

## **Wildlife Conservation Fund – 2017**

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The audit of financial statements of the Wildlife Conservation Fund for the year ended 31 December 2017 comprising the Balance Sheet as at 31 December 2017 and the Income and Expenditure Statement, statement of changes in equity 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 provision in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Regulations issued under Section 71(2)(h) of the Fauna and Flora Protection Ordinance as amended by the Fauna and Flora Protection (Amendment) Act, No.22 of 2009. My comments and observations on the above financial statements appear in this report.

### **1.2 Management’s Responsibility for the Financial Statements**

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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**

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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 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 Authority’s preparation and fair presentation of the financial statements in order to design audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the Authority’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 audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **1.4 Basis for Qualified Opinion**

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

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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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 2017 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**

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#### **2.2.1 Sri Lanka Public Sector Accounting Standards**

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Depreciation of an asset begins when it is available for use, in terms of Section 69 of Sri Lanka Public Sector Accounting Standard 7, contrary to that, an accounting policy had been recognized for the depreciation totally at the year of acquisition and non-depreciation at the year of disposal of the asset by the Fund.

#### **2.2.2 Accounting Deficiencies**

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An amount of Rs. 624,597 that paid for the laying stones in the head office premises in the year under review had been capitalized under buildings instead of accounted as an expense.

#### **2.2.3 Unexplained Differences**

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Although an amount of Rs. 2,614,486 had been stated as payables to Wildlife Conservation Fund in the Financial Statements of State Timber Corporation, it was observed that the difference of Rs. 2,101,735 due to the accounting of Rs, 512,751 only in the financial statements that received from State Timber Corporation.

### **2.3 Accounts Payable**

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Service charges payable that was more than 5 years old as at the end of the year under review amounting to Rs. 5,908,269 had been stated in the financial statements without taking action to settle down.

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

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The following non-compliances with laws, rules, regulations and management decisions were observed.

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>
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(a) Treasury Circular No. IAI/2002/02 of 28 November 2002	A separate register of fixed assets in respect of computers, accessories and software had not been maintained as per the Circular.
(b) Public Enterprises Circular No. PED/12 of 02 June 2003	
(i) Section 5.2.4	Although the Budget should be approved by the Board of Directors before 3 months of the beginning of the financial year, the Budget for the year 2017 had been approved on 17 January 2017.
(ii) Section 8.2.2	Even though an amount of Rs. 693,399,171 had been invested in Treasury Bills at the year end, the concurrence of the Minister of Finance and the approval of the relevant Minister had not been obtained thereon.
(c) Wildlife Conservation Department's Accounts Circular No. 4/2013 of 07 August 2013	Action in terms of the Circular had not been taken in respect of taking over and accounting of donations received during the year under review amounting to Rs. 2,797,190.

## 3. Financial Review

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### 3.1 Financial Results

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According to the financial statements presented, the surplus of the Fund for the year ended 31 December 2017 had been Rs. 1,546,489,131 and so as to compare with the corresponding surplus of Rs. 1,168,164,618 for the preceding year, an improvement of Rs. 378,324,513 in the financial results for the year under review had been indicated. An increase of park entrance fees and service charges by Rs. 324,724,976 and Rs. 53,558,964 respectively was the main reason for the improvement in the financial results.

An analysis of the financial results of the year under review and of four preceding years indicated that the surplus of Rs. 530,377,190 in the year 2013 had been continuously improved to Rs. 1,546,489,131 in the year 2017. After adjusting to the financial result employees remuneration and depreciation on non-current assets, the contribution of Rs. 594,139,340 in the year 2013 had been continuously improved to the Rs. 1,664,801,571 in the year 2017.

### **3.2. Legal Cases initiated against or by the Fund**

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The Fund had filed 702 of lawsuits in relation to the wildlife crimes and illegal activities done in the national gardens against the third parties requesting a compensation of Rs. 31,862,000 in the year under review and 601 lawsuits had been filed requesting compensation of Rs. 29,846,000. An amount of Rs. 14,056,100 had been stated as the compensation receivable in the financial statements at the end of the year under review.

## **4. Operating Review**

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### **4.1 Performance**

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#### **4.1.1 Planning**

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In terms of Section 5.1 of the Public Enterprises Circular No. PED/12 on 02 June 2003, a Corporate Plan for minimum of three year period had not been prepared covering the relevant period of time for the fulfillment of vision and mission of the Fund.

#### **4.1.2 Performance and Review**

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The following observations are made in relation to the implementation of activities according to the Action Plan prepared for the year under review.

- (a) A sum of Rs. 57,291,860 had been spent in the year under review for 10 projects which was not been included in the Action Plan and the physical progress of the 05 projects which was included in the Action Plan had been less than 50 per cent.
- (b) Although the provisions had been made for purchasing machinery, vehicles and boats at Rs. 127,000,000 and for 33 projects at Rs. 477,888,870, any purchase had not been done and any project had not been executed.
- (c) Although the income of Rs. 2,235,036,136 had been received from issuing tickets for watching animals in the 26 national parks in the year 2017, the expenditure incurred for the protection and conservation of wild animals was Rs. 68,388,992 which was less percentage of 3 per cent.

#### **4.2 Management Activities**

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Although an amount of Rs. 5,345,100 had been paid to the Sri Lanka Navy for the purchase of a boat on 31 May 2017, the boat had not been received to the entity by 09 May 2018, the date of audit.

#### **4.3 Operating Activities**

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The following observations are made.

