

Forest Department Fund - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Forest Department Fund for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 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, 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 balance sheet of the Fund as at 31 December 2020, 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 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 of the Fund.

1.4 Auditor's Responsibility 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 scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 management's use of the going concern basis of accounting and based on the audit evidences 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 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 the Fund has performed according to its powers, functions and duties; and Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit observations on the preparation of financial statements

1.5.1 Accounting Deficiencies

Audit Observation	Comment of the management	Recommendation
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(a) Although the fixed deposit interest revenue for the year was Rs.337,028, the figure was shown as Rs. 196,641 in the revenue and expenditure account; Therefore, the revenue was understated by Rs.140,387.	Instructions have been given to correctly calculate the fixed deposit interest revenue in the coming year and prepare the account correctly.	Interest revenue should be calculated correctly and the account should be prepared.
(b) Even though the fixed deposit interest revenue due for the year under review was Rs. 231,987, the current assets had been understated by Rs. 133,607 as the figure was stated as Rs. 98,300.	- do -	Accounts should be prepared correctly.
(c) Despite it was not recognized that the interest revenue receivable in the previous year was Rs.6,700, the interest received in the year under review had been adjusted to the interest receivable account.	No answers provided.	The interest revenue should be calculated correctly and the account should be prepared correctly.
(d) Court fines of Rs. 2,284,576 for the year 2021 had not been recognized and brought to accounts as revenue.	The court fines related to the coming year will be calculated correctly in the coming year, and the account will be prepared correctly.	A system should be developed to collect fines due from the courts accurately.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 18,927,751 and the corresponding surplus in the preceding year amounted to Rs. 12,566,005. Therefore, an improvement amounting to Rs.6,361,746 of the financial result was observed. The main reason for the improvement is the decrease in expenses of the year under review by Rs. 9,691,275 compared to preceding year.

3 Accountability and Good Governance

3.1 Budgetary Control

Audit Observation

**Comment of the
Accounting Officer**

Recommendation

Even though measures had been taken to earn hundred percent of the expected revenue in the year under review when comparing the fund's annual estimated income and expenses with actual income and expenses, less than 40 percent of the estimated cost had been spent. As a result, it was observed that the cost estimate had been made without a quantitative evaluation.

It was not possible to perform all the expected tasks in the expected manner due to the unexpected Corona situation prevailed in the country.

Costs should be estimated accurately.