) As per the Circular Letter of the Department of Public Accounts dated 12 July 2013, assets had not been classified accurately and the value of each asset had not been accurately identified relating to the code of the asset. As a result of that, only the total value of assets at the beginning and the end of the year had been shown in the Statement of Current Assets.	Action should be taken as per the Circular	It is informed that action will be taken to correct the said mistake by the Financial Statement of the year 2019.
(d) The opening balances of the non-		

- financial assets of Treasury books and the accounts of the department amounted to Rs.4,383,908,211 and Rs.2,446,564,947 respectively and as result of that ,the balance of non-financial assets of the accounts of the Treasury had been overstated by Rs.1,937,343,264. Similarly, according to the assets reports of the Treasury, opening balances had been shown under each sub-code . However, balances had not been identified relating to each asset under each sub-code same as in the accounts of the department.
- Should be brought to account accurately by identifying the reasons for the difference.
- Necessary action is being carried out to rectify it in the year 2019.
- (f) According to the assets reports of the Treasury, Non-financial assets valued at Rs.210,686,869 during the year had been shown as purchases and the said value amounted to Rs.217,897,402 according to the accounts of the department. Thus, purchases of the department had been overstated by Rs.7,210,533 in accounts books of the department.
- Should be brought to account accurately by identifying the reasons for the difference.
- Necessary action is being carried out to rectify it in the year 2019.
- (g) The closing balances of the non-financial assets of the Treasury books and the accounts of the department amounted to Rs.4,593,931,985 and Rs.2,664,462,349 respectively. Thus a difference of Rs.1,929,469,636 observed.
- Should be brought to account accurately by identifying the reasons for the difference.
- Necessary action is being carried out to rectify it in the year 2019.
- (h) Even though it was observed at the checking of Assets Report of the Treasury, that the assets valued at Rs.663,095 had been disposed , no any record in that connection in the financial statements of the Department.
- Should be brought to account accurately by identifying the reasons for the difference.
- Necessary action is being carried out to rectify it in the year 2019.

1.6.4 Cash Flow Statement

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer
(a) Even though a sum of Rs.743,145,952 had been shown in the cash flow statement as the cash flow generated by the operating activities, the said value amounted to Rs.1,819,037,840 according to the information of the monthly summary of accounts and the other information presented to audit. Accordingly, a difference amounted to Rs.1,075,891 observed.	The Cash flow Statement should be prepared accurately by comparing with the monthly summary of accounts and Treasury Computer printouts.	In the preparation of Cash Flow Statement, it is prepared disregarding the receipts of cross entries based on cash but only considering the liabilities received from cash and the money amounting to Rs.7,574,836 received under Deposits Account is included in the money amounting to Rs.743,145,952 recorded as the cash flow generated by the operating activities.
(b) Even though no any matter mentioned in the cash flow statement for the cash flows generated by the investment activities, according to the monthly summary of accounts and other information presented to audit ,the recovery of advances amounted to Rs.20,444,357 .	Proper reporting should be done by identifying values accurately.	As no any cash generated by the investment activities, it had not been noted down in the financial statement. A sum amounted to Rs.20,444,357 of receipts with cross entries of Advances B Account has been shown as recovery of advances in the audit report.
(c) Even though a sum of Rs.67,720 had been shown as the variation of the deposit accounts and other liabilities in the cash flow statement, it was observed that no any cash had been generated by financial activities according to the information presented to audit.	-do-	A difference amounted to Rs.67,720 of the balances between the general deposits and Loan Account is shown as the variations of the deposit accounts and other liabilities and action would be taken to rectify it in the future account.
(d) Even though a sum amounting to Rs.447,085,545 had been shown in the cash flow statement as the amount spent for the operating activities, the said value amounted to Rs.1,506,981,188 according to the monthly summary of accounts and information presented to audit. Accordingly, a difference amounting to Rs.1,059,895,643 observed.	-do-	The expenditure incurred for personal emoluments and operating activities in cash has been shown in the cash flow statement as a sum amounted to Rs.447,085,541 spent for operating activities. The balance shown in the audit report is not an imprest settled to the Treasury by the Department and it is the money transferred for the incurring of expenditure of the Government estimate by the

<p>(e) Even though according to the cash flow statement, a sum of Rs,296,128,127 had been shown as invested for physical assets , constructions and purchasing during the year , only a sum of Rs,217,897,402 had been shown as purchasing according to the statement of non-financial assets . Accordingly, a difference amounted to Rs.78,230,725 observed.</p>	<p>Action should be taken to rectify it by identifying the reasons for the difference.</p>	<p>Development Fund of the Department. As the cash flow statement should be compared with the imprest, the total expenditure incurred in cash for the capital expenditure during the year has been shown in it while the expenditure incurred for purchasing of assets shown in the statement of non-financial assets.</p>
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1.6.5 Non-maintenance of registers and Books