- (a) Medicines that were essential for wildlife had not been in the stores in the Udawalawa Elephant Transit Home which was provided the protection for the orphaned wild elephants and other wildlife due to various reasons and various deceased wildlife even by 27 January 2018, the date of audit. Further, 4,004 of stock items of 17 expired medicine categories valued at Rs. 428,053 had been in the stores and they had been used for the treatment of wildlife. However, 98 wild animals out of 240 which had been got treatments in the Elephant Transit Centre had been died in the year 2017. The notes of the conclusions of the postmortems in relation to those dead wild animals were not comprehensive and clear.
- (b) The cash deficit of Rs. 1,894,597 had been observed when checking the gate's copy and Shroff's copy in relation to the issuing of entrance tickets to the tourists who came to visit national parks in the years of 2016 and 2017 at the audit conducted during the months of July and October 2017 in relation to the Minneriya and Udawalawa national parks. An inquiry had not been made by the entity relating to that.
- (c) The goods amounting to Rs. 1,053,485 that was received to Udawalawa Elephant Transit Centre in the year 2015 as donations by a private entity had not been entered into the Inventory Book.

#### **4.4 Commencement of Projects on Lands/Property not vested properly**

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The legal rights of the land which was constructed the head office building of the Fund had not been received to the fund and the an amount of Rs. 1,264,500 had been paid as an advance on 11 September 2017 for the construction of new part to that office by entering into an agreement for Rs. 6,322,500 without tax. Although the works had been started on 18 August 2017 and completed on 18 February 2018 by starting as for the agreement, constructions had not been completed even by 30 May 2018 and the physical progress was 15 per cent only.

#### **4.5 Utilization of Motor Vehicles**

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Though an approximate gross loss of Rs. 124,000 had been incurred by meeting with an accident of a cab that owned to the range office of Kithulkotte on 18 October 2016, an investigation had not been conducted in relation to that as for financial regulations. Further, although the accident had been occurred exceeding one year, the relevant cab had been parked insecurely in the premises of the range office of Kithulkotte without doing repairs.

## **5. Sustainable Development**

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### **Achievement of Sustainable Development Goals**

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The following observations are made.

- (a) According to the awareness with the 2030 Agenda for sustainable Development adopted by the United Nations following objectives that should be achieved by the Wildlife Conservation Fund according to its scope had been identified.
  - (i) Sustainable use and conservation of oceans, seas and ocean resources for the sustainable development
  - (ii) Preservation, rehabilitation and promotion of sustainable use of terrestrial environmental systems, management of forests sustainably and prevention of desertification and destruction of bio diversity.
  - (iii) Strengthening and palingogenesis of the global and proposed mission for the sustainable goals.
- (b) Although above mentioned objectives had been identified, action had not been taken to identify the targets relating to those objectives, based data, the milestones in respect of achieving those targets and the indicators for evaluating.

## **6. Accountability and Good Governance**

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### **6.1 Internal Audit**

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Although, the Internal Audit Division had observed that the system of internal control was weak, it was observed in audit that there was no approach to strengthen those systems within the entity and action had not been taken to increase the staff of the internal audit division along with the widening of functions of the Fund. Furthermore, a sufficient attention was not paid in the functions of the annual internal audit program for the performance audit of the Fund.

### **6.2 Procurement and Contract Process**

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#### **6.2.1 Procurements**

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The following observations are made.

- (a) A Procurement Plan had not been prepared by the Fund.
- (b) Two contract agreements had been entered into for Rs. 1,876,440 for the completion of construction works by using the materials provided by the Fund for the erection of name boards and maintenance of electric fence in Anuradhapura wildlife zone. The contract had been waived by the contractor due to not provision of required materials by the Fund and insufficient of contracted amount for the relevant task.

### 6.3 Budgetary Control

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The budget had not been made use of as an effective instrument of management control as the variations ranging from 28 per cent to 100 per cent were observed between the budgeted and actual income and expenditure.

### 6.4 Unresolved Audit Paragraphs

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The following observations are made.

- (a) Even though an agreement had been entered into in 2011 for the construction of staff quarters in Mannar, range office and labour quarters and an advance of Rs. 1,933,200 had been paid, the constructions had not been commenced. The paid advance could not be recovered as the expiration of the advance bond. However, a legal agreement had not been entered into though the task had been assigned again to the previous contractor itself for new amended amount of Rs. 9,931,179. So the loss of Rs. 1,933,200 had been arisen to the government.
- (b) The attention had not been paid to issuance of receipts in a mechanical system for the collection of fees from local and foreign tourists who visit the Udawalawa elephant transit home in order to make the relevant task easy and it was observed that the written General 172 receipts forms had been used for the collection of fees..
- (c) It was observed that the Kollankanatta (Weewala) circuit bungalow situated in the Wilpattu national Park, constructed by incurring a sum of Rs. 11,730,808 in the year 2012 had been idle without being used due to the water problems.

### 6.5. Performing of Social Responsibilities

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As the purchasing of 68,985 of milk powder packets annually for the baby elephants in the Udawalawe Elephant Transit Home, the things such as cardboard casings, non-degradable bags and plastic spoons had been collected and the relevant actions had not been taken to dispose those wastes properly so as to prevent the environmental damage.

## 7. Systems and Controls

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

Areas of Systems and Controls

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Observations

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| (a) Maintenance of documents | Non-maintenance of registers of computers, registers of counterfoils and detailed schedules. |
| (b) Stock Control            | Non- maintenance of stock books properly in the regional offices                             |

- (c) Issue of tickets Unpaid attention on the possibilities to misuse of cash in the non-issuance of tickets by computers and un satisfaction with the accuracy of the cash received
- (d) Budgetary Control Variances had been in between budgeted and actual income and expenditure
- (e) Vehicle Control Not embossing the state emblem and the name of the institution on the 13 vehicles