

Wildlife Conservation Fund - 2013

The audit of Financial Statements of the Wildlife Conservation Fund for the year ended 31 December 2013 comprising the Balance Sheet as at 31 December 2013 and the statement of income and expenditure cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(3) of the Democratic Socialist Republic of Sri Lanka read in conjunction with Regulation No.11(a) of the Wildlife Conservation Fund enacted under section 71(2)(g) of the Fauna and Flora Guarantee Ordinance (Cap 469) and section 55 of the Fauna and Flora Conservation (Amendment) Act.No 22 of 2009. My comments and observations on these financial statements appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is Responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Wildlife Conservation Fund as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards of.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The Following Observations are made.

- (a) Even though it was stated that the financial statements of the Fund had been prepared on accrual basis, the accrued expenses of Rs.1,074,196 and the retention mony Rs.7,231,993 retained from construction payments had not been included in the financial statements.
- (b) According to the physical verification of stock carried out at the end of the year under review, a shortage of elephant gun shots valued at Rs.760,835 was observed. Instead of showing the physical stock in the financial statements after being adjusted the shortage in the books, the book balance had been shown in the financial statements and as such the value of closing stock had been over stated by Rs.760,835.

2.2.2 Lack of Evidence for Audit

Evidence shown against the following items was not made available for audit.

| Item | Value | Evidence not made available |
|--------------------------|-----------|------------------------------|
| ----- | ----- | ----- |
| | Rs. | |
| (a) Stock of milk Powder | 2,304,528 | Physical Veification reports |
| (b) Stock of drugs | 2,860,000 | - Do - |

2.3 Accounts receivable and Payable

Bonus and service charges payable amounting to Rs.30,686,737 and Rs.4,669,111 respectively had not been settled for the period of more than 3 years.

2.4 Non – Compliance with Laws, Rules and Regulations

The following non – compliances were observed in audit.

| Reference to Laws, Rules and Regulations | Non – Compliance |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ----- | ----- |
| Financial Regulations of the Democratic Socialist Republic of Sri Lanka | |
| ----- | |
| (i) Financial Regulation 454 | Although all the goods received to the stores should be entered in the stock register, 45 varieties of drugs purchased at Rs.3,773,894 during the year under review in 09 instances had not been posted to the stock register. |
| (ii) Financial Regulation 755 | When an officer in charge of stores is transferred, the book should be balanced and a report of goods should be prepared when the goods are handed over to the new officer and if there is any shortage it should be reported to the Accounting Officer and the Auditor General Action had not been taken accordingly. |

03. Financial Review

3.1 Financial Results

According to financial statements presented there was a surplus of Rs.530.4 million for the year under review as compared with the surplus of Rs.442.2 million for the preceding year thus indicating an improvement of Rs.88.2 million in the financial results. Increase of park entrance fees by Rs.152.15 million in the year under review had been the main reason for this improvement.

3.2 Analytical Financial review

The following observations are made.

- (a) The income of the Fund in the year 2012 amounted to Rs.733.4 million whereas it had increased up to Rs.942.4 million by Rs.209 million or 28.50 per cent in the year under review. The expenditure of the year 2012 amounted to Rs.291.17 million and it had increased up to Rs.412.01 million by Rs.120.84 million or 41.5 per cent in the year under review.
- (b) When analysed in terms of items, the expenditure incurred on Circuit Bungalows, Deyata Kirula, Civil Security Allowances and improvement of facilities for tourists and animals in the parks in the year under review had increased by 100 per cent. While expenditure on medical supplies had increased by 12.318 per cent. The information to establish the reasons for such increase was not made available for audit.

3.3 Legal cases initiated against the Fund or by the Fund

A case had been filed in a court by the external institutions and persons against the Department during the year under review and 661 cases had been filed by the Department against the external parties. A sum of Rs.21 million had been recovered as fines from the cases filed against the external parties during the year under review.

4. Operating Review

4.1 Management Inefficiencies

A Sum of Rs.203.7 million had been spent during the period of 6 years from 2008-2013 for the purchase of elephant gun shots out of which a sum of Rs.47.3 million had been incurred during the year under review. The following matters were observed in this regard.

