

Head 283 – Department of Forest Conservation

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Forest Conservation for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Forests was issued to the Accounting Officer on 29 June 2021 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report in terms of Section 11 (2) of the National Audit Act was issued to the Accounting Officer on 29 June 2021. 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 Paragraph 1.6 of this report, the financial statements of the Department of Forest Conservation as at 31 December 2020 and its financial performance and cash flow for the year then ended, give a true and fair view in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters stated in the Paragraph 1.6 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 opinion.

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

Chief Accounting Officer or the 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 Chief Accounting Officer or 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 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 furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control of the Department, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I express the following matters in accordance with Section 6(1) (d) of National Audit Act, No. 19 of 2018.

- (a) Financial Statements are consistent with the preceding year.
- (b) My recommendations on financial statements for the preceding year had been implemented.

1.6 Comments on the Financial Statements

1.6.1 Presentation of Accounts

Audit Observation	Comments of Accounting Officer	Recommendation
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<p>(a) As per Guideline of No. 06 issued by Department of State Accounts, though the annual financial statements should be presented to the Auditor General on or before 28 February 2021, it had been presented to the audit on 09 March 2021 after a delay of 09 days. Further, though the financial statements should be presented in Sinhala, Tamil and English languages, the financial statements in Tamil language had not been presented to the audit by 03 May 2021.</p>	<p>The financial statements had not been presented in Tamil language in previous years and, actions will be taken to present the financial statements in Tamil language as for the requirement.</p>	<p>The annual financial statements should be presented to the audit as per Guideline issued by Department of State Accounts.</p>
<p>(b) As per Guideline, though the reconciliation statement of the advances to public officers' account bearing item No. 283011-283012 should be presented to audit on or before 28 February 2021, but it had been presented to audit on 24 March 2021, after a delay of 24 days.</p>	<p>The account with 04 copies had been presented to the Ministry on 25 May 2021 for the signature of Chief Financial Officer and, those copies were received on 24 March to this Department after signature.</p>	<p>-Do-</p>

1.6.2 Arrears of Revenue

Following deficiencies were observed at reporting of arrears of revenue of the Department.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Though the year end arrears of revenue was Rs. 983,982 as per revenue account of the previous year, Rs. 232,100 was in excess due to stating the opening arrears of revenue in revenue account of the year under review as Rs. 1,216,082.	A error in calculation had been occurred when accounting total revenue accounts and, actions will be taken to rectify that error in this year.	Accounting matters should be done accurately.
(b) The arrears of revenue of Rs. 134,052 that should be received to the Department had been dropped from the accounts due to non-renewal of registration of timber businesses that controlled under Walasmulla Forest Office.	The Hambantota District Forest Office has requested the information and I kindly inform you that reply will be given to this as soon as I receive the information.	The relevant officers should act to report arrears of revenue by following up on business registration.
(c) The permit charges of Rs. 1,440,000 that should be received to the Department for metal quarry in Tissamaharama and Rs. 201,150 that should be received for 268.2 cubes had not been calculated as arrears of revenue.	As soon as the information receives from Hambantota District Forest Office, the replies will be sent.	Actions should be taken to report with the relevant revenue accounts by following up on continuation of metal quarry.
(d) Rs. 34,916,952 of arrears of revenue that should be received to the Department due to excavating of metal exceeding he approved quantity by mining licenses for 04 metal quarries owned to Hambantota District Forest Office had not been calculated.	As soon as the information receives from Hambantota District Forest Office, the replies will be sent.	The relevant fees should be charged for the excavations done exceeding the quantity of metal mentioned in the license and, actions should be taken regarding excavation exceeding the license limit.

- (e) A sum of Rs. 3,018,160 that should be received for 02 transmission towers that maintained in forest reserves owned to Tissamaharama and Walasmulla Forest Office had not been calculated as arrears of revenue. -Do- Revenue should be identified accurately.

