

## **Wildlife Conservation Fund - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of financial statements of the Wildlife Conservation Fund for the year ended 31 December 2021 comprising the Statement of Financial Position as at 31 December 2021 and the Receipts Payment 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 the Qualified Opinion**

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My opinion is qualified based on 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 opinion.

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

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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 Responsibility of Auditor regarding the Audit of Financial Statements**

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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**

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### **1.5.1 Internal Control over the Preparation of Financial Statements**

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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.

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

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<b>Non-compliance with the Reference to Relevant Standard</b>	<b>Comments of Management</b>	<b>Recommendation</b>
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Although provisions should not be identified in case where the conditions stated in the paragraph 22 of Sri Lanka Public Sector Accounting Standard 08, an agreement at Rs.11,107,000 had been entered for purchase of 46 desktops in the year under review and, it had been stated an expense and a liability in the financial statements when it was not paid for that or not received machines.	As accounts of the Wildlife Conservation Fund were made as per accrued concept, as the purchase of desktops was binding for purchase in the year 2021 as per agreement, it was accounted as a liability. But, it was not account as an asset.	It should be acted as per Sri Lanka Public Sector Accounting Standards.

### 1.5.3 Accounting Deficiencies

#### Audit Observation

#### Comments of Management

#### Recommendation

(a)	Four buildings amounted to Rs.33,252,714 that were used by completing works by the end of the year under review had been stated as work-in-progress without capitalizing.	It was informed that it would be rectified in future.	It should be acted to account correctly.
(b)	Although the expense of Rs.49,703,791 that incurred for the buildings capitalized during the year under review should be stated as purchase of property under the cash outflows generated from investing activities in the cash flow statement, that amount had been stated as work-in-progress.	-Do-	Cash flows should be identified correctly and stated in the cash flow statement.
(c)	The court fines receipts of Rs.1,908,000 had been stated as the contributions for foster parents method. Further, receipts of license fee for sand mining of Rs.9,457,100 had been stated as facilities fees of elephant transit home.	-Do-	It should be acted to identify correctly and account.
(d)	When comparing financial statements with fines report obtained from regional offices, it was accounted Rs.130,000 of fines receivable related to 02 cases in excess and Rs.333,000 of fines receivables related 05 cases in less. Further, court fines of Rs.275,000 related to 09 cases had been accounted twice when calculating fines receivable in Southern region.	-Do-	Court fines should be accounted correctly.

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

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Reference with the Laws, Rules and Regulations	Non- compliance	Comments of Management	Recommendation
(a) <b>Financial Regulations of Democratic Republic of Sri Lanka</b>			
(i) Financial Regulation 104(1)	Although as soon as a loss or damage occurs, inquiries should be instituted to ascertain the extent and causes of the loss, and to fix responsibility, such an inquiry had not been done regarding the shortage of 9,188 elephant shots, which was approximately elephant shots of Rs.800,372 that prevailed for the period of more than 05 years.	Though this shortage of elephant shots was occurred in year 2010, the investigation related to elephant shot had been done in East region in year 2014 and several regions in year 2016. It was informed that actions were being done according to those investigation reports by now.	It should be acted as per financial regulations.
(ii) Financial Regulation 625(3)	The Departments receiving cash remittances direct from Donors should also deposit such receipts in the Treasury. When provision is made in the Estimates for utilisation of such Grants, the Departments should apply to	As it had been mentioned that “all donations made for the Wildlife Conservation Fund should be paid to the Fund” according to gazette No. 14830 dated on 29 November 1966 that issued in relation to the	It should be acted as per financial regulations.

the Director-General of State Accounts, through the Director-General of External Resources, for an allocation of funds from the relevant Grant provision and obtain it before incurring any liability. However, an amount of Rs.10,079,912 that credited to the bank account of the Department directly as donations by a foreign person had been accounted as an income in the Wildlife Conservation Funds without following provisions in the financial regulations.

Wildlife Conservation Fund, donations were taken to the income of the Fund. Donations had been utilized for the expenditure of the Fund as per that Gazette and Gazette No. 1294/1 dated on 23 June 2003.

