

## **Wildlife Conservation Fund - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of financial statements of the Wildlife Conservation Fund for the year ended 31 December 2022 comprising the Statement of Financial Position as at 31 December 2022 and the Income and Expenditure Account, Statement of Changes in Equity and Cash Flow Statement for the year 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 reported 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 financial statements give a true and fair view of the financial position of the Fund as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Basis for Qualified Opinion**

I expressed qualified opinion 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 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:

- 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 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 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. Observations with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. included.

### **1.5.2 Non-compliance with the Sri Lanka Public Sector Accounting Standards**

<b>Non Compliance with the reference particular Standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
Even though the financial statement should be prepared on accrual basis according to the paragraph 02 of Sri Lanka Public Accounting Standards No. 01, the royalty of Rs. 200 per cube of sand had been accounted on cash basis for mining from Manampitiya in Jal Galum Valley National Park, Suriyapura and Thummodara in Kanthale. Accordingly, Rs.12,703,800 receivable for 63,519 sand cubes sold during the period from July to December of the year under review had not been accounted and Rs.6,797,640 received in the year under review for the previous year had been accounted as income of the year under review. As a result, it was	Due to the difficulty in obtaining the information, it was not possible to make the relevant adjustments and adjustments will be made to the accumulated fund in the preparation of the accounts for the year 2023 and made corrections.	Accounts should be kept on accrual basis as instructed in Sri Lanka Public Sector Accounting Standard No. 01.

observed that income was understated by Rs.5,906,124 and the receivables were understated by Rs.12,703,764.

### 1.5.3 Accounting Deficiencies

Following observations are made.

Audit Observation	Management Comments	Recommendation
(a) Although the fund had a stock of books and periodicals printed in previous years, the stock was not counted and included in the statement of financial position. Rs.461,737 of sales income had been included in the financial performance statement without adjusting the cost of books and periodicals sold from that stock during the year under review. Accordingly, surplus of the fund had been overstated.	These books, pamphlets and posters have been printed by the department in previous years. The remaining stock will be calculated and made corrective adjustments in the year 2023.	Stocks should be accurately calculated and included in the financial statements.
(b) Rs.9,714,883 worth of Yala Parana Thotupala tourist Bungalow that works completed and currently in use, 04 boats and 02 boat engines bought for Rs.9,499,790 in the year 2019 and 06 capture guns bought for Rs.19,604,250 in the year under review had been shown in the financial statements as work in progress without capitalization. Depreciation expense and accumulated depreciation were also understated in the financial statements during the year under review as the depreciation calculations related to those assets had not been done.	Corrections will be made in the year 2023.	Assets in use should be capitalized and adjustments for depreciation should be made.

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

Reference with the Laws, Rules and Regulations	Non- compliance	Management Comments	Recommendation
(a) Oder number 11 (b) of orders in the Wildlife Conservation Fund enacted by the Government Gazette on 29 November 1968 was enacted by the state minister of under section 71 (2) (g) of the Fauna and Flora Protection Ordinance act amended by act number bear 44 in 1964, as amended by Bill No. 44 (the chapter 469)	A quarterly statement showing all money received into the fund as well as all money paid out of the fund had not been sent to the Secretary of the Treasury.	Arrangement will made to send a quarterly statement showing the money received and the money paid from the year 2023 to the Secretary of the Treasury.	Quarterly statement of receipts and payments of the fund should be prepared and sent to the Secretary of the Treasury in accordance with the provisions of the Act.
(b) <b>Financial Regulations of Democratic Socialist Republic of Sri Lanka</b>			
(i) Financial Regulation 103(1)(e)	05 firearms that lost during the period of 2014-2017, had not recorded in the register of damages and losses.	At present, a board of inquiry has been appointed and investigations are being carried out.	Relevant actions should be taken and noted the damages in register of damages and losses.
(ii) Financial Regulation 104(1)(a)	An investigation had not been done in relation to the loss of pistol AB 40687 on 24 November 2009 and accordingly the extent of the	The investigation report has been forwarded to implement the recommendations.	As per the Financial Regulations, investigations should be carried out without delay and relevant recommendations should be implemented.

loss, the cause and those responsible persons had not been determined.

(iii) Financial Regulation 877(2)(a) and section 15.1(3)(2)(a) of Public Finance Circular No. 1/2020 dated 08 August 2020

Although a separate bank account should be maintained for each fund, the activities of the fund had been maintained through the departmental bank account.

The Wildlife Conservation Fund is a deposit account as per the statements of accounts maintained with the Treasury. Therefore, a separate bank account is not maintained for it.

Arrangements should be made to open a separate bank account for the funds as per Financial Regulations and Public Finance circular.

(c) Section 02 of the Public Finance Circular No.01/2018(i) and dated 13 June 2019

Even though the current fees charged for various services provided by all government agencies should be increased by 15 percent, the license fee of Rs.250 levied on vessels that used to fishing in reservoir located in a national reserve or sanctuary according to the Special Gazette No. 1433/4 dated 20 February 2006 had not been revised even at the end of the year under review.

The license fee of Rs.250 charged for fishing vessels used for fishing in a reservoir located in a national reserve or sanctuary, as well as the relevant gazette, is currently under revision.

Arrangements should be made to revise the fees as per the Public Finance Circular.

(d) 877(2) (c) of the Finance Regulations under paragraph 15.1 of Guideline 04 of Part I of Public Finance Circular No. 01/2020 dated 28 August 2020

i. 03<sup>rd</sup> Regulation

At the end of each quarter, quarterly reports on the main functions of the fund should be submitted to the Department of Public Finance, the Department of National Budget and the Auditor General 15 days before the end of the quarter so that the progress of the fund can be reviewed, it had not been done.

