

Zoological Gardens Development and Welfare Fund – 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Zoological Gardens Development and Welfare Fund for the year ended 31 December 2022 comprising the Statement of Financial Position as at 31 December 2022 and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year 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 2022, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for the Qualified Opinion

I expressed qualified opinion based 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 Statement

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.

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

As per 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 Auditor regarding the Audit of 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 and 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 Audit Observation on the Preparation of 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.

1.5.2 Accounting Deficiencies

| Audit Observation | Management Comment | Recommendation |
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| (a) Although the total income included in the financial statements is Rs.506,595,988, a change of Rs.28,494,375 was observed as the total income of the year under review was Rs.535,090,363 included in the income report submitted for that purpose. | Although the total income of the year 2022 is Rs.535,090,363 It is informed that the net income has been accounted for after VAT and other amendments included here. | The income shown in the financial statements should be compared with the income statements. |

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| (b) | Although the sales value of the souvenir shop in the year under review was Rs.5,850 its cost of sales was stated as Rs.1,041,402. It was observed that the reason for this was that 12,108 souvenirs worth Rs.1,132,320 that were given free of charge were added to the cost of sales without being deducted from the gross profit. | The costs of sales will be properly adjusted. | Cost of sales should be accurately calculated. |
| (c) | Although the balance of the fund as at 31 December 2022 is Rs.1,977,037,550 according to the statement of financial position, the balance is Rs.2,009,522,432 Rs.32,484,882 were shown more. Action had not been taken to resolve this occurred difference for many years. | This difference arises on transactions such as refundable tender deposits and contract retentions. | The balance of the fund shown in the statement of financial position should be made up of the balance in the treasury and the difference should be reconciled. |
| (d) | The entry fee to the zoological gardens and safari parks belonging to the National Zoological Garden Department was deducted from the ticket fee and remitted to the Inland Revenue Department without charging the visitors the value added tax with the fee approved by the Director General of the Public Finance Department. In that way, the fund had lost that income due to the value added tax of Rs.56,406,780 which was deducted from the ticket fee of Rs.471,171,300 charged in the year under review. | Necessary actions will be taken in the future by forwarding facts to the Secretary of the Ministry and the Director General of the State Finance Department. | As per the provisions of the Value Added Tax Act, the calculation of tax on the ticket fee should be collected and recovered. |

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| (e) | As of 31 December 2022, 157 types of drugs with a value of Rs.393,650 in the main drug store of the National Zoological Garden Department were not included in the drug stock. | Action will be taken to correct that in the preparation of the account of the year 2023. | Action should be taken to physically survey and account all existing stocks. |
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1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

| Reference to Laws, Rules Regulations etc. | Non-compliance | Management Comment | Recommendation |
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| Guideline No. 04 under Section 15.1 of Part I of State Finance Circular No. 01/2020 dated 28 August 2020 | | | |
| (a) Guideline 03 | At the end of each quarter, so that the progress of the fund can be reviewed, quarterly reports that should be submitted on the main functions of the fund should be prepared and submitted to the Auditor General with copies to the State Finance Department and the National Budget Department, but this has not been done. | It will be presented from the second quarter of 2023. | Action should be taken to prepare and submit the relevant quarterly reports to the relevant departments. |
| (b) Guidelines 4.2 and 5.2(b) | An income statement had been submitted instead of the financial performance statement which should be prepared following the Sri Lanka Public Sector Accounting Standards. | From the year 2023, it will be presented according to the relevant model. | A financial performance statement should be prepared and submitted as per the standard. |

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| (c) | Guideline 5.1 | A draft annual performance report was not submitted with the financial statements of the year under review. | That a performance report will be submitted in the year 2023. | A draft of the annual performance report should be submitted with the financial statements. |
| (d) | Guideline 6(b) | Although financial statements were to be submitted in the three languages of Sinhala, Tamil and English, financial statements were not submitted in Sinhala and Tamil languages. | From the year 2023, financial statements will be presented in three languages. | Financial statements should be submitted in three languages. |
| (e) | Guideline No. 07 and Financial Regulation 877 (2)(c) | The budget reconciliation document was not submitted with the accounts. | Action will be taken to present for the year 2023. | Arrangements should be made to submit the budget reconciliation document along with the financial statements. |

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a deficit of Rs.429,958,380 and the corresponding deficit of the previous year was Rs.558,081,259. Accordingly, an increase of Rs.128,122,879 was observed in the financial result. This growth was mainly due to the increase in ticket revenue due to the increase in the number of tourists visiting the zoos during the year under review.

3. Operational Review

3.1 Management inefficiencies

| | Audit observation | Management Comment | Recommendation |
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| (a) | According to Article 11 of the Code of Ethics included in the Animal Welfare Strategies updated in 2015 by the World Association of Zoological Gardens and Aquariums, deaths of animals in | According to the code of ethics updated in 2015, knowing the exact cause of death or the manner of death of animals for which post-mortems reports were | Records of dead animals should be maintained indicating the reasons for not conducting |

care should be performed in all cases except where there is a compelling reason not to perform a necropsy. However, in 2021, the deaths of 18 animals belonging to 13 breeds had not been confirmed to have a strong cause and no post-mortems had been carried out.

not submitted were the reasons for not performing post-mortems.

necropsies.

(b) Due to the fact that 13 animal deaths were not included in the animal assessment report issued in 2021 and it was observed that there were differences in the sizes of 09 species of dead animals, the number of animal deaths included in the animal assessment report could not be confirmed as correct.

The reason for this is that animal deaths less than 2 weeks are not included in the reports and if the cause of death of the dead animals is known for certain, the post-mortems are not done.

Records of dead animals should be maintained indicating the reasons for not conducting post-mortems.

(c) Animals must be displayed in a way that ensures the safety of animals according to the standard of display of animals mentioned in paragraph 03 of the ethical system included in the animal welfare strategies updated in the year 2015. Nevertheless, in the inspection conducted in relation to the years 2021 and 2022, in 09 cases, animals were identified as dead, five animals died due to retaliatory attacks, 96 of the total 156 animal deaths were not diagnosed or treated, and infants animal death rate as a percentage has increased from 8.3 percent to 26.38 percent.

The bodies of some animals decompose very quickly after death. Death from predator attacks is very minimal. Some reporting errors occurred when comparing the daily diaries of the animal guardians with the diaries used by the veterinarians and the reasons for not providing treatment were sudden deaths, deaths of very young animals and deaths of very old animals. Deaths of very young birds and still births were not treated. I would like to inform you that when a small animal is born, a work plan has been prepared and implemented on how to deal with that animal.

The health and safety of animals and treatment facilities should be improved.

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| (d) | In the year 2019, 04 white peacocks were purchased at a cost of Rs.1,398,000 and in the year 2022, the breeding process was carried out to breed the chicks. It was observed that one peacock and five white peacock chicks had died in a short period of 02 months from 31 July 2022 to 03 October 2022. | One chick died of lung disease, the remaining four chicks and the adult peacock died of coccidiosis disease. This disease, which is caused by a pathogen called protozoa and infects the intestines of animals, is very difficult to treat. | Animal health and treatment methods should be further developed. |
| (e) | There was no quarantine centre in the Dehiwala zoo to quarantine the animals infected with an infectious disease and the work of the quarantine centre under construction in Gonapala was not completed. | About 70 percent of the construction of the quarantine centre being built in the Gonapola farm to quarantine animals suffering from contagious diseases at the Dehiwala zoo has been completed. | The construction should be completed within the stipulated time and an animal quarantine centre should be maintained properly. |
| (f) | According to the exhibition standards mentioned in paragraph 03 of the ethical system included in the updated animal welfare strategies in the year 2015, the environment necessary for the natural behaviour of the animals should be prepared in the zoological garden. However, as of 20 December 2022, it was observed that there are 15 animals living alone in their cages, 35 unaccompanied animals and 21 unaccompanied animals in Dehiwala Zoo. The post-mortem report stated that the Japanese monkey (a female) who died on 09 March 2022, suffered from a depressive condition due to living alone for 15 years and may affect the aggravation of cancer cells Urine Cancer. Accordingly, it was observed that animals living alone can have a severe impact on the mental and physical health of those animals. | From the end of 2022, we are taking initial steps for various international animal exchange programs. Under this, the black jaguar has now got a partner. | Animal welfare should be increased while complying with ethics. |

4. Accountability and Good Governance

4.1 Budgetary Control

| Audit Observation | Management Comment | Recommendation |
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| (a) The budget estimate for the year 2022 of the fund was revised again on 23 December 2022 on a request made by the National Budget Department. Nevertheless, when comparing the budgeted expenditure included in the revised budget estimate with the actual expenditure, expenditure had exceeded the approved budget allocation by a percentage ranging from 0.9 percent to 39.4 percent in 03 expenditure heads. | Action will be taken from this year to minimise this situation. | Expenditure should not exceed the approved budget allocation. |
| (b) An amount of Rs.25,000 allocated from the initial budget estimate for education and research for the year 2022 had been increased by Rs.1,000,000 to Rs.1,025,000 according to the revised estimate, but no expenditure was incurred for education and research during the year. | Since there was not enough provision for education and research, efforts have been made to increase the provision, but due to insufficient time in the year 2022, it has not been possible to use the provision. | Arrangements should be made to allocate budgetary allocations on a realistic basis. |