

## Zoological Gardens Development and Welfare Fund – 2018

---

### 1.1 Qualified Opinion

---

The audit of the financial statements of the Zoological Gardens Development and Welfare Fund for the year ended 31 December 2018 comprising the balance sheet as at 31 December 2018 and the 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 accompanying 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 its 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 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 determine 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, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend 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 Responsibility of the Auditor in relation to 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 great 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 Company'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 and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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 Board of Governors 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 Internal Control over the preparation of financial statements**

-----

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

### **1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards**

-----

The following observations are made.

<b>Non Compliance with the reference to particular Standard</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
-----	-----	-----
(a) As per paragraph 53 of the Standard No. 01, the comparative amounts of the Income and	Action had been taken to prepare accounts As per paragraph 53 of the Sri Lanka Public Sector Accounting Standards No. 01, numerical	Action should be taken in compliance with paragraph 53 of Sri Lanka Public

<p>Expenditure Account for the previous year included in the Financial Statements had not been revealed.</p>	<p>information of the previous year could not be revealed in the preparation of the statement of income in the form of an income and expenditure account as pointed out in the reports of the Auditor General for the previous year. It is kindly informed that action will be taken to rectify the shortcoming in the preparation of accounts in the year 2019.</p>	<p>Sector Accounting Standards No. 01.</p>
<p>(b) Even though the difference in opening and closing balances of the Cash and Cash equivalents as stated in the appendix of the Standard No. 02 should be clearly stated in cash flow statements, only the net cash flow had been stated in the cash flow statement prepared for the year under review.</p>	<p>Since the balance of the Development Fund of the Department is remitted to the General Treasury at the end of the year, the opening balance of the following year is considered as zero. Therefore, it is kindly informed that net cash flow had only been indicated in the cash flow statement since the difference between the closing balance and the opening balance is the closing balance.</p>	<p>Action should be taken in accordance with the appendix of the Sri Lanka Public Sector Accounting Standards No. 02.</p>
<p>(c) Since the carrying amount of fixed assets at the cost of Rs. 72,941,488 which had been fully depreciated in accordance with the Standard No. 07 and still being used as the useful life of such assets had not been annually reviewed, had not been indicated in financial statements, action had not been taken to revalue the carrying amount and to record the carrying amount in accounts.</p>	<p>It has been planned to transfer all the assets related to the Development Fund to the Government Fund in the year 2019 with the consent of the Department of Public Accounts and vehicles related to the Development Fund and for which depreciation had been completed, were subjected to revaluation. Likely, it has been scheduled to consider the values stated in the valuation report issued by the Department of Valuation as the basis for revaluing buildings and constructions. It is kindly informed that Committees have already been appointed to revalue plant and machinery and furniture and office equipment.</p>	<p>Action should be taken in compliance with the Sri Lanka Public Sector Accounting Standards No. 07.</p>

### 1.5.3 Accounting Deficiencies

---

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) An amount of Rs. 1,442,352,853, which should be stated as fixed assets had been stated as work in progress.	It is kindly informed that action would be taken to rectify this error in transferring the Fund since arrangements are being made to transfer the fixed assets related to the Development Fund to the Government Fund on the approval of the Department of State Accounts in the year 2019.	Action should be taken to state as fixed assets.
(b) Even though a selling cost should not be existed in relation to the Zoological Fund of the Department of National Zoological Gardens as an institution which supplies services, the selling cost had been computed as Rs. 302,521,708 by a Profit and Loss Statement and had adjusted to income and expenditure account.	It is kindly informed that the adjustment of stocks of animal feed, veterinary medicine and printing of tickets to selling cost would be rectified in the preparation of the account in the ensuing year and arrangements will be taken to include only the value of used stocks as the Revenue expenditure.	Only the value of amounts used out of those stocks should be included as revenue expenditure.
(c) Even though the deficit in the souvenir shop had been computed as Rs. 35,357, it had been stated as a profit amounting to Rs. 277,821 in adjusting it to the income and expenditure account of the Fund.	It is kindly informed that action will be taken in the future to rectify the error made in the computation of the profit of the souvenir shop in the preparation of the account in the ensuing year.	Should be brought to accounts accurately.
(d) Provision for depreciation had been overstated by Rs. 37,982,155 owing to the error in the policy of depreciation adopted	It is kindly informed that action will be taken to make adjustments to depreciation based on the date of purchase of the assets and to make	The accurate policy of depreciation should be adopted.

pertaining to the property, plant and equipment purchased from the year 2012 up to the year 2018.

relevant account entries in transferring assets since it is expected to transfer all the assets such as property, plant and equipment purchased by the Development Fund to the Government on the concurrence of the Department of State Accounts.

**1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.**

---

<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Treasury Circular No. 842 of 19 December 1978.	The Fixed Assets Register had not been maintained.	It is kindly informed that it is expected to finalize the preparation of fixed assets register at the end of this year since action is being taken to transfer the fixed assets of the Development Fund to the Government Fund on the approval of the Department of State Accounts in the year 2019.	Action should be taken as per the Circular.

