

Wildlife Conservation Fund - 2019

1.1 Qualified Opinion

The audit of the financial statements of the Wildlife Conservation Fund for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the income and expenditure account, statement of changes in equity 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 . My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in Paragraph 1.5 of this report.

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 qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 intend to liquidate the Fund 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.

1.4 Auditor's Responsibility in Auditing 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 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 skepticism 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- 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.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;
- Whether performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The audit observations with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under these headings. The audit observations in connection with maintaining of main accounting records such as general ledger, journal, journal vouchers, payment vouchers are shown below.

Audit Observation	Comments of the Management	Recommendation
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(a) Maintaining of expenditure ledger, general ledger control, maintaining of accounts and balancing of the general ledger of the Fund had remained at a weak level.	The relevant officers have been made aware to keep up of maintaining the expenditure ledgers, general ledger control, maintaining and balancing accounts in the general ledger of the Fund accurately.	A proper internal control system should be introduced when maintaining books and ledger accounts.

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| (b) | Even though the drugs issued from the main warehouse of the Department of Wildlife Conservation during the period from 01 January 2018 to 01 October 2019 to Attidiya Holding Ground amounting to Rs.466,601 had been received to that place, those bulk drugs were not entered into in the inventory book and there were no evidences whether those stocks were used. | We do not use expired drugs as mentioned here and arrangements will be made to deploy officers regularly to remove those expired drugs. | An accurate stock control system should be carried out. |
| (c) | Even though it had been stated in the Board of Survey Report that the stock valued at Rs. 758,154 had remained in the Attidiya Holding Ground as per the Annual Board of Survey Report in terms of Financial Regulation 757 (b) of the Democratic Socialist Republic of Sri Lanka as at 31 December 2018, a reconciliation had not been carried out with the balance of the inventory book in that Board of Survey. Accordingly, it had not been identified whether there were stock shortages or excesses. | Action will be taken to advise to act in accordance with Financial Regulation 757 (b) from now on. | Actions should be taken in accordance with Financial Regulation 757 (b) |
| (d) | There were medicines valued at Rs. 283,549 in the operating theater as at 17 September 2019 the date of audit in the Atitidiya Holding Ground and since the value was Rs.83,035 as per the inventory books , a shortage of Rs.200,514 was observed. | We do not use expired drugs as mentioned here and arrangements will be made to deploy officers regularly to remove those expired drugs. | An accurate stock control system should be carried out. |

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant standard	Comments of the Management	Recommendation
<p>(a) In grouping the property plant and equipment in accordance with Section 7 of the Sri Lanka Public Sector Accounting Standards 13, it should be grouped with the view of disclosure in financial statements based on the assets belonging to the entity or similarity nature of the existing assets or similarity of functions. Nevertheless, as an improvement in the organizational structure, a sum of Rs. 57,012,696 had been shown as miscellaneous assets without grouping and firearms amounted to Rs. 1,759,142 and swimming equipment amounted to Rs. 4,477,676 had been shown under office equipment.</p>	<p>Steps will be taken to group the assets accurately and account for in future.</p>	<p>Actions should be taken in accordance with the Sri Lanka Public Sector Accounting Standards.</p>
<p>(b) Although Treasury bills with a maturity of less than 03 months are required to be adjusted to cash and cash equivalents in accordance with Sri Lanka Public Sector Accounting Standards 2 in preparing cash flow statements, the Treasury Bills which had matured in 84 days amounting to Rs. 34,466,003 had not been so stated.</p>	<p>Actions will be taken to correct in future.</p>	<p>It should act in accordance with the Sri Lanka Public Sector accounting standards.</p>