1.6.3 Non-maintenance of Documents and Books

Audit Observation	Comments of Chief Accounting Officer	Recommendation
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A record of liabilities had not been maintained as per Financial Regulations 214.	Noted to maintain the records of liabilities for year 2021.	Records of liabilities should be maintained as per Financial Regulations 214.

1.6.4 Lack of Audit Evidence

Observation	Comments on the Department	Recommendation
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The sufficient evidence to verify the recovery of income arrears of Rs.1,216,082 that collected during the year under review had not been presented to the audit.	The reports on collecting income arrears had not been maintained by the head office and, they are maintained district forest offices. Actions will be taken to obtain those reports from district forest offices.	The relevant reports should be maintained by supervising the matters in the regional offices by the head office.

2. Financial Review

2.1 Certifications should be done by Accounting Officer

Audit Observation -----	Comments of Accounting Officer -----	Recommendation -----
As per provisions of section 38 of national Audit Act No. 19 of 2018, the chief accounting officer and accounting officer should certify that a productive internal control system is prepared and maintained for the financial control of the Ministry by chief accounting officer and, though the copy of it, by reviewing of the effectiveness of that system time to time and accordingly implementing the system productively should be submitted to the Auditor General, the statements for doing such reviews had not been submitted to the audit.	It is informed that actions has been taken to implement the internal control methodology as appropriate by holding management meetings and discussing the prevailing issues and, to report by reviewing on financial control.	Actions should be done as per Section 38 of National Audit Act No.19 of 2018.

2.2 Non-compliance with laws, Rules and Regulations

Instances that were non-compliance with provisions of laws, rules and regulations which observed at the sample audit were explained below.

Audit Observation -----		Comments on Accounting Officer	Recommendation -----
Reference to Laws, Rules, an Regulations ----- Financial Regulations of Sri Lanka Democratic Socialist Republic of Sri Lanka	Non-compliance -----		
(a) Financial regulations 104(1), 104(3)	The responsible parties had not been identified as	The relevant divisions had been informed to	A full report should be submitted within

per provisions in relation to the vehicle met with an accident on 29 July 2018 and, the complete report on the accident had not been submitted. This information had not been included in Statement of losses in the financial statements 2020.

inform on that, if the accident was happened. 03 months from the day of losses occurred as per financial regulations 104(3).

(b) Financial regulations 396(d)

Actions had not been taken as per financial regulations in relation to the 157 cheques that exceeded 06 months from the date of issue

There were only 02 cheques that not presented and older more than one year in the bank account No. 7042475 in head office and, the value was Rs.9,923.40. It has been acted in accordance with financial regulations 396(d) in relation to the other cheques. It was informed to act accordingly in relation to the cheques in other bank accounts.

Action should be taken as per financial regulations.

(c) Financial regulations 565(5)

Though a monthly summary statement that prepared in Format Generla 71 should be presented to the Auditor General before ending the next month, those summary statements had not been prepared.

General 71 format had not been used by our department.

Action should be taken as per financial regulations.

- (d) Public Finance Circular No. 02/2004 and Financial Regulations 507 and 756
- Though a Board of Survey should be done within mentioned time frame under financial regulations 128 by appointing Board of Survey before 15 December, Board of Survey, Board of Survey had not been done by the Department by 05 May 2021.
- It is informed that actions will be taken as it could not be done under prevailing Covid-19 condition since it was required to observe regional offices to do Board of Survey.
- Board of Survey should be done compulsorily within time frame mentioned under Public Finance Circular No. 02/2004 and Financial Regulations 128.

2.3 Statement of Reconciliation on Advance Account of Public Officers

Audit Observation

Comments on Accounting Officer

Recommendation

There was a sum of debt balance of Rs.11,247,901 that exceeded 03 months to 05 years as at 31 December 2020 and, actions had not been taken to recover them as per XXIV Chapter in Establishment Code.