**(b) Government Procurement Guideline**

i. Section 2.14.1 (Supplementary 35)

Although good and services by using market price assertion method were purchased by Departmental Procurement Committee only up to Rs.10 million, in contrary to that, purchasing of

Although good and services under market price assertion method can be purchased under Rs.10 million by giving time of minimum 07 days for calling bids, it was informed that

It should be acted as per government procurement guideline.

computers worth Rs,17,656,200 had been made by following market price assertion method in year 2021.

computers worth Rs.17,656,200 had been purchased by giving time of 16 days for calling bids from local agent mentioned in telephone directory of Sri Lanka Telecom under limited competitive bidding.

ii. Section 4.2.2

A procurement timetable that describes steps of each procurement activity in a timely manner from the starting point of procurement to the ending should be prepared, it had not been acted as such at the procurement of elephant shots for the year 2021.

The required instructions were given to avoid such deficiencies in future.

-Do-

(c) Paragraph 03 Of Public Finance Circular No 01/2018 (i) dated on 13 June 2019

Although fees charging currently should be increased by 15 per cent for the various services provided by all public institutions, license fee of Rs.250 that charge for fishing boats used for fishing in a reservoir in a National Reserve or a sanctuary as per Special

It was informed kindly that actions would be done to amend the Special Gazette No.1433/4 dated on 20 February 2006 as per Paragraph 03 Of Public Finance Circular No 01/2018 (i) dated on 13 June 2019 2006 in future.

It should be acted as per circulars.

Gazette No 1433/4 dated on 20 February 2006 had not been amended by the end of the year under review.

(d)	Paragraphs 1.1 and 1.2 of Departmental Circular No. 16/2002 dated on 11 February 2002	When distributing the service charges charged from the income of entrance fees in National Gardens among staff, though the service charge that deducted as 10 per cent from persons who got 01 to 10 days of no pay leaves and 50 per cent from persons who got more than 11 days no pay leave should be re-credited to the Wildlife Conservation Fund, actions had not been done to credit the amount of Rs.1,829,200 that deducted from 14 officers.	It was informed that actions would be done to rectify in future.	It should be acted as per circulars.
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**2. Financial Review**

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**2.1 Financial Result**

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The operating result for the year under review was a deficit of Rs.710,716,620 and the corresponding deficit for the preceding year was Rs.282,296,192. Accordingly, a deterioration of Rs.993,012,811 was observed in the financial result. The decrease in garden entrance fees by Rs.366,162,825, service charges by Rs.51,717,049 and vehicle entrance fee by Rs.7,892,657 as main income components of the Fund, increase in employee maintenance and food allowances by Rs.31,167,869.39 as expense components, incurring of an expense of Rs.26,014,721 for equipment and office equipment required for the development of facilities of tourists and animals in the gardens as new expenses in year 2021 had been reasoned mainly for this deterioration.



### 3. Operating Review

#### 3.1 Uneconomic Transactions

Audit Observation	Comments of Management	Recommendation
<p>The cabinet approval had been received on 30 April 2020 for the construction of an elephant fence by using concrete poles at an estimated cost of Rs.862 million with the aim of controlling aggressive elephants for the minimization of human-elephant conflict and, those construction works had been assigned to the National Machineries Authority. Due to the changes made in later, it had been decided to dig an elephant trench at an estimated cost of Rs.304 million instead of elephant fence. The following observations were made in this regard.</p>	<p>The decision taken on rates was not decisions of individual persons and, it was informed that decisions were taken through a committee including Secretary to the Ministry and Director General of Wildlife by discussing.</p>	<p>Estimates should be prepared by using correct rates.</p>
<p>(a) As preparation of estimates based on the building construction rates that not relevant for the digging trench, the estimate had been increased by Rs.312 for 01 cubic meter when comparing with irrigation rates and, the engineering estimate had been made in excess of Rs.49,534,056. As a result of that, it had been paid Rs.28,478,736 than scheduled cost for 91,278.09 cubic metres.</p>	<p>There were places where the stability of soil was low and, it was identified there that the water was flown to the drain from those places. Although it had to do these repairs in</p>	<p>Topography should be concerned when digging elephant trenches.</p>
<p>(b) At the physical inspection of the dug trench, approximately 3000 cubic meters had been filled up with soil and, accordingly it was observed that it had to spend nearly Rs.1,497,000 for removing</p>		