It was observed during audit test checks that the Department had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Security Register

<p>A Security Register containing the names of all officers and the employees required to give security in terms of Financial Regulation 891(1) had not been prepared.</p>	<p>A Security Register containing the names of all officers and the employees required to give security in terms of Financial Regulation 891(1) should be maintained.</p>	<p>Action will be taken to maintain this register in the future.</p>
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(b) Inventory of Electrical Fittings

<p>A register on Inventory of Electrical Fittings had not been maintained in terms of Financial Regulations 454(2)</p>	<p>An Inventory of all Electrical Fittings ,apparatus etc , in Government buildings had not been maintained in terms of Financial Regulation 454(2)</p>	<p>A separate inventories are being maintained in the main stores for this purpose and action could be taken to prepare separate Inventory of Electrical Fittings after obtaining of committee report for valuation of machineries if necessary.</p>
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(c) Vehicle Log Entry

<p>A Vehicle Log Entries had not</p>	<p>Vehicle log entries should</p>	<p>Action will be taken to maintain</p>
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been maintained in terms of Financial Regulation 1645(a) of each vehicle in terms of Form General 267 in terms of the provisions of Financial Regulation 1645(a) be maintained relevant to vehicle log entries in an updated manner in the future.

1.6.6 Responsibilities of the Accounting Officer

The Accounting Officer shall ensure that the following matters according to the provisions of Section 38 of the National Audit Act No.19 of 2018. However, actions had not been taken accordingly.

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>The Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such system and make alterations as required for such system to be effectively carried out. Even though Copies of the reviews shall be submitted to the Auditor General in written, statements for having been done such a review had not been presented to audit.</p>	<p>Action should be taken in accordance with the provisions of Section 38 of the National Audit Act, No.19 of 2018.</p>	<p>Failure to carry out relevant review in written due to lack of proper aware in that connection.</p>
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1.6.7 Non- Compliance with Laws, Rules and Regulations

Instances of non – compliance with laws, rules and regulations observed at audit test checks are analyzed below

Observation

Reference to laws ,Rules and Regulations	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Public Administrative Circulars	The State Emblem had not been displayed on 04 pool vehicles belonging to the Department.	Action should be taken as per the Public Administration Circular No.25/99 and dated 19 August 1992	Action will be taken to display the State emblem on the vehicles belonging to the Department in the future.
(i) No.25/99 and dated 19 August 1992			
(ii) No.30/2006 of 26 December 2006	Action had not been taken as per the provisions in respect of the matters such as vehicle maintenance, fuel consumption maintaining log entries and running charts and testing of fuel efficiency	Action should be taken according to the Public Administration Circular No.30/2006 and dated 26 December 2006.	Action in terms of Public Administration Circular No.30/2006 and dated 26 December 2006 will be taken in respect of vehicles in the future.

2. Financial Review

2.1 Management of Expenditure

Audit observations observed in respect of the savings of the provisions made by the Annual Budget Department are given below.

Audit Observation	Recommendation	Comments of the Accounting Officer
Savings ranged between 28 per cent to 75 per cent observed out of the provisions made for four Objects.	Estimates should be prepared accurately and realistically.	Even though the estimates has been prepared in accordance with Financial Regulation 50, non-receiving of adequate imprest by the General Treasury has mainly affected for the saving of those provisions. The other reasons for the saving of provisions are preparation of plans for certain constructions, taking long period for procurement procedure and bills had not been submitted

on due period by construction institutions .

2.2 Incurring of Commitments (Liabilities)

The following observation is made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Even though except where otherwise provided for, no expenditure or commitment shall be incurred by any department exceed such provision in terms of Financial Regulation 94, liabilities amounting to Rs.8.89 million had been incurred exceeding savings relating to 09 Objects.	Action should be taken as per Financial Regulation 94.	It is kindly informed that incurring of commitment to liabilities exceeding provisions could have been done due to the essential payments should have been made by the Department and I further informed that action will be taken to minimize it in the future.

2.3 Deposit Balances

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer
Deposits valued at Rs.18,848,170 had been remained in the General Deposit Account during the period of 02 years to 05 years without credited to the relevant accounts.	All deposits over 02 years should be deposited to the Revenue.	Maintained in an updated manner from the year 2018.

3. Operating Review

3.1 Non-achievement of expected output Level

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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Even though a provision of Rs.184 million had been made by the Department of Zoological Gardens relating to 05 projects to be implemented in the year 2018, a sum of Rs.124.88 million had been saved out of that as a result of failure to reach the expected outcome.	Action should be taken to complete the project as immediate as possible and reach the expected outcome.	I Further informed that, as a general some time period spent for the preparation of plans suitable for Zoological Gardens , failure in completing certain projects as per the plans prepared in case of rejection of bids due to various reasons and therefore re-calling of bids had been done and the delaying of granting imprest by the General Treasury.

