

Zoological Gardens Development and Welfare Fund - 2019

1.1 Qualified Opinion

The audit of the financial statements of the Zoological Gardens Development and Welfare Fund for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of income, 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 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 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.

1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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(a) Despite the value of the elephants holding on court orders were not stated in the accounts, the value of Rs. 7,169,787 had been assessed and removed from accounts in handing over an elephant holding on a court order to the relevant owner. As a	It has been informed that the actions would be taken to correct in preparation of the account in the next year.	It should be properly accounted for.

result, the value of the animals stay for exhibit had been understated by that amount.

- (b) Even though the crops grown in the Gonapala farm amounting to Rs. 6,754,123 were provided to the Zoo during the year under review, those values had not been brought to accounts. It has been informed that the actions would be taken to account for in future. It should be properly accounted for.

1.5.3 Unreconciled Control Accounts or Records

Item	Value as per Financial Statements	Value as per Corresponding Records	Difference	Comments of the Management	Recommendation
	Rs.	Rs.	Rs.		
The differences of Rs. 14,364,779 and Rs.29,560,741 respectively was observed in comparing the opening and closing balances of the Treasury Deposit Account with the opening and closing balances shown in the Treasury printouts as per the financial statements of the Fund.	2,952,854,896 2,957,096,088	2,923,294,155 2,942,731,309	29,560,741 14,364,779	It has been informed that the actions would be taken to indicate in the next year account.	The reasons for the difference should be found and corrected.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Observation	Comments of the Management	Recommendation
(a)	Even though it had been informed by the letter of Director General of Department of Zoological Gardens dated 9 September 2019 that a decision would be taken in respect of the collection of fees with regard to the closed period of the shops maintained in Zoos from April 2019 to June 2019 due to the Easter Attack, such a decision had not been made until June 2020. Accordingly, the arrears of lease rent amounting to Rs. 4,782,701 had not been recovered even by June 2020.	The approval of the Department of Public Finance has been requested through the letters dated 27.12.2019 and 29.01.2020 by the Ministry as per the decision of the Departmental Procurement Committee. Since a reply had not been received so far, charging of lease rent was not carried out. It has been informed that the actions would be taken with regard to this in future.	Actions should be taken to recover the lease rent arrears.
(b)	Due to non-maintenance of a Control Account in calculation of Value Added Tax, the Value Added Tax amounting to Rs. 2,005,771 had been paid during the year under review without considering in respect of the balance of Value Added Tax amounted to Rs.4,841,740 receivable in the preceding year. Therefore, actions had not been taken to recover the Value Added Tax receivable pertaining to the preceding year.	It has been informed that the actions would be taken to obtain advices from the Department of Inland Revenue and act accordingly in future.	A Control Account should be maintained.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Treasury Circular No. 842 dated 19 December 1978	The Register of Fixed Assets had not been maintained.	It has been informed that the corrections would be made in future.	A Register of Fixed Assets should be maintained.
(b) Procurement Guideline			
(i) Section 7.12.2 (b)	Even though, if the price mentioned by sole bidder whose bid was high, the Technical Evaluation Committee should negotiate with the bidder to reduce the price, due to failure to do so, the chicken had been supplied to all the Zoos at a price higher than the market price. As a result, it was observed that more expenditures had to be incurred.	Only one bid has been received for the tender and the bid was 17 per cent less than the estimated cost. Therefore, there was no need for the Technical Committee to discuss with the Bidder and the tender was awarded to that Bidder.	When entering into agreements, decisions should be made carefully with regard to the prevailing prices in the market.
(ii) Section 3.6.2 (a)	Although the Procurement Committee should make every effort to negotiate with the supplier before re-ordering to obtain a more advantageous position, without doing so, the main Restaurant at the Dehiwala Zoo, whose contract period expired in May 2019, was given back to the same supplier since June 2019.	It has been informed that the arrangements have not been made to increase the contract price in extending the period of this contract.	The contract should be awarded by recalling Tenders after the end of the tender period.

(iii) Section 7.9.2

Although if the responsive bidding with the evaluated minimum price exceeds the estimate by a significant margin, the reasons for the higher cost should be investigated and considered for a new bid, despite the variations ranging from 15 per cent to 129 per cent in comparing costs and agreed prices as per the estimates prepared for the purchase of different types of animal food for the year 2019/2020 by the Department of National Zoological Gardens, it had been awarded to the suppliers without carrying out an investigation with regard to that.

It has been informed that the actions were taken to negotiate and reduce only the prices of various food tender at the Pinnawala Zoo.

Market prices should be considered when preparing estimates and selecting suppliers.

(c) Measurement Units, Standards and Services Act No. 35 of 1995

(i) Section 37

Although it is an offense to use the weighing and measuring equipment without proper inspection and sealing, the electronic weighing machine used to weigh the 150 kg of meat in the warehouse at the Dehiwala Zoo had not been sealed since 2013. Accordingly, even though it was observed in the inspection carried out by the Department of Measurement Units that the

Answers have not been given.

