

Forest Department Fund - 2017

The audit of financial statements of the Forest Department Fund for the year ended 31 December 2017 comprising the balance sheet as at 31 December 2017 and the income and expenditure account and 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 Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Order No.10-f of the Regulations made under Section 64 of the Forest Ordinance (Cap.451). My comments and observations on the above 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 Auditing 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 misstatement 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. 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 financial statements.

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

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Forest Department Fund as at 31 December 2017 and its financial performance and cash flows for the period then ended in accordance with Sri Lanka Public Sector Accounting Standards.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the year under review had been a surplus of Rs.13,049,342 as compared with the corresponding surplus of Rs.17,414,389 for the preceding year thus indicating an deterioration of Rs.4,365,047 in the financial result as compared with the preceding year. As compared with the preceding year, the increase in expenditure on rewards, training, other payments and payment of court fines by Rs.3,440,796, Rs.1,483,792, Rs.1,302,805 and Rs.353,153 respectively had been the main reason for the above deterioration.

4. Operating Review

4.1 Performance

In terms of Section 64 (d) (1) of the Forests Ordinance (Amendment) No . 65 2009, the primary objectives of the Fund is to make payments of rewards to the officers of the Department of Forests who take action according to the law on forest offences and to informers, payment of travelling expenses to the officers and witnesses for attending Courts and payment of expenses incurred in forest protection activities including the conduct of training programmes for forest officers enabling them to carry out their functions efficiently.

Taking into consideration the income and the expenditure of the Fund, only 53 per cent of the income of the preceding year had been spent while only 65 per cent of the income of the year under review had been spent. As such, it was observed in audit that a larger portion of the income of every year had not been spent.

4.2 Income Receivable

There had been delays in crediting the fines collected by the Courts to the Forest Fund and the court fines receivable as at 31 December 2017 amounted to Rs.5,501,500. However, follow-up action thereon had not been carried out.

5. Accountability and Good Governance

5.1 Budgetary Control

The savings under the estimated expenditure under 03 Objects of the year under review ranged between 12 per cent to 49 per cent. Even though the management stated that the savings were due to the systematic expenditure control, in view of the substantial savings indicated annually, it was observed that the budget had not been prepared on a realistic basis. Accordingly, the budget had not been made use of as an instrument of financial control.

6. Systems and Controls

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

Areas of Systems and Controls

Observation

(a) Revenue Control

Failure to credit the fines collected by the Courts to the Department without delay.

(b) Budgetary Control

Failure to prepare accurate budget estimates.