1.5.3 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Even though the court fine income for the year 2019 was Rs.50,410,500 a sum of Rs.85,878,583 had been shown as income. Accordingly, the court fine income had been overstated by Rs.35,468,083 .	Actions will be taken to correct this.	The recovery of court fines should be accurately accounted for.
(b) As a result of duplicating of the animal cages when accounting, the fixed assets and the depreciation had been overstated by Rs.670,320 and Rs.16,895 respectively.	Actions will be taken to correct the amount of Rs. 670,320 for animal cages and the amount of depreciation in future.	It should account for accurately and procedures should be followed.
(c) The work in progress that had been completed at the end of the year under review amounting to Rs. 67,212,383 had not been accounted for as fixed assets.	Actions will be taken to correct this in future.	Actions should be taken in accordance with Sri Lanka Public Sector Accounting Standards and within the conceptual framework .
(d) It had been computed the Treasury Bill interest income amounting to Rs. 9,354 in excess and the bill income received in advance amounting to Rs.36,980 in less as at 31 December 2019.	Actions will be taken to correct this in future.	The Treasury Bills interest income should be accurately accounted for.

1.5.4 Lack of Evidence for Audit

Subject	Amount	Unsubscribed audit evidence	Comments of the Management	Recommendation
	Rs.			
Closing stock of rubber bullets	125,812	Stock Verification Records	Stock Verification Records are being maintained.	Stock Verification Records should be maintained.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules, Regulations, etc.	Non-compliance	Comments of the Management	Recommendation
(a) Elephant Conservation Circular of the Department of Wildlife Conservation No. 2007/01dated 27 June 2007	Although the details of all the animals brought to the Attidiya Holding Ground and the details of animals which were the released, excluded and deceased should have been systematically documented, those documents had not been properly maintained.	Since this Holding Ground is being maintained with a very low number of staff, it was not possible to document all the details of the animals those were admitted in injured on a daily basis. Steps will be taken to maintain records properly in future.	Actions should be taken in terms of the Circular.
(b) Sections 4.3.1. and 4.3.2 of Procurement Guidelines	Although a total cost estimate should be prepared and approved including provisions on physical uncertainties and price variations for procurement preparations during the construction of the Ginihiriya Circuit Bungalow, it had not been so done accordingly.	The approval for the total cost estimate has been given by the Departmental Procurement Board.	Actions should be taken in terms of the Provisions of the Procurement Guidelines.
(c) Section 37 of the Measurement Units Standards and Services Act No. 35 of 1995	Although the accuracy of the weighing or measuring equipment had to be certified by an inspector within a period of twelve months, the accuracy of the bridge scales at	Since it was not confirmed in weighing the gross weight of the vehicles that there was no change in the measurements when the scale was used to weigh the animal food received at the	Actions should be taken in accordance with the Measurement Units Standards and Services Act No. 35 of 1995 .

the Udawalawe Elephants Holding Ground had not been checked in the year 2019. Elephants Holding Ground, it had not been ascertained that the re-reading of it was essential. Therefore, tests were not carried out every year.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs. 1,282,370,046 and the corresponding surplus for the preceding year was Rs. 1,871,142,266. Accordingly, a deterioration of Rs. 588,772,220 was observed in the financial result. The decline in park entrance fees by Rs. 229,779,584, service charges by Rs. 29,479,514 and vehicle entry fees to parks by Rs. 21,865,304 as main revenue component of the Fund and the increase in travelling expenses by Rs. 47,121,612 and compensation for animal damages to the public by Rs. 65,085,112 as expenditure component also had mainly attributed to this deterioration.

3. Operating Review

3.1 Identified Losses

Audit Observation	Comments of the Management	Recommendation
<p>A sum of Rs. 1,264,500 had been paid as advances for a contract valued at Rs. 6,323,500 to add a section to the second floor of the Head Office. The construction had been carried out with an advance payment of Rs.529,217 and actions had not been taken to recover the remaining amount of Rs.735,283. Further, the advance security obtained for this purpose had also been released. Even though this contract had been complete by the Director General's Letter No. Waji / 01/08 / Eng / 01/03/2007 / B / 04 dated 31 October 2019, actions had not been taken regarding non-compliance with the agreement.</p>	<p>The Security Bond which had kept for the advance paid to the contractor had been withdrawn by him and the estimated value made by him was Rs. 529,217 and its additional work value was Rs. 358,929. Accordingly, the total value of the work was Rs. 888,146. Since the repair of the Horton Plains Ginihiriya Circuit Bungalow was also carried out by the same contractor, the relevant losses are recovered from the retention money and the bills payable.</p>	<p>Actions should be taken to recover the loss occurred by the Department amounting to Rs. 735,283.</p>