Actions had been taken to get the information in this regard and, the replies will be submitted as soon as that information receives.

Though actions should be done as per Chapter XXIV of establishment Code, the management had not tried to take required actions to recover those debts.

2.4 Deposits Balances

The audit observations that revealed in relation to deposit balances were as follows.

Audit Observation	Comments on Accounting Officer	Recommendation
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The deposit money of Rs.352,036,248 that exceeded 02 years had not been credited to public revenue as per financial regulation 570(2). It was 48.57 percent from total deposit.	Though it was over 02 years, the money deposited by coming in to agreement under personal forest cultivation programme should be maintained in the deposit account until the completion of those projects. It is kindly informed that that money has been spent for environmental evaluations that don in time to time in relation to that project and for indemnity.	As some deposits have been remained for more than 15 years without doing any expense, actions should be taken to credit into the public revenue as per financial regulation 571(2) by doing follow-ups for whether the relevant projects are being executed further, if not, completed.

3. Operational Review

3.1 Non-implementation of Functions

Following observations were made.

Audit Observation	Comments on Accounting Officer	Recommendation
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(a) Though the extent of forests controlled under Thissamaharama Forest Office was 9,781 hectares, the Department had not been acted to gazette the 06 forests land extent of 6,445 hectares that was, 65 per cent from the total forest land as the gazetted land as forest reserves were 3,336 hectares.	The replies will be submitted as soon as the information receives for the Hambantota District Forest Office.	The estimated functions should be executed efficiently to achieve objectives and targets of the Department.

(b)	Though 03 forests with 1,361.55 hectares that controlled under Hambantota District Forest Office were measured and it has been exceeded 03 years, actions had not been done to gazette.	-Do-	Actions should be done to gazette the forests which completed the measurement.
(c)	Although it has been proposed to designate 10 forests of 3,700.73 hectares under the control of the Hambantota District Forest Office as reserve forests, the department had not taken action to measure the forests and convert them into reserves immediately. Due to this, the forest offices had to face various problems such as illegal encroachment of forests, clearing of forests and cultivation of chenas, and issuance of permits by the Divisional Secretariats without the recommendation of the Department.	-Do-	Relevant work should be completed regarding the forests proposed to be designated as reserve forests.

3.2 Annual Performance Report

Audit Observation

Comments on Accounting Officer

Recommendation

In accordance with paragraph 10.2 of the Public Finance Circular No. 2020/02 dated 28 August 2020, and in the form of Guideline No. 14 issued by the Department of Public Finance, and in accordance with Section 16 (2) of the National Audit Act No. 19 of 2018, though the annual performance report should be submitted with the Annual Financial Statements, but that report was not submitted.

The performance report is being prepared by collecting information by regional offices and, action will be taken to submit that report.

The annual performance report should be submitted along with the annual financial statements.

3.3 Asset Management

Following observations were made.

Audit Observation	Comments on Accounting Officer	Recommendation
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(a) Although 14 official quarters in the Hambantota district have been established for the officers, 11 official quarters out of this were remained idle. Also, three official quarters belonging to the Walasmulla Forest Office were damaged. Thus it was observed that the administration of the quarters was at a very weak level.	Replies were not given.	Actions should be done to use plans efficiently to achieve maximum results from public resources.
(b) Two cabs were in a state of disrepair and 11 bicycles were decaying without use that provided to the Hambantota District Forest Office.	Replies were not given.	If the assets are not utilized, appropriate action should be taken.

3.4 Losses and Damages

Following observations were made.

Audit Observation	Comments on Accounting Officer	Recommendation
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(a) The loss was Rs. 215,277 for 19 cases less than Rs. 25,000 and Rs. 21,516,869 for 59 cases exceeding Rs. 25,000 which had not been settled till the date of submission of accounts and, out of which 28 cases with a loss value of Rs. 6,144,377 had occurred more than 10 years after the loss. But no action had been taken to address these losses and omissions.	Work is underway to settle the matter by calling reports from each sector from 2020 onwards and actions have been taken to write off 15 from the book.	Actions should be taken as per financial regulations 104.