3.2 Delays in implementation of Projects

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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Six Projects of estimated value of Rs.202.7 million had been abandoned at the end of the year 2018 due to the delays of the relevant contract company and expenditure amounted to Rs.89 million had been incurred for that purpose at the end of the year.	Action should be taken to recover the loss occurred to the Government due to the abandonment of the Project and to commence those project immediately.	Delays in construction activities had been occurred due to an administrative issue of the said Company. However, the said construction work has been commenced again by the said Company by this time.

3.3 Other Observations

The following observations are made

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Even though provisions amounted to Rs.12.5 million had been made for the purchasing of Food Cutter and Garbage Crusher , the said purchasing had not been done at the end of the year.	Action should be taken according to the Action Plan.	Preparation of relevant Bill Of Quantities for the purchasing of machine which have been planned to be purchased earlier, is being carried out by the Consultancy Company.

3.4 Procurement Procedure

The following observations are made

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) In terms of Section 3.2 of the Procurement Guidelines, notices should be published in relevant web sites in every instances when calling for bids. However, the notices for calling for bids for the purchasing of veterinary equipment had been published only in national papers. As a result of that, adequate number of bids had not been presented in this connection.	Competitive calling for bids should be carried out by the following Procurement Guidelines.	The suppliers of the said veterinary equipment is in a minimum level in Sri Lanka due to use of those veterinary equipment in Sri Lanka is in a minimum level is the main reason for the receiving of minimum number of bids. Publishing notices in web sites is not done by the Department as usual.
(b) As per Section 7.9.2 of the Procurement Guidelines, if the responsive bid exceeded the estimate of relevant authority in an extreme limit , the procurement entity should investigate the reasons for the over cost and consider for calling new bids. However, a price estimate had not been prepared for the goods purchased for made such	- do-	An accurate price estimate could not be prepared due to lack of knowledge on market price.

comparison for the purchasing mentioned in paragraph 3.4(a) above.

- (c) Even though a sum of Rs.26.8 million had been spent actually according to the bid received for the purchasing of medical equipment which had been estimated at a value of Rs.12.5 million in the Annual Procurement Plan, action had not been taken to make investigation on this cost variance .

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Purchasing of those equipment is carried out at the first time and as the usage of those equipment in Sri Lanka is in very low level, there is no market for those equipment. As such, although the value of Annual Procurement Plan exceeded, it was able to reach a minimum cost with high quality equipment by this procurement procedure.

3.5 Management Weaknesses

The following management weaknesses were observed.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) As a proper drainage system had not been constructed for the discharge of waste water in the Pinnawala Elephant Orphanage , waste water had been discharged to the river near the orphanage without doing any purification.	Action should be taken to construct proper drainage system.	A wastewater treatment plant is being constructed by connecting all elephant stalls/ tethering points and elephant shades to prevent discharging the waste water into open water sources during the cleaning of elephant shades .
(b) As elephant dung and food debris had been piled near the place that elephants are herd in the Pinnawala Elephant Orphanage , the premises was seemed to be very un cleaned condition.	Action should be taken to recycle elephant dung.	Procurement procedure is being carried out to fix a machine which can be crush the waste into small particles.

4. Achievement of Sustainable Development Goals

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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Even though the Department had identified the sustainable development goals and targets, an Action Plan had not been prepared so as to able to achieve those goals. No any progress had been obtained in this connection.	The Action Plan should be prepared so as to achieve the Sustainable Development Goals.	It is kindly informed that the activities such as construction of conservation centres for the improvement of conservation activities according to the Sustainable Development Goal 15, construction of solar power system according to Goal 7, construction of tanks according to Goal 6, make opportunities for the sale of neighbour crops for the poverty alleviation according to the Goal 1, recycling of garbage according to the Goal 12 are being done by the Department. Similarly, those matters are included in the Action Plan as well.

5. Good Governance

5.1 Internal Audit

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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Copies of all internal audit reports shall be forwarded to the Department of Management Audit in terms of Section 40.4 of the National Audit Act, No.19 of 2018. However, it had not been so done.	Action should be taken in accordance with the National Audit Act, No.19 of 2018.	Action will be taken to forward the soft copies of Internal Audit Reports from the year 2019 according to Section 40(4) of the national Audit Act, No.19 of 2018, as per the instructions given by the Department of Management Audit.

6. Human Resources Management

The following observations are made

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The operating efficiency of the Department was at a minimum level , due to existence of vacancies in 06 post of senior level and 40 posts of secondary level ,out of the 169 number of vacant posts in the Department.	Necessary action should be taken to fill the vacancies.	Action had been taken to recruit 32 primary level officers in April 2019 and the necessary steps is being carried out for the recruitment of the remaining posts.