- (i) The technical specification for the purchase of elephant gun shots or the standard relating to the elephant gun shots had not been determined.
- (ii) The decibel range of a sound of an elephant gun shot had not been clearly determined and as such the quality of elephant gun shots had not been certified by verifying whether the required decibel quantity was actually existed.
- (iii) The Assistant Director, Polonnaruwa had stated in the elephant gun shot application on 25 October 2013 that there were defects in Kindling small gun shots. Registers had not been maintained by collecting the information from the Assistant Directors Offices in respect of such unkindled elephant gun shots and gun shots which are not Kindled in the field.
- (iv) Contrary to the Section 3.12.1(f) of the Procurement Guidelines of 2006, the tender had been awarded to a same manufacturer for a long period, as a 2 year experience was requested for the supply of this elephant gun shots from the manufacturer of crackers and fire works.

4.2 Operating Inefficiencies

The following observations are made.

- (a) The protection of Wild life is a main function of the Fund. The following matters were observed in respect of the adoption of displaced baby elephants.
 - (i) A proper methodology should be prepared by the Fund in considering the age limit, health condition, quantity to be given etc. in feeding artificial milk to baby elephants at the ages of 2 weeks to 5 years, but it had not been so done.

- (ii) A proper methodology had not been formulated for ordering the milk required for baby elephants, and a sum of Rs.31 million had been spent during the year under review for the purchase of milk.
- (b) Even though a sum of Rs.14.2 million had been spent for drugs during the year under review by the Fund, the usage of drugs issued before, history sheets of animals to whom drugs were given, a report to confirm the receipt of drugs given before had not been obtained in providing drugs to Veterinary Health Office.
- (c) According to the spot inspection carried out on 01 April 2014, it was observed that a system of issuing tickets from the computers to enter parks had been introduced in order to regularize the issuing of tickets, it had been inactivated and the cash was collected by issuing General 172 forms instead of issuing tickets. As a results, the risk of defrauding collection money had been at a high level. For an instance , when a group come by number of vehicles, only one receipt and a permit for all the vehicles in written. It had been given only to one vehicle, any permit or other document is not issued to other vehicles. As a result, it was not possible to check whether fees had been collected from those vehicles entered to the park from the security gate by examining such vehicles. Further, as the issued tickets (Gen.172) are not re-collected by checking the vehicles in returning after watching the park, the possibilities of using the entry tickets repeatedly during the issued date had not been blocked.

4.3 Idle and under utilized assets

Even though the circuit bungalow at veewila had been constructed by incurring an expenditure of Rs.11,730,808, it had not been utilized even by September 2014.

4.4 Deficiencies in contract Administration

The following observations are made in respect of construction of Heenwewa Circuit Bungalow operated by the Fund.

- (a) Even though an expenditure estimate for Rs.1,081,295 had been prepared for the contraction work, the estimate had not been prepared by specifically identifying the standard labour cost, material and overhead cost in terms of section 3.7 of the Procurements Guidelines.
- (b) In marking payments for labour, a sum of Rs.83,600 had been paid by using forged names and a sum of Rs.101,200 had been paid without work done particulars. An expenditure of Rs.247,950 had been incurred in respect of deployment of 9 labourers contineously day and night during the entire period. It was an abnormal situation and as such it can not be accepted in audit.
- (c) Receipts valued at Rs.72,000 presented to audit in respect of material purchases had not been an accepted level in audit. An abnormal quantity of wood preservatives valued at Rs. 212,245 had been purchased in excess of the stranded quantity to be used in painting outside and inside for work mentioned in the cost estimate.

- (d) In terms of Financial Regulations, a physical verification should be carried out relating to the construction and it should be certified. However it had not been considered in marking payments.

5. Accountability and Good Government

5.1 Action Plan

An action plan had not been prepared for the year 2013.

5.2 Procurement Plan

Even though the procurement totaling Rs.202,656,025 had been made during the year under review, a procurement plan in terms of the National Budget circular No.128 dated 24 March 2006 had not been prepared.

5.3 Audit observations on unresolved audit Paragraphs

The following observations are made.

- (a) An action had not been taken to recover the loss amounting to Rs.58,000 relating to 16 ticket books which had been misplaced in the Elephant Transit Home Udawalawa from the responsible officers.
- (b) Action had not been taken by the management to strengthen the weakened internal control over counterfoil books.
- (c) Agreements had been signed in the year 2011 for the construction of official quarters Mannar, office of wildlife range and labour quarters valued at Rs.8,630,360 and a mobilization advance of Rs.1,933,200 had been paid to this contractor with an agreement of completion of work before the end of the year 2011. However work of the project had not been commenced even by the end of the year under review.

06. Systems and Control

Deficiencies in systems and control observed during the course of audit were brought to the notice of the Director General from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Collection of wild life park income
- (c) Collection of Fines and Payment of Incentives
- (d) Personal Management
- (e) Maintenance of Documents
- (f) Contract Administration
- (g) Stock Control