

Head-161 Ministry of Wildlife & Forest Conservation

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Wildlife & Forest Conservation for the year ended 31 December 2021 comprising of the statement of financial position as at 31 December 2021, statement of financial performance and cash flow statement for the year 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 containing my comments and observations on the financial statement of the Ministry of Wildlife & Forest Conservation in terms of section 11(1) of the National Audit Act No. 19 of 2018 was issued to the Chief Accounting Officer on 31 May 2022. Annual Detailed Management Audit Report related to the Ministry, was issued to the Chief Accounting Officer on 31 May 2022 in terms of section 11(2) of the Audit Act. This report is presented to the parliament in terms of section 10 of the National Audit Act No. 19 of 2018, which should be read in conjunction with the article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion except for the matters described in the Para 1.6 of this report the accompanying financial statements give true and fair view of the financial position of the Ministry of Wildlife & Forest Conservation as at 31 of December 2021 and its financial performance and its cash flow year ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the facts stated in paragraph 1.6 of this report.

My audit was conducted in accordance with the Sri Lanka Audit Standards (SLAuSs). My responsibility for financial statements is further elaborated in the section of auditor's responsibility. I believe that the audit evidences I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer on Financial Statements

The Chief Accounting Officer is responsible to preparation of financial statements that give a true and fair view in accordance with the Generally Accepted Accounting Principles and provisions in section 38 of the National Audit Act No 19 of 2018 and for such an internal control as management determine is necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud and error.

As per section 16(1) of the National Audit Act No. 19 of 2018, The Department is required to maintain proper books and records on all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

in terms of sub section 38(1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic review to monitor the effectiveness of such system and accordingly make any alteration as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility on Audit of 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 and error, and to issue an Auditor General's report that includes my opinion. Reasonable assurance is 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. Misstatement can arise from fraud and error are considered material if individually or aggregate, it is materiality depend on the influence on economic decision made by the user base on these financial statements.

As a part of the audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 omission, misrepresentation, or the override of internal control.
- Obtaining 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 Department's internal control.
- Evaluate the appropriateness and reasonableness of the structure and content of financial statements, including disclosures as well as the transactions and events which were based on.
- Evaluate the overall presentation, structure and content of the financial statements, including the discourses and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on other legal requirements

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

- a. Whether the financial statements are consistent with the preceding year.
- b. The recommendations made by my report with regard to the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Recurrent expenses

Audit Observation

Although the personnel remuneration and operating expenses were Rs.136,077,087 according to the consolidated balance sheet prepared by the Ministry, the cash flow was Rs.173,151,502 despite to the financial statements submitted for the audit, therefore a difference of Rs.37,074,415 was observed.

Comments of the Chief Accounting Officer

As per the consolidated balance sheet, personnel remuneration and operating expenses are Rs.136,077,087 which is clearly shown in the statement of cash flow prepared as at 31st December 2021.

Recommendation

Cash flows should be accurately identified in the statement of cash flow.

(b) Capital expenditure

Audit Observation

Although Rs.2,797,481 had been spent on construction or purchase of physical assets and other investments according to the consolidated balance sheet prepared by the Ministry, as the cash flow was Rs.39,871,896 despite to the presented financial statements, a difference of

Comments of the Chief Accounting Officer

According to the statement of financial performance a classification of capital expenditure has been given, but in the form in which the financial statement should be presented, all the capital

Recommendation

Cash flows should be accurately identified in the statement of cash flow.

Rs.37,074,415 was observed.

expenditure made in cash by the institution should be indicated under investment activities and accordingly the capital expenditure of Rs.39,871,896 has been stated.

(c) **Deposits**

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

The deposit receipts and deposit payments of the cash flows had been understated by Rs.30,350 in the statement of cash flow prepared at the end of the year under review when compared with the corresponding balances in the consolidated balance sheet prepared by the Ministry.

An omission of these receipts and payments results in skipped of recording deposits as receipts and payments in the statement of cash flow. This will not affect the overall financial statement and I inform that the relevant officials have been informed not to make such omissions in the future.

Action should be taken according to the State Accounts Regulations of 2021/03.