**2. Financial Review**

---

**2.1 Financial Result**

---

The operating result of the year under review amounted to a surplus of Rs. 448,955,427 and the corresponding surplus in the preceding year amounted to Rs. 507,779,651. Therefore, a deterioration amounting to Rs. 58,824,224 of the financial result was observed. The major reason for the deterioration is the rise in the cost of purchasing animal feed and other expenses by Rs. 48,375,556.

### 3. Operational Review

-----

#### 3.1 Management Inefficiencies

-----

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
-----	-----	-----
(a) The Department of National Zoological Gardens was unable to give certain medicines for elephants who were suffering from Tuberculosis due to the shortage of certain drugs required by the sick elephants.	The Medical Supplies Division of the Department of Health is responsible for importing the type of drug used to treat the elephants in the National Zoological Gardens suffering from Tuberculosis to Sri Lanka. The drugs imported by the Medical Supplies Division are distributed by State Pharmaceutical Corporation. A limited quantity of drugs is imported by the Medical Supplies Division and a situation has created where it is not possible to obtain the drugs required for the sick elephants due to the non-importation of drugs by any other institution. It is kindly informed that the risk of spreading the disease to the other animals and people is in the minimum level as elephants suffering from this disease are treated at the special Quarantine Centre called "Narambedda".	Action should be taken to obtain drugs systematically without shortages in drugs.
(b) Action had not been taken to dispose expired drugs amounting to Rs. 393,388 at the physical verification conducted in the medical supplies stores of the Department of National Zoological Gardens in May 2019.	Expired drugs in the medical supplies stores have been stored separately from the other drugs and it is kindly informed that it is scheduled to dispose these drugs subsequent to getting a formal approval in the future.	Action should be taken to properly dispose of expired drugs.

### 3.2 Idle or underutilized Property, Plant and Equipment

---

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) Four (04) motor vehicles worth Rs. 9,584,223 were remained idle without using from the year 2014 up to the end of the year under review.	It is kindly informed that a Committee has already been appointed pertaining to 04 vehicles in the National Zoological Gardens and action is being taken to dispose of the vehicles.	Should take action to repair the vehicles or to dispose of the vehicles.
(b) Even though the x-ray machine of the Animal hospital in the Pinnawala Elephant Orphanage had been in an inoperative condition from the year 2014, action had not been taken to repair the machine even by May 2019.	The X-ray machine at the Pinnawala Elephant Orphanage is inoperative from the year 2014 and the relevant Agent had been informed to attend and check the machine and the Agent informed after checking the machine that it cannot be used again even after a repair. Therefore, procurement activities had been carried out to purchase a new x-ray machine in the year 2017 and bidding documents that were in compliance with the specifications prepared by the Department had not been submitted in the procurement process. It is kindly informed that necessary activities to reinstate bids for that purpose are being carried out presently.	Action should be taken to repair the machine.

### 3.3 Procurement Management

---

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) In terms of the Guideline 5.3.13 (c) of the Government Procurement Guidelines 2006, irrevocable and unconditionally encashable bid securities should be obtained in favour of the Head of the	Bid Security of the tender made by the Ministerial Procurement Committee for the purchase of animal feed has been taken by the Secretary of the Ministerial Procurement Committee in the Ministry of Sustainable Development, Wildlife and Regional Development and it is kindly notified that action will be	Action should be taken to obtain bid securities in favour of the Head of the Institution.



Institution for the contract of Rs. 144,344,129 awarded for purchasing animal feed.

taken to obtain this in favour of the Head of the Department in the future procurements.

- (b) As per the request made by the Cabinet Memorandum to select one institution out of the 07 institutions, it had been informed to select a Institution under an appropriate methodology and according to the observations of the Minister of Finance. However, Contracts of Phase I and Phase II for developing a Fishery in Dehiwala valued at Rs. 3,253,715 and Rs. 3,025,600 respectively had been directly awarded to State Development and Construction Corporation even without inviting bids. Even though late fee amounting to Rs. 325,571 under the Phase I and a late fee amounting to Rs. 302,560 under the Phase II had to be recovered due to the non-completion of construction activities, action had not been taken to recover the amounts.

Contracts had been awarded to the institution which had been considered as the most suitable out of the approved institutions by considering the nature of the Project and the capacities of each construction institution and considering the projects completed beforehand by such institutions and projects conducted at the time of awarding the projects by such institutions in the National Zoological Gardens since the manner of awarding projects to the relevant institutions had not been clearly mentioned in the Cabinet Decision dated 02 August 2016. Accordingly, it is kindly notified that the aforementioned projects had been awarded to the State Development and Construction Corporation. Even though the Institution had informed about delays in these projects and had made requests from time to time to extend the time period of this Project, the Department had not given their consent for such requests. Likely, it is kindly informed that it had been scheduled to deduct late fees from the payments to be made to the bill submitted at the end of the project or to the final bill submitted. The construction Institution had obtained a Cabinet approval for exempting from the requirement of submitting a Performance Bond. A copy of the approval had been annexed herewith.

The selection of institutions should be done by inviting bids.