

## **Zoological Gardens Development and Welfare Fund - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of financial statements of the Zoological Gardens Development and Welfare Fund for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and notes to financial statements including material accounting policy information 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 presented in 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 2023, 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 the 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 this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for qualified opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statement**

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 stability 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 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 scepticism throughout the audit. I also

- Appropriate audit procedures were designed and performed to identify and assess the risks 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 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 audit 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 audit 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; 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 Observation on the Preparation of Financial Statements**

### **1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards**

<b>Non-Compliance With the Reference to Particular Standard</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
According to paragraph 27 (a) of Public Sector Accounting Standards of Sri Lanka 02, although the total net cash flow after adjusting the opening and closing cash balances to the fund's cash flow statement is a cash inflow of Rs.48,900,380, without such adjustments the net cash flow generated from all activities is Rs. Rs.49,256,257 was overstated as a cash flow of Rs.98,156,637. Furthermore, the annual depreciation value of fixed assets which was Rs.110,782,203 was adjusted to the annual profit under operating activities which was Rs.413,226 more than Rs.111,195,429.	It is informed that the cash flow statement has been prepared after adjusting all elements such as cross notes and transfer of treasury funds, and if the cash flow statement is not prepared without including them, it will not be possible to make correct adjustments.	Cash flow statement should be prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

### **1.5.2 Accounting Deficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) The difference of Rs.32,484,882 between the balance of the treasury deposit account as per the statement of financial status of the fund and the balance of the deposit account of the Zoo Development and Welfare Fund as per the treasury books was deducted from the balance of the	As this difference was settled during the preparation of accounts for the year 2023, the treasury books and departmental cash books have been balanced equally.	Action should be taken to investigate this difference and to make necessary corrections.

accumulated fund at the beginning of the year under review to equate with the Treasury balance, and the treasury books were not investigated and corrected.

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| <p>(b) In the year under review, the commemorative shop had made a loss of Rs. 949,411 from the income earned from the sale of commemoratives and t-shirts of Rs. 63,520 and the cost of sales was Rs. 1,012,931. But in the related profit and loss account, sales of Rs.52,320 and cost of sales were mentioned as Rs.52,320 and there was no profit and loss, so the loss of the fund in the reviewed year was shown as Rs.949,411 less.</p> | <p>It is informed that the correction will be made during the preparation of accounts for the year 2024.</p> | <p>Action should be taken to adjust the sales revenue and sales costs correctly.</p> |
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## 1.6 Going Concern of the Fund

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
<p>According to the financial statements, the income of the reviewed year was Rs.976,986,019 and the total expenditure was Rs.1,164,622,896, the expenditure incurred in excess of the income was Rs.187,636,877. In this way, the balance of the fund was deteriorating due to continuous expenditure exceeding the income, and by the year 2023, the balance of the fund had decreased by Rs. 995.15 million or about 34 percent compared to the year 2019.</p>	<p>As the number of visitors to the zoological garden fell sharply, the income of the fund decreased. Due to this, money was taken from the balance of the treasury fund, and the fund's income has increased since the beginning of this year, expenses can be managed.</p>	<p>Action should be taken to maximize profits by increasing revenue and managing expenses well.</p>

## 1.7 Accounts Receivable and Payable

### 1.7.1 Accounts Payable

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
Action had not been taken to settle the creditor balance of Rs.340,982 and the statutory deposit balance of Rs.112,592, which has existed for more than 05 years under current liabilities.	After verifying the information about those balances, action will be taken to correct them in the preparation of accounts for the year 2024.	Action should be taken to confirm and settle these balances.

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review amounted to a loss of Rs.187,636,878 and the corresponding loss in the preceding year amounted to Rs.429,958,380. Therefore an improvement amounting to Rs.242,321,502 of the financial result was observed. The reason for the improvement mainly due to the increase in ticket prices and the increase in the number of visitors.

## 3. Operational Review

### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
In the year 2020, for the construction work of the bird sanctuary to be built at the Hambantota Safari Park to exhibit 136 exotic birds purchased at a cost of Rs.66 million, at the end of the year under review, Rs.18.8 million had been spent, but due to the construction work not being completed, the birds 57 were held in other cages in the Safari Park without being exhibited.	72 birds requested from Dehiwala Zoo were sent to Dehiwala Zoo. The 57 birds housed in the Safari Park could not be put on display because the exotic bird enclosures and pet area bird enclosures that were being built for those animals were not completed.	In order to fulfil the purpose of buying birds at a great expense, should display those birds and earn income and work to protect and develop those birds.

### 3.2 Operational Inefficiencies

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) During the year under review, 04 works planned to be	Although these projects were started under the	Needs should be identified and work

- completed in Dehiwala Zoological Garden under the allocation of Rs.25.7 million were not completed during the year. Out of which Rs. 4.2 million to create a web page on the department and Rs. 0.5 million in the works of installing CCTV camera systems in the zoo, the physical progress was 5 percent and 20 percent, respectively.
- allocation of Rs.25.70 million, due to the lack of funds, only a few essential CCTV cameras have been installed. The electric fence construction project could not be completed due to lack of funds. should be carried out through a properly planned work and plans should be revised in case of deviations.
- (b) Although an allocation of Rs. 5 million had been given in the year under review for the works on the wall of the Desert Zone within the Hambantota Safari Park, the works had been postponed. The provision of Rs.4.84 million and Rs.12 million respectively for installation of CCTV camera system and construction of electric fence around the garden boundary was not accomplished during the year under review. Due to non-availability of funds, projects were completed giving priority to essential projects such as security of the institution. The plans for the CCTV system have been forwarded to the head office and are being carried out. Needs should be identified and projects should be implemented through a properly planned work schedule and plans should be revised in case of deviations.
- (c) A provision of Rs. 29 million had been allocated for the development of Pinnawala Elephant Orphanage. 62 percent of which Rs.18 million had been allocated for the ground preparation of the elephant orphanage and the repair of the weighing scale, but those two tasks had not been completed and the physical progress of Diyagama Farm House repair expected to be done under the allocation of Rs.2.5 million remained at a very low level of 5 percent. As the projects of landscaping of the Elephant Orphanage and Diyagama two-storied building renovation were included in the action plan on 20.09.2023 and submitted for approval, there was not enough time to prepare the plans and carry them out under the procurement process. Needs should be identified and projects should be implemented through a properly planned work schedule and plans should be revised in case of deviations.

### 3.3 Procurement Management

Audit Observation	Comment of the Management	Recommendation
In the procurement of medicines worth Rs.7,982,747 to Dehiwala Zoo for the year 2023, the procurement schedule was not formally prepared according to section 4.2.2, 4.2.3 and 5.3.10 of the Government Procurement Guideline. The bid validity period which was supposed to be 91 days had been extended to 230 days.	In the years 2022/2023, a long time had passed for the evaluation of bids for the purchase of medicines. In the future, the technical committee has been informed to carry out the work promptly and give recommendations without taking such time.	Action should be taken in accordance with the provisions of the Government Procurement Guidelines.