

Wildlife Conservation Fund – 2018

1.1 Qualified Opinion

The audit of the financial statements of the Wildlife Conservation Fund for the year ended 31 December 2018 comprising the balance sheet as at 31 December 2018 and income and expenditure account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported to parliament, appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Fund.

1.4 Auditor's Responsibility for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
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(a) Assets valued at Rs.52,368,026 of which the construction works were completed in the years 2016 and 2017 had been shown as work-in-progress in the financial statements without being capitalized.	Not commented.	Action should be taken in terms of Sri Lanka Public Sector Accounting Standard 7.
(b) A sum of Rs.812,496 spent on the construction of cages for animals had been written off as expenditure without being capitalized.	As it was an expenditure on repairs to the cages, the said amount has not been capitalized.	Action should be taken in terms of Sri Lanka Public Sector Accounting Standard 7.
(c) The cost pertaining to 171 items of various pharmaceuticals and medical devices existed in the stores of the Head Office had not been computed and brought to the financial statements.	The stock balance of pharmaceuticals and medical devices existed in the stores has been included in the financial statements.	The stock in the Veterinary Unit of the Head Office has been shown as the closing stock of Rs.74,740 in the financial statements and as such, the stock in the stores of the Head Office should be brought to the financial statements.

1.6 Accounts Receivable and Payable

1.6.1 Amounts Payable

Audit Observation	Comments of the Management	Recommendation
Action had not been taken even by the end of the year under review to settle the balance of Rs.10,679,146 over 05 years in the Payable Service Charge Account.	Service Charges are being paid only to the officers whose salary increments were approved for the relevant year and as such, the Service Charge of the officers who were not been paid it, have to be retained for the payment after being approved the salary increments.	Amounts payable should be properly settled without being retained for long periods.

1.7 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Management	Recommendation
(a) Circular No.05/2009 of 08 November 2009 of the Department Wildlife Conservation	A register on fire arms and ammunition had not been maintained in the Legal Division and Monthly Reports had not been forwarded to the Legal Division by Zonal Offices.	Action has been taken to maintain a register on fire arms and ammunition in the Legal Division in due course and to obtain relevant monthly reports from Zonal Offices monthly.	Action should be taken in terms of the Circular.
(b) Guidelines for Procurement of Pharmaceuticals and Medical Devices -2006	The procurement guidelines had not been followed in purchasing pharmaceuticals valued at Rs.13,324,020.	Action will be taken by me in due course to appoint a Technical Evaluation Committee and carry out procurement activities in terms of the provisions in the Guidelines for Procurement of Pharmaceuticals and Medical Devices-2006.	Procurement Guidelines should be followed.

2. Financial Review

2.1 Financial Results

The operating result for the year under review had been a surplus of Rs. 1,871,142,266 as compared with the corresponding surplus of Rs. 1,546,489,131 for the preceding year, thus an improvement of Rs. 324,653,135 was observed in the financial results. The increase in park entrance fees and service charges by Rs.350,476,437 and Rs.56,413,113 respectively had been the main reason for the said improvement.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
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(a) Even though it was required to introduce a new legal system appropriate for Sri Lanka in order to streamline the trade and breeding process of fauna and flora based on the recommendations made at the 17 Session of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) by the year 2018, a legal system had not been introduced even by 30 April 2019.	Legal drafts have been prepared to gazette the regulations and submitted to the Attorney General's Department several years ago and at present, action is being taken to legalize it.	A new legal system appropriate for Sri Lanka should be introduced.
(b) Even though field inspections should be carried out to study the effect occurred to the parts of fauna and flora due to the trade of fauna and flora, field inspections had been carried out only in 08 instances pertaining to 75 instances of imports taken place during the period from the year 2016 to October 2018. No field inspection had been carried out since the year 2013 on the institute named Borneo Exotics which exports Pitcher Plants.	A field inspection could not be carried out on Borneo Exotics (Pvt) Ltd and it has been proposed to carry out a field inspection in the year 2019.	Field inspections should be carried out to evaluate the effects occurred due to imports and exports.

3.2 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Two hundred and twenty seven kilo grammes of Stress Vitamin valued at Rs.527,620 had been purchased on 23 August 2018 and that entire stock had been provided to the Udawalawa Elephant Transit Home. Out of that, 98 kilo grammes of medicines will be expired by October 2019 and the value thereof amounted to Rs.258,006.	Medicines for animals are purchased upon the requests made by Veterinary Surgeons and recommendation of the Director(Health) in charge of Zone. Accordingly, the medicine named Stress Vitamin had been purchased in compliance with the Procurement Guidelines and at present it is being used for animals in the Udawalawa Elephant Transit Home.	Requirement should be properly identified.

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
(a) 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 remained idle without being used since the year 2012 due to the issues in water supply.	I expect to solve the issues in water supply and open it for tourists in due course.	A proper course of action should be taken to solve the issues in water supply.
(b) A sum of Rs.5,868,600 had been spent for the vessel, Wave Rider and engines purchased in the years 2017 and 2018 for the conservation of marine mammals and monitoring of tourism affairs. Nevertheless, it had remained idle in the Mirissa Harbour without being used despite the expiry of guarantee period in the year 2019.	This vessel is being used for sailing at present and action is being taken to obtain the assistance of Department of Coast Conservation for sailing in the deep sea.	Action should be taken to use the vessel without delay.

3.4 Deficiencies in the Contract Administration

Audit Observation -----	Comments of the Management -----	Recommendation -----
A contract agreement amounting to Rs.6,322,500 had been entered into for the construction of a new building in respect of the Head Office and an advance of Rs.1,264,500 had been paid on 11 September 2017. Even though the works should have been completed by February 2018 in terms of the Agreement, the physical progress of constructions had been only 15 per cent even by 30 April 2019.	In carrying out this construction work, the construction of roof as per the estimate was incongruous with the appearance of the main building and as such the existing estimate has been revised but it was an increase of 24.2 per cent. As it exceeds 10 per cent being the limit required to submit for the Procurement Committee, approval of the Secretary to the Ministry has been sought.	Estimates should be prepared accurately and action should be taken to construct the building.