(d) **Advance Account Balances**

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

In the statement of imprest reconciliation prepared by the Ministry, without stating as it is the debit of Rs.225,829 made to the advance B account by the reporting entity on behalf of other heads had been deducted from the credits made on behalf of other heads.

This figure of Rs.225,829 is the amount received from the officers' salaries for the advance B account for the month of November. I would like to inform that the amount has been credited to another ministry budget by mistake and it has been corrected by debiting a related ministry budget in December.

Transactions should be properly presented in the statements of finance.

2. Financial review

2.1 Expenditure management

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

Although annual expenditure estimates should be prepared in accordance with Financial Regulation 50 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, savings in the range of 18 percent to 100 percent were observed in 10 expenditure subjects in the estimate prepared by the Ministry for the year 2021.

I would like to inform that these savings are due to reasons such as the decision of the Cabinet on 31 August 2021, the situation of the Covid epidemic, the transfer of drivers and officials outside the Ministry.

Action should be taken to prepare estimates with proper planning and management accordance with the Financial Regulation 50.

2.2 Foreign aid projects

The Eco System Conservation & Management project had been started in 2017 under the Ministry with the aim of providing benefits to the people through the management and improvement of the ecosystems in Sri Lanka through the conservation of those ecosystems. This project was planned to be implemented until the year 2021 on the World Bank loan of U.S dollars 45 million of, after which the plan was approved for U.S Dollars 35 million. The following observations are made relating to design and performance of this project.

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

(a) According to Section 4.2.1 of the Procurement Guidelines, a detailed procurement plan should be prepared in a manner that fully utilizes the loan amount according to a main procurement plan approved by the Secretary of the Ministry for 03 years. It had not been prepared such plan for the initial loan amount of USD 45 million or

Procurement activities have been planned as the project has been initiated for specific purposes and World Bank loan amount has been approved for the items. The annual procurement plan has been prepared and approved with necessary amendments based on it.

Action should be taken as per the provisions of the Procurement Guideline Code.

the later revised loan amount of USD 35 million for this project.

- (b) The Project Steering Committee should be established according to paragraph 9 of the Management Services Circular No. 01/2019 dated 15 March 2019 and paragraph 2.1.1 of the Project Operation Manual. The functions of this committee are to provide policy guidelines for the related institutions and to monitor the project performance of each institution, and although it should meet at least once a quarter and review the progress of the project, the relevant committee had met only 06 times from the year 2016 to November 2021. Further, as per the above circular, a representative nominated by the Secretary of the Treasury was supposed to be included in this committee, it had not been taken actions accordingly.
- Holding of project steering committee meeting has become difficult due to the constant change of the position of the secretary of the ministry who should hold the chairmanship of a project steering committee during the 2 years 2020-2021, the fact that other officers who were appointed according to the position should also be appointed and the Covid-19 epidemic situation.
- Action should be taken according to the provision of the circular.
- (c) The value of USD 45 million for this project which had been formally allocated for 04 components, later change the plan by reducing allocations up to 35 million and the amount of allocations for project components that are extremely important for environmental conservation
- The provision valued at USD 45.0 million reduced up to USD 35.0 million is not due to the need of the project or the World Bank, but also as the Covid 19 pandemic situation and as a result of a request the Secretary of the Treasury to the World Bank to obtain funds from a number of
- Priority should be given to important component of environmental conservation when prepare planning.

had been reduced by 38 percent compared to the original plan and the allocations for the component to increase the organizational skills and investment capacity had been increased by 36 percent or from USD 6.6 million to USD 17.88 million which more than half of the project value or the 51 percent of the total allocation. The allocations had been transferred between the components without getting recommendations from the Project Steering Committee, by doing an evaluation of the impact on the project cores. Accordingly, it was observed that the primary project objective, which is to increase the management of the ecosystems to conserve those ecosystems and thereby provide benefits to the people and the main objective will not be able to achieve.