3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Even though a small pond had been constructed at a cost of Rs. 628,383 to meet the water needs of the 13 elephants detained on court orders at the Udawalawe Elephant Holding Ground, those had not been repaired. The remaining pieces of food had been piled up in the pond.	The ponds available for the elephant herds were constructed in the year 2016 ; 03 years ago and the construction work was carried out by the Head Office. Although properly executed at the beginning, it had to be repaired as a result of the breakdowns made by the elephant calves. Actions are being taken to be repaired.	A formal study should be conducted based on the requirements before planning the projects.
(b) Although the number of elephants available was 09 as per the census of elephants conducted at the Horowpathana Elephant Holding Ground in June 2019, the food had been provided for 30 elephants without considering that. Accordingly, the food valued at Rs.3,955,245 had been provided from July to 14 September 2019 for 21 excess number of animals.	The census conducted at the Horowpathana Elephants Holding Ground in June 2019 was not an accurate census. Since only 25 per cent of the food needs of elephants detained there now have been provided, the information provided by the audit that the animals were overfed is not acceptable.	The animals should be monitored regularly and animal welfare should be carried out based on that.
(c) A sum of Rs.5,024,705 had been paid to the supplier in supplying of mixed leaves and jack tree leaves to elephants at the Horowpathana Elephant Holding Ground for the period from 24 December 2018 to 15 March 2019 without agreements.	It is reported that the signing of tenders for the supply of food to the Horowpathana Wild Elephants Holding Ground were not signed in January and therefore the payments have been made to the supplier for the food provided after signing of the above agreements and since it was impossible to predate and sign agreements, a financial loss	Actions should be taken to obtain the service entering into agreements with suppliers

had not occurred to the government though it had to be signed.

(d) Actions had not been taken to recover a fine of Rs. 530,828 for the shortage of supply from 01 January 2019 to 31 August 2019 in cases where daily food requirement was not provided as per the food purchase agreement for the year 2019 for the elephants at the Udawalawe Tame Elephant Holding Ground.

It is kindly mentioned that we made arrangements to provide the maximum portion of food available to the elephant calves on each occasion practically and it had acted with the view of obtaining high quality food by encouraging tenderers not only for profit.

Actions should be taken to charge fines in accordance with the agreement.

(e) As a result of failure to supply the vegetables and fruits to the elephants at the Udawalawe Tame Elephant Holding Ground, actions had not been taken to recover a fine amounted Rs. 419,238 from 01 January 2019 to 31 August 2019 .

If fines had been levied as late charges within the time period mentioned in the audit query, those animal feed suppliers would not have supplied food in that way either. It is accepted that at least the food brought in delay before the audit was given to quench the hunger of the animals and in fact, it is stated again that the actions were not taken to recover the fine if so the caterers would not provide animal feed therein.

It should act in accordance with the agreement.

(f) The items M1 and M2 had been overestimated by Rs. 954,800 as per the approved engineering estimate in the construction of animal cages at the Attidiya Holding Ground. An overpayment of Rs.101,112 had been made when paying for the item M2 and actions had not been taken to recover it from the responsible officials.

The item M1 in the approved plan was estimated as 10,500 square feet as required by the site measurements and the layout of the file is not the same as the old plan, which could not be modified due to a mistake and It is also informed that the size mentioned in the estimate for the M1 item is correct. It is informed that the length of feet included for the item M 2 is same as the estimate submitted for procurement based on the work site measurements.

