

Forest Department Fund -2013

The audit of financial statements of the Forest Department Fund for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and the statement of income and expenditure 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 Generally Accepted Accounting Principles 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 2013 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following deficiencies were observed.

- (a) Fines receivable for the year under review amounting to Rs.1,143,608 had not been brought to account under the year under review.
- (b) The arrears of revenue from courts fines had been brought to account based on the annual returns on arrears of revenue obtained direct from 33 Courts without obtaining the information on the revenue that should be crediting to the Fund at the end of each month from the cases on forest officers divided by the Courts from the Zonal offices.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations had resulted in a surplus Rs.10,282,541 in the year under review as compared with the surplus of Rs.14,946,455 for the preceding year thus indicating a decrease of Rs.4,663,914, in the financial result as compared with the preceding year. The overall revenue had decreased by 9 per cent due to the decrease of Rs.3,404,321 in receipt of Court Fines the year under review as compared with the preceding year while the rewards granted in the year under review had increased by Rs.1,081,661. As such the operating result for the year under review had decreased by 31 per cent.

3.2 Analytical Financial Review

A sum of Rs.23,107,348 had been received as courts fines in the year under review and that included a sum of Rs.1,687,626 received for the year 2012. After adjusting a sum of Rs.2,587,299 receivable for the year 2013 to that fine, the fines received and receivable for the year and receivable for the year under review amounted to Rs.24,007,021. That as compared with the year 2012 indicated a deterioration of 9 per cent.

4. Operating Review

4.1 Performance

The following observations are made.

- (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 after correctly identifying 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 Internal Audit

Internal Audit Plan had not been prepared for the year 2013.

5.2 Budgetary Control

The following observations are made.

- (a) 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. The reasons for the savings against the estimate of the rewards had been adduced as due to systematic control of the expenditure.
- (b) According to the estimate expenditure on travelling for courts duty amounted to Rs.4,000,000 and out of that a saving of 26 per cent was observed. Further, a saving of 31 per cent had been observed in the year 2012 and in both these cases the reasons for the savings had been indicated as systematic control of the expenditure.

6. Budgetary Control

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

- (a) Budget
- (b) Accounting
- (c) Collection of Revenue
- (d) Accounting for Cash
- (e) Accounting for Arrears of Revenue