World Bank projects as an urgent need for money to maintain the standard of living of the people who are at the lowest level of subsistence. Accordingly, about 60 activities that had been identified and had to be canceled and the construction related to the Sri Lanka Institute of Forestry in Nuwara Eliya and the National Wildlife Research and Training Institute in Giritale, which had been started at that time, had to be carried out continuously, so the necessary provisions were allocated for that. It was necessary to keep up. Accordingly, the relevant provision for the component for increasing the skill and planning capacity has gone up from USD 6.6 million up to USD 17.88 million.

- (d) The physical progress of 35 projects value of Rs.671 million have of 50 percent or less, out of 75 projects value of Rs.1,311 million implemented by the Department of Wildlife Conservation and the 07 projects value of Rs.22 million had been cancelled as at the date of audit.
- Most of the projects implemented by the Department of Wildlife Conservation have been completed so far and the remaining projects have achieved more than 75 percent physical progress. The reasons for the cancelled projects are the disapproval of the beneficiary people for the respective projects, the increase in the initial project estimates, the inability to complete the project within the project
- Targeted tasks should be completed according to plans.

period and the people's opposition due to the very few number of beneficiaries for projects such as “anthurium” cultivation training.

- (e) The physical progress of the 106 projects with a value of Rs.433.6 million is less than 50 percent which are out of 273 projects with a value of Rs.878.76 million under the Department of Forest Conservation, and 05 projects with a value of Rs.12.07 million had been cancelled during the relevant period.

Only 40 percent progress has been shown in Kudava Visitor Center and Ilukkumbura Hostel and more than 50 percent progress has been shown in all other activities under the activities of the Department of Forest Conservation.

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- (f) It was observed that the physical progress of 28 projects is less than 50 percent out of 34 projects value of Rs.2,598 million executed by the Project Management Unit.

Only 05 out of those 34 projects have physical progress below 50 percent so far and all other projects have achieved physical progress above 50 percent. All the projects with less than 50 percent progress are under construction and work is being done to complete those projects in the near future.

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- (g) Although 13 villages in Anuradhapura district have been identified for construction of electric fence, no action has been taken regarding the construction of electric fence for three villages. Also, equipment had been taken for only three fences and among them only one electric fence had been completed. Even though all the electric fence equipment was purchased for 15

The construction of electric fence in Anuradhapura district had been completed and the construction of 5 new electric fences was in progress. The ongoing covid 19 epidemic situation and the delay in getting wooden poles from the State Timber Corporation also led to this delay due to the unwillingness of some villagers to provide financial and labor

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villages out of the 25 areas identified in Kurunegala district, the construction work of only 10 electric fences had been completed by April 2022. contributions as agreed.

- (h) The construction was planned to start in 2019 of the 18 kilometer long PVC pipe system to supply water for tanks and staff needs in Yala National Park due to not being done in that year, the cost per kilometer increased by Rs.1,438,759 2021 and accordingly, the government had to bear an additional cost of Rs.12,948,831 for those 9 kilometers. This was due to the delays caused by the appeals submitted by the tenderers and the need to follow the instructions given by the National Budget Circular No. 5/2020. It should be utilized the Loans received for foreign aid projects efficiently.
- (i) An amount of Rs.29,137,062 was paid for 19,169 meters as a cumulative amount up to Bill No. 03 for the laying of water pipes (item D1) of above Plumbing Project. Even though it is mandatory to conduct Hydraulic Pressure Test according to SIDA/SCA/3/2 5.43 in order to check whether the water pipes of the project have been successfully laid and the amount of Rs.16,906,960 had been paid for 11,123 meters without inspecting the certificate of pressure test while making those payments. Payments are made after a pressure test. Constructions under the foreign aid projects should be done in accordance with the prescribed standards.

3. Human Resource Management

Audit Observation

**Comments of the Chief
Accounting Officer**

Recommendation

There were 28 vacancies in the Ministry which 18 senior level vacancies, 01 tertiary level vacancies, 08 secondary level vacancies and 01 primary level vacancies were existed and 01 primary level surplus was existed.

The filling up of the respective vacancies has been delayed as the recruitment of employees has been restricted and the Director General of Combined Services has been informed to assign the officers for the vacancies.

Action should be taken to filled up the vacancies.