- soil. Further, it was observed that it had to incur nearly Rs.25,663,024 for a year to remove filled up soil as such due to digging without considering the topography.
- (c) When it was spent Rs.3,792,458 by constructing an elephant fence as per Cabinet decision, the amount of money spent for the elephant fence had been an unproductive expenditure due to taking action to create a trench by the responsible parties.
- (d) It was not entered in to an agreement with the Department of Railway to obtain materials for the construction of elephant fence and, 05 iron floors at Rs.800,000 and an elephant board amounted to Rs.43,500 that used for the construction of elephant fence had been remained idle in Aththidiya Range Security Office.
- (e) Although the project of digging the elephant trench should be completed on 03 June 2021, its physical progress by the end of the year under review was 50 per cent.
- (f) According to Section (6)(1)(d) of 469 Authority of Fauna and Flora Protection Ordinance No.41 of 1982, any plant within the national garden
- the initial stage to prevent the falling of trench by making that flow of water properly, it has to do it repeatedly as per the solution used for it.
- The items physically done so far by the National Machinerics Agency had been taken over to the department. It was recommended to use for that if there are constructions in future.
- These materials were retained in the Aththidiya range security office until use for the constructions that should be done to the proposed trench.
- as it took certain time period to amend the plans in several times, it was delayed to complete the works within scheduled time frame. A time extension should be given as it was an incident beyond the control of the contractor.
- When clearing the identified electric fence route for the construction of strong electric fence before digging trench in
- Planned actions should be taken to minimize the human-elephant conflict.
- The assets used for the construction for elephant fence should be utilized so as to get the maximum productivity.
- Actions should be done to complete the constructions of elephant fence as planned.
- It should be acted as per the Act.

should not be cut, girdled, lopped, tapped, burnt or in any way damaged it or destroyed it. However, trees were removed in a large quantity when constructing the elephant fence and, the required approval had not been taken to remove them by identifying the quantity of trees that should be removed by surveying on them.

proposed Lunugamvehera elephant retention centre, the electric fence route had been cleared through scrub jungles, meadows so as to minimize the damages to the trees and, it was informed that a trench was dig through that route and large trees were not removed.

(g) Although an environmental assessment report should be obtained before clearing forest reserves or doing a project according to the provisions in the Gazette No.859/14 published on 16 February 1995 as amended by Section 23(v) of National Environmental Act No.47 of 1980, an environmental assessment report had not been taken in this regard.

It was informed that an environmental assessment had not been done to dig a trench as the clearing of electric fence route was done so as to minimize the damages to the environment for the construction of electric fence before digging the trench.

It should be acted to get an environmental assessment report as per the Act and, the environmental report relevant for the elephant fence should not be used for the elephant trench.

(h) As per Financial Regulation 137(5) of Financial Regulations of Democratic Socialist Republic of Sri Lanka, the officer who approves the payments should be satisfied that they have been examined and correctly taken on charge in the case of supplies. Rs.15,815,099 had been paid for obtaining 4,333 of parts of rail lines for the construction of elephant fence before the receipt of the goods and, it was only supplied 660 rail line parts even by April 2022.

It was acted to pay the spent expenses as cutting, loading and transporting these rail lines were done by Department of Railway and, a part of the rail lines were received and, the actions are being done to obtain the rest part.

It should be acted as per financial regulations.

### 3.2 Management Inefficiencies

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#### Audit Observation

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439 of strongly protected mammals and turtles, whales and dolphins owned to the reptiles category that included to the Annexure II of Fauna and Flora Protection (Amended) Act No.22 of 2009 had been died due to the Pearl Expressway Ship catching fire. Though the Department had incurred Rs.2,378,249 for the examinations of finding deceased animals, it had not been acted to reimburse that amount even by April 2022. That amount had not been stated in the accounts as amount to be received.

#### Comments of Management

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It was informed to the committees to reimburse the losses.

#### Recommendation

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Actions should be done to reimburse this money and account properly.

### 3.3 Operational Review

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#### Audit Observation

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(a) Although it was provisioned Rs.2,535,000 for 03 targeted tasks as per Action Plan of the year under review, they had not been implemented.

(b) Although the provision of Rs.28,786,000 was made for 06 projects implemented in the year under review, the physical progress of those activities were remained at a lower level than 50 per cent.

#### Comments of Management

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Non-implementation of activities as informed by the Letter No. 21/1596/304/134 dated on 31 August 2021 of Secretary to the Cabinet and though provision were made for the emergency cases, such instances were not occurred were caused.

It was scheduled to complete in future.

#### Recommendation

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The targeted tasks should be implemented as per the Action Plan.

The targeted tasks should be implemented as per the Action Plan.