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| (b) | The total amount of Rs.227,725 which was proposed to be removed from the book as per FR 109 had not been done so. | No disposal orders have been received for vehicles numbered 53-9220, 120-4453, 26 Sri 588 Reports have been called from the relevant sections and I have made a note to take action in this regard in the future. | Actions should be taken as per financial regulations 109. |
| (c) | Although the relevant investigations have been completed regarding the cab number 53-5103 which was damaged on 11th February 2004 and the money has been recovered from the responsible officers in 2017, action had not been taken to remove it from the book under FR 109, The balance was also stated in the Financial Statements note (i) for the year 2020. | The department has not been informed that the cab bearing number 53-5103 has been charged. As the relevant report states that the case report should be obtained to take further action, action has been taken to obtain those reports. | -Do- |
| (d) | Although it was recommended that action should be taken under FR104 as the losses of Rs. 40,600 incurred in respect of three vehicle accidents should be recovered from the responsible officers, it had not done so. They were also brought forward in the 2020 financial statements. | Case reports have been called to implement the recommendations of the committee report. | Actions should be done as per financial regulations 104. |
| (e) | Although it should be included in the notes (i) submitted with the financial statements by estimating the losses incurred in the previous years in respect of losses and omissions under Financial Regulations 109 and losses from all accidents that not written off from the books, the value of 04 damages not included in Note (i) was Rs.1,152,090. | Only losses incurred from 2019 onwards are included in 2020 and, as these 04 vehicles were not included in the losses and damages in 2019 or later, it was not included in 2020 either. However, for the year 2021, I made a note to include them in the damages and loss register. | Relevant information should be presented accurately according to the financial statement format. |

3.5 Management Weaknesses

Following observations were made.

Audit Observation	Comments on Accounting Officer	Recommendation
(a) In the year 2018, about 50 percent of the plants had died due to planting of plants in the Ranmuduwewa forest in Hambantota that were not resistant to the soil and climatic conditions and, Rs.540,408 was spent on planting saplings in the year 2019 too. Although 3 years have passed, no method of watering the plants has been established. Due to this, the replanted plants were also at risk of dying.	Replies will be given as soon as the information receives from Hambantota District Forest Office.	Depending on the climatic conditions prevailing in the area, afforestation should be done to suit the area.
(b) Although 22 applications were received for the establishment of temporary mobile camps in 2017 and 2018, licenses had not been issued for that. Although it has been revealed that 20 camps were being run illegally in the Nimalawa Government Forest in the Tissamaharama area, action had not been done to take a more appropriate action out of two of removal of those camps by taking legal actions under Land Reacquisition Act or giving permission to continue under the supervision of the Forest Department by issuing licenses.	-Do-	Action should be done to take a more appropriate action out of two of removal of those camps by taking legal actions under Land Reacquisition Act or giving permission to continue under the supervision of the Forest Department by issuing licenses.
(c) As the Hambantota Divisional Secretariat had levied a fee on the mining license issued by the Geological Survey and Mines Bureau for a quarry operating in the Keligama Kemagama area in the Koholankala residue forest in Hambantota, since 2009, the Forest Department has lost annual revenue of Rs. 36,000,000 each.	Replies will be given as soon as the information receives from Hambantota District Forest Office.	When collecting revenue, a proper supervision should be maintained in relation to metal quarrying and actions should be taken to collect income under correct calculation.

4. **Human Resource Management**

Audit Observation

Comments on Accounting Officer

Recommendation

There were 665 vacancies for senior level, tertiary level, secondary level and minor staff of 36, 18, 323 and 288 respectively and, actions had not been taken to fill them.

Action has been taken to obtain information in this regard and, replies will be provided as soon as that information is received.

Necessary steps should be taken to fill the essential staff vacancies.