Actions should be taken in accordance with the Act.

weight was recorded in less than the prescribed mark , it had not been rectified so far.

(ii) Section 43 Although it is an offense to use certain weighing or measuring equipment with defects, it had been observed that the measurements were being made with 22 kg. in less during the inspection carried out by the officers of the Department of Measurement Units regarding the scale number 36058 used for purchasing of leaf twigs of the National Zoo. Accordingly, even though it was recommended to remove the scales from use, it had not been removed so far.

Answers have not been given. Actions should be taken in accordance with the Act.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a profit of Rs.73,024,137 and the corresponding profit for the preceding year was Rs.448,955,427. Accordingly, a deterioration of Rs. 375,931,290 was observed in the financial results. Decrease in tourist arrivals due to the Easter Attack and the increase in animal food prices had mainly attributed to this deterioration .

2.2 Ratio Analysis

The following observations are made.

Type of Ratio -----	2019	2018
Net Profit Margin (per cent)	10	46
Current Ratio (Term)	59	71
Return on Assets Ratio (Per cent)	1	7

The current ratio had declined as compared to the preceding year and thus the ability to settle short-term liabilities had decreased. When considering the return on assets ratio and the net profit ratio, it had deteriorated as compared to the previous year and decline in sales income and incurring a higher cost to purchase animal food had mainly caused for that.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Although the animal breeding and conservation is a primary objective of the Department of Zoological Gardens, any elephant calf was not born in the Pinnawala Elephant Orphanage since 2011. As a result, tourists have lost the opportunity to watch milking the baby elephants, which is a major tourist attraction event and also earned around Rs. 3 million per annum.	As a solution to this, the Department is working on artificial breeding of elephants and it is informed that, I hope it is possible to take this income level to a higher level if suitable elephant calves can be obtained through the Department of Wildlife,	Action should be taken to achieve the primary objectives.
(b) Although rehabilitation of an animal with jungle should be done step by step in accordance with Paragraph 10 of the Animal Welfare and Ethics issued by the World Association of Zoos and Aquariums (WAZA), in contrary to that, two elephants belonging to the Department of National Zoological Gardens had been released on two occasions to the Horowpathana Elephant Holding Ground of the Department of Wildlife Conservation without making any rehabilitation.	Since there was a situation where rehabilitation was not possible as per the behavioral nature of these two elephants, the aforesaid two elephants were released to the Horowpathana Elephant Holding Ground belonging to the Department of Wildlife Conservation for their welfare.	Ethics issued by the World Association of Zoos and Aquariums should be followed.
(c) Even though these two elephants were in active, good physical condition and in good health at the instance they	It has been informed that the notifying of the deaths of these elephants to the Department	Ethics issued by the World Association of Zoos and

were admitted to the Holding Ground, one elephant had died in the year 2016 due to lack of adequate food and there was no information on other elephant whether the it was alive or dead.

was not done.

Aquariums should be followed.

3.2 Operational Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Even though the Gonapala farm located in a 16 acre land had been set up in order to provide a portion of the required fresh food required for the herbivores at Dehiwala National Zoo, the Department had not prepared a plan of crops to be cultivated for the year under review. As a result, any crop had not been grown targeting the daily food requirement of the Zoo and the farmland had not been designed to enable to produce high yields.	The farm mainly cultivates CO4 grass, brisantha grass, kangkun, sugarcane and banana and supplies these crops to the Dehiwala Zoo.	Crops should be grown according to a proper plan.
(b) Even though the elephant dung had been used as organic fertilizer for the cultivation in the farm, it was observed that other discarded material from the Dehiwala National Zoo was also brought to the farm with those dung.	To take actions not to do so in future.	Elephant dung should be given to the Gonapala farm as specified.

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
Even though the twelve rural sales outlets valued at Rs.7.2 million at the Ridiyagama Safari Park had been completed on 22 March	It has been informed that these outlets remained in idle without being used.	Assets must be used properly.

2018, it had remained in idle until June 2020.

3.4 Delays in Projects or Capital Works

Audit Observation	Comments of the Management	Recommendation
<p>The service of the contractor should be terminated in respect of construction which was stopped for 28 days without the permission of the Engineer as per the Section 59.2 of the Declaration No. ICTAD / SBD / 01 issued by the Construction Industry Development Authority. However, even though the projects which are being constructed Hambantota Safari Park with the estimated cost for the construction of the Sinha Arana and African Elephant Zone with a cost of Rs. 11 million and Rs. 2 million respectively should be completed their works by 29 July 2017 and 24 March 2018, respectively, it had suspended without acting as above. A sum of Rs.2.3 million and Rs. 1.7 million respectively had been spent so far on these projects.</p>	<p>It is informed that the actions would be taken in future if the completion of African Elephant Zone Project does not carry out soon, the construction of the Project would be stopped and awarded to another contractor. Since the constructions of Sinha Arana Project has been about 60 per cent completed, it is informed that the actions would be taken to get completed the construction works by the National Machinery Institute.</p>	<p>It should act in accordance with the agreement.</p>