

Forest Department Fund - 2014.

The audit of financial statements of the Forest Department Fund for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 and the income statement and cash flow statement for the year then ended and a summary of other explanatory 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 Order No. 10-E made under Section 64 of the Forests Ordinance, (Cap.451.) 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 judgement, including the assessment of the 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 the 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. Audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management.

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 Forest Department Fund as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following deficiencies were observed.

- (a) Although fines imposed by courts had been paid to the Forest Fund by respective courts after finalizing the forest offence, rewards payable to officers had not been computed and brought to accounts at the end of the year.
- (b) Income of the fines in the year had been understated by Rs.667,484 due to the fines receivable at the beginning and the end of the year under review had not been computed correctly and erroneously brought to account.
- (c) Even though a sum of Rs.1,704,102 had been estimated and shown in the account as court fines receivable for the year under review the court fines

collected during the first 2 months of the year 2015 in respect of the year under review amounted to Rs.2,027,093 had been received to the Fund. Accordingly, it was observed that the estimation of money receivable had not been done in an accurate basis .

- (d) As the court fines of Rs.178,500 which should be credited to the Wild Life Conservation Department and fines of Rs.37,500 repayable to the courts identified as revenue, receiving of court fines had been overstated by Rs.216,000 and the rewards of the year had been overstated in the same amount due to debiting the Rewards Account on payment of these funds to the related parties.

3. Financial Review and Operating Review

3.1 Financial Results

According to the Financial Statements presented, the operation of the Fund for the year under review had resulted in a surplus of Rs.19,286,799 as compared with the surplus of Rs.10,282,541 for the preceding year. It was observed and increase in the financial result by Rs.9,004,258 as compared with the preceding year. Increase in court fines amounting to Rs. 7,845,796 and increase in overall income by 28 per cent, comprising the decrease in rewards by Rs.1,292,784 and decrease in training expenses by Rs. 565,092 and decrease in overall payment by 15 per cent had been the main reasons for the increase of the financial result.

4. Operating Review

4.1 Performance

- (a) There was a delay in crediting the fines recovered by Courts to the Forest Department Fund. A follow up procedure had not been adopted or correctly computing the Court fines revenue receivable for each month of the year.

- (b) Although Court cases had been finalized , proper procedures had not been followed to prevent delays in making claims for rewards and payment of rewards to officers who had contributed to prevent forest offences.

5. Accountability and Good Governance

5.1 Action Plan

An Annual Action Plan had not been prepared for the year 2014.

5.2 Internal Audit

An Internal Audit Plan had not been prepared for the year 2014.

5.3 Budgetary Control

Even though the financial rewards awarded out of the Fund established for the purpose of granting benefits to the Forest Officers in appreciation of the service rendered by them in the enforcement of the law while on duty, is not an expenditure that can be controlled through the control of expenditure. According to the statistics of the year under review and the preceding years, there was a saving of 25-30 per cent out of the estimated expenditure in each year. Although the management stated that the reason for the saving was due to the systematic control of the expenditure , it was observed that the budgetary estimates had not prepared on a correct basis as a considerable savings had been existed.

6. Systems and Controls

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

- (a) Budgetary Control
- (b) Collection of Revenue and Banking
- (c) Accounting