Actions should be taken to prepare estimates based on the plan and to recover overpayments.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Although 51 violent elephants had been detained from 04 September 2015 to 25 June 2019 in the Horowpathana Elephants Holding Ground which was built to detain violent elephants, 12 of them had died of various reasons. It had been stated that there were 9 elephants as per the elephant census report conducted in June 2019. Any evidence was not furnished to audit regarding 30 elephants.</p>	<p>Even though 51 violent elephants were detained at the Horowpathana Elephants Holding Ground from 04 September 2015 to 19 June 2019, twelve elephants had died due to various causes. It has not been confirmed that there are only 09 elephants remained by 30 June 2019.</p>	<p>Frequent monitoring should be carried out on animals and animal welfare should be based on that.</p>
<p>(b) Twelve elephants in good health condition in the Udawalawa Elephant Transit Home had been over 06 years of age. If the animals are in good health condition, although they should be released into the wild promptly, as per the Elephant Conservation Circular No. 2007/1 of 27 June 2007 actions had not been taken to release the aforesaid 12 elephants. It was also observed that the government incurs an excess cost Rs. 7,299,257 per annum on their maintenance due to not releasing them so.</p>	<p>There were sixty-three baby elephants being rehabilitated and twelve out of them were over 6 years of age. These animals cannot be released according to that Circular since they are being rehabilitated and released animals. Therefore, as a special methodology has been introduced for this purpose the facts pointed out by that Circular has not relevant to those animals.</p>	<p>Actions should be taken in accordance with the Circular.</p>

3.4 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
<p>The monkey cage which was constructed at a cost of Rs.3,380,575 at the Attidiya Veterinary Office had been constructed without proper</p>	<p>It is not acceptable to say that the monkey cage constructed at the Attidiya Veterinary Hospital was</p>	<p>The garbage in the land should be removed and utilized immediately.</p>

requirements assessment and without an approved plan and the cage was in idle even by June 2020.

constructed outside the plan as it was designed and presented with a requirements assessment. This monkey cage built is simply a temporary cage that to keep the animals healthy until they healed and it is not a cage built for the purpose of keeping monkeys for long period of time. Even though this had been shown as a useless expense, it has been a great asset to the that place for animal conservation.

3.5 Procurement Management

Audit Observation	Comments of the Management	Recommendation
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<p>(a) In purchasing food required for the year 2019 for tame elephants detained at the Udawalawa Tame Elephant Holding Ground in accordance with Procurement Guidelines 7.9.2 (w), although bids on rice powder could be rejected due to “all bid prices being unreasonably high”, the tender for the rice powder had been offered at a price about 50 per cent higher than the market price. The bidder, D & C Suppliers, who had been rejected the bid for rice, had also submitted a bid of Rs. 32 and despite of that, purchasing of 01 kg of rice powder for Rs. 60 from the supplier H.G. Renuka Bandara without recalling bids , it was observed that approximately a loss of Rs. 204,400 had been incurred .</p>	<p>It is informed that as the animals could not let to be fasted, it has been purchased by calling bids under the National Competitive Quotations from the person who had qualified and submitted the lowest / single bid without re-calling bids. It is informed that if the tender is higher than the market price we will re-call bids in future.</p>	<p>Actions should be taken in terms of the Procurement Guidelines and the procurements should be planned in a way that to minimize the disadvantage to the government.</p>

(b) If the bidders have submitted a lower value on important items as per Section 7.9.11 of the Procurement Guidelines, the Technical Evaluation Committee should obtain additional Performance Bond or obtain a quantitative analysis to reduce that risk. Nevertheless, a Performance Bond or a quantitative analysis had not been obtained for the 07 items mentioned in the Bill of Quantities furnished by P & R Construction (Pvt) Ltd.

A Rate Analysis has not been provided due to the fact that the presence of one contractor in the bidding process and contractor's amount is higher than the Departmental Estimate.

Arrangements should be made in accordance with Procurement Guidelines.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
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<p>It was observed that the physical progress of 47 projects which were provided Rs.545,146,000 under the Action Plan was less than 50 per cent.</p>	<p>The relevant officers were made aware to act in accordance with the Action Plan from now on.</p>	<p>It should act as per the Action Plan.</p>