It will be checked and submitted a quarterly report from the year 2023.

The relevant quarterly reports should be prepared regularly and submitted to the relevant departments.

ii. Regulation 07

A budget reconciliation that comparing budget limits and financial statements had not been submitted.

It will be checked and submitted a budget reconciliation report with financial statements from the year 2023.

A budget reconciliation report should be prepared as per the Financial Regulations.

iii. Regulation 5.1

A performance report had not been submitted with the financial statements.

It will be checked and corrected from the year 2023.

The performance report should be submitted with the financial statements.

iv. Regulation 6 (b)

Although the financial statements should be submitted in

From the year 2023, it will be presented financial statements in three languages.

Financial statements should be presented in three languages.

three languages of Sinhala, Tamil and English, the financial statements had been submitted only in Sinhala.

- (e) 07(7) of Departmental Circular No. 05/2009 dated 08 November 2009
- The monthly reports on firearms and ammunition with relevant to the administrative area which should be sent to the head office before the 20<sup>th</sup> day of the following month had not been sent by the zonal offices as scheduled.
- Letters had been sent to the zonal offices informing them that the monthly report on firearms and ammunition in their area should be sent to the head office before the 20<sup>th</sup> day of the following month.
- Arrangements should be made to obtain monthly reports related to firearms and ammunition regularly.
- (f) Paragraph 1.4.3 of Departmental Accounts Circular No. 1/2014 dated 19 March 2014
- No arrangements had been made to maintain up-to-date register for issue of firearms from storage, return to storage and disposal of firearms at the head office.
- Instructions had been given to the officers in the store to keep up to date register for recording firearms in the head office store.
- The necessary use and presence of firearms should be confirmed by keeping the firearms register up-to-date.

## **2. Financial Review**

### **2.1 Financial Result**

The operating result of the year under review was a surplus of Rs.248,108,226 and the corresponding deficit of the previous year was Rs.710,716,619. Accordingly, an increase of Rs.958,824,845 was observed in the financial result. This growth was mainly due to the increase in the arrival of tourists compared to the previous year and the revision of other fees including park entrance fees.



### 3. Operating Review

#### 3.1 Uneconomic Transactions

	<b>Audit Observation</b>	<b>Management Comments</b>	<b>Recommendation</b>
(a)	Although the entry fees for the national protected areas under the Department of Wildlife Conservation have been amended by Gazette No. 2292/11 dated 08 August 2022, the fee revision had been applied since 02 September 2022 and the old fee had been charged until then. As a result, only 07 National Parks, namely Yala, Kumana, Lahugala, Maduru Oya, Galoya, Wilpatthu, Galvesland, had lost an income of Rs. 16,844,205 in relation to that period.	Although the new fees should to be included and permits should to be issued, as per the revised gazette notification, as a result of the notification received on 01 September 2022, the issuance of permits under the new fees had been done from 02 September 2022.	The revised fees should be charged from the date mentioned in the Gazette.
(b)	According to the Financial Regulation 137(5), the officer who approving the payments should be satisfied that they have been checked and correctly accepted in the case of supplies. An amount of Rs. 15,815,699 had been paid during the year 2021 to the Department of Sri Lanka Railways to obtain 4,333 rails for the construction of the fence around the Lunugamwehera Elephant Sanctuary, however the quantity supplied was only 660 rail sections.	It was informed that the release of planned rails will have to be suspended. A written request had been made to the General Manager of the Department of Sri Lanka Railway on 16.02.2023 to take the necessary steps to provide the 3,608 rails, however the rails had not been provided so far.	Appropriate action should be taken to receive remaining rail sections.

- (c) 439 turtles, whales and dolphins belonging to the species of strictly protected mammals and reptiles listed in Schedule II of the Wildlife and Flora Protection (Amendment) Act No. 22 of 2009 died on 20 May 20, 2021 as a result of MV X-Press Pearl caught fire at sea. Even though the department had incurred an expenditure of Rs.2,378,249 for the investigation of finding the dead animals, it had not been included in the fund's financial statements as a receivable and had not been making arrangements to reimburse the amount.
- A request had been submitted to the Maritime Environment Protection Authority for reimbursement of all expenses incurred for the related ship accident, providing all the information.
- Appropriate action should be taken to recover the money spent.

### 3.2 Procurement Management

Audit Observation	Management Comments	Recommendation
<p>A contract for the construction of electric fence that 123 km long for Zone No. 01 of Anuradhapura district had been awarded at a value of Rs. 241,229,637 without conducting an initial environmental test, environmental impact assessment and social impact assessment according to the Guideline 2.3 of the Government Procurement Guidelines. Accordingly, the physical progress of the contract, which was supposed to be completed on 28 January 2020, had been stopped midway when the physical progress was 37 percent as a result of public protests, blockades in elephant corridors, land problems during the construction of the electric fence. While Rs. 28,327,073 should have been charged from the mobilization advance given for this contract, the</p>	<p>No preliminary environmental assessment is carried out when the constructing electric fence, and the construction of the electric fence is not done in such a way as to block the migration routes of wild elephants.</p> <p>The arbitration process initiated at the National Arbitration Center in relation to this contract is currently ongoing.</p> <p>The vouchers for the year 2019 could not be found and will be checked and submitted to the audit in the future.</p>	<p>Ensure that all monies due are collected and the project is effectively completed and all payments are supported by vouchers.</p>

bond value of Rs. 48,245,927 which had been obtained for it was allowed to expire on 31 December 2021. The concerned contractor had been filed a case in the court against the acquiring of the performance guarantee to the government in 2021. Although it was observed that Rs.117,587,007 has been paid in relation to this contract, the correctness of the related payments could not be confirmed as 02 payment vouchers were missing.