

Head 283 - Department of Forest Conservation

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Forest Conservation for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) 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 on these financial statements presented to the Department of Forest Conservation in terms of Section 11(1) of the National Audit Act, No.19 of 2018 appear in this report. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 28 July 2023 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Forest Conservation as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities 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 and its materiality depends on the influence on economic decisions taken by users 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 skepticism throughout the audit. I also furthermore,

- Appropriate audit procedures were designed and implemented to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the 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.
- Evaluated the overall presentation, structure, and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The following recommendations made by me on the financial statements of the preceding year had not been implemented.

<u>Reference to paragraphs of the report relating to the previous year</u>	<u>Recommendation not implemented</u>	<u>Paragraph reference in this report</u>
1.6.1 (a)	According to the statement of financial position and the treasury printout, due to the difference of Rs.369,361,875 in the value of property, plant and equipment as at 31 December 2021. The financial statements should be re-prepared by entering the correct data.	1.6.2 (c) (iii)
1.6.1 (d)	Relevant information to prove the Rs. 3,370,000 added to the quarter's value of Rs. 415,455 on 01 January 2021, still not submitted to the audit. The correct data should be entered, the accounts should be prepared, and the necessary information should be submitted to the audit.	1.6.2 (c) (ii)
1.6.1 (e)	Of the Rs.1,237,217,599 incurred for land and land improvement in 2021, Rs.1,188,135,714 have not been included in the non-financial asset account report, so the accounts should be prepared correctly.	1.6.2 (c) (iv)

1.6 Comments on Financial Statements

1.6.1 Presentation of Accounts

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
According to Public Accounts Guide No. 2022/05 dated December 13, 2022, financial statements must be submitted for audit before February 28, 2023. However,	Comments had not be provide	Per Public Accounts Guidelines, annual financial statements should be prepared

due to quantitative errors in the financial statements submitted by the Department of Forestry for the year 2022, those financial statements were withdrawn on April 25, 2023. The revised financial statements were submitted for audit on 31st May 2023. Accordingly, the delay period was 03 months.

without errors and submitted for audit on the due date.

1.6.2 Accounting Deficiencies

(a) Receipts of Revenue

The following deficiencies were observed in accounting receipts of revenue relating to the Department.

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
(i) According to annual estimates, the revised revenue estimate from government forests was Rs.3,000 million, but it was stated as Rs.1,600 million in the revenue statement. The actual income collected during the year was Rs. 2,082 million, and the income could not reach the Rs. 918 million limit.	Accounts will be presented correctly in the coming year.	Annual estimated revenues should be accurately disclosed in the financial statements and recovered.
(ii) According to Schedule 05 of the 2021 government forest revenue account, although the arrears for the years before last year were Rs.555,018,063. In the income account related to the year 2022 (DGSA -revenue 02) and in the statement of arrears income related to it, it was shown as Rs.488,264,949, and in the financial statements of the reviewed year, the arrears income was understated by Rs.66,753,114.	Comments had not be provide	The deficit revenue should be properly calculated and accounted for and recovered.

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| (iii) | According to the deficit revenue report related to the revenue account from the government forests for the year 2021, the deficit revenue associated with the previous years was Rs.1,060,445,374 as of January 01, 2022, and the deficit revenue related to the earlier years was Rs.59,920,642 as of December 31, 2022, and the deficit revenue collected for the previous years in the year 2022 is Rs.1,000,524,732. Nevertheless, as of December 31, 2022, in the revenue account (DGSA-revenue 02), the outstanding revenue was shown as Rs.901,779,894, showing a difference of Rs.98,744,838. | Accounts will be presented correctly in the coming year. | The correct revenue collected should be included in the financial statements. |
| (iv) | According to the revised year's deficit revenue report, a deficit revenue of Rs.32,733,901 to be identified in 2019 related to the Ampara District Office was identified and accounted for in 2022, of which Rs.31,982,888 had not been recovered by the end of 2022. Accordingly, it was observed that the department's revenue calculation system needs to be more satisfactory. | The accounts will be presented correctly while preparing the income accounts in the coming year. | A proper internal control system should be established regarding accurate identification and collection of deficit revenue. |
| (v) | During the period from 2017 to 2021, the arrears of Rs.77,366,295 from two quarry owners and Rs.121,613,898 from a private company were not collected by the Polonnaruwa and Mullaitivu District Forest Office and were not included in the declaration of arrears. | The officials have been informed to recover 25% of the arrears in 36 installments. Also, Legal action has been taken to recover the arrears from the private company. | The deficit revenue should be properly calculated and accounted for and recovered. |

(b) **Reconciliation Statements on Advances to Public Officers Account**

The following observations are made.

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
Of the lone balance of Rs.10,715,114 due on December 31, 2022, a debt balance of Rs.8,912,194, which has been overdue for 03 months to 05 years, has not taken the necessary steps to settle it under paragraph 4.1 of Chapter XXIV of the Establishment Code.	The value to be settled by the Pension Department is Rs.5,286,508 and the expected value to be written off from the books is Rs.4,633,250.	As per the provisions of the Establishment Code, the management should take necessary action to recover the loan amount.

(c) **Deposits**

The following observations are made.

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
Rs.1,106,846 received in the year 2007 and not spent for 16 years for the restoration of the impact on the environment during the implementation of projects, and Rs.1,152,314 given for the administrative expenses of 15 environmental survey study programs and not spent for more than 10 years, Rs.380,273,079, which had not been spent for more than 02 years, was kept in 04 deposit accounts without being credited to the government revenue as per Financial Regulation 571(2).	Answers had not been provided.	Deposits that no longer need to be maintained as deposits should be identified and credited to government revenue.

(d) Property, Plant and Equipment

The following deficiencies were observed in accounting for Property, Plant and Equipment.

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
(i) According to the department's financial statements as of 31 December 2021, the total amount purchased under 14 expenditure subjects was Rs. 604,218,923 fixed asset balances as initial balances on 01 January 2022. Due to showing the value of 09 expenditure subjects as Rs.1,988,535,398 more and the value of 05 expenditure subjects as Rs.700,225 less in the accounts, the asset balance as of 01 January 2022 was shown as more than Rs.1,987,835,173.	Discrepancy in the opening balance of non-financial assets, provided instructions and guidance for adjustment by journal.	The reasons that affected the change in the opening balance should be identified and corrected.
(ii) According to the Treasury printed notes as of December 31, 2022, the value of property, plant and equipment was Rs.4,229,027,677, and a difference of Rs.18,825,000 was observed in the statement of financial position as Rs.4,210,202,677.	Answers are not correct.	The difference that has occurred should be correctly identified and adjusted in the accounts.
(iii) As at 30 June 2023, the information relating to the confirmation of the value of Rs.3,370,000 added to the opening balance of the quarters of Rs.415,455 included in the financial	Answers had not been provided.	Information included in the financial statements should be substantiated.

statements as at 31 December 2021 had yet to be submitted to the audit.

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| <p>(iv) Rs.1,188,135,714 incurred in the year 2021 for land and land improvement but not included in the account report as non-financial assets were not also included in the accounts of the year 2022 and had not been corrected.</p> | <p>Answers had not been provided.</p> | <p>Correct data should be entered and accounts should be prepared correctly.</p> |
| <p>(v) There are more than 400 motorcycles owned by the department, but their values had not been properly assessed. Their value was shown in the financial statements as Rs.37,500.</p> | <p>Would like to inform that the assets owned by the institution will be accurately calculated and properly documented.</p> | <p>The appraised value of the vehicles should be included in the financial statements.</p> |

(e) Non- maintenance Registers and Books

It was observed during the sample audits that the department did not maintain some of the following documents, and some of the documents were not maintained regularly and up-to-date.

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
<p>(i) Fixed Asset Register</p> <p>To maintain the accounting accuracy of non-financial assets, although the department should maintain proper books, but no fixed asset register was maintained.</p>	<p>Necessary corrections will be made in the future.</p>	<p>According to paragraph 8.1 of the Public Accounts Guide No. 2022/05 dated December 13, 2022, the fixed asset register should be updated and asset management should be formally maintained according to the module introduced by the CIGAS program.</p>

(ii) **Cash book**

As per paragraph 8.4 of the Public Accounts Guide No. 2022/05 dated 13 December 2022, the cash book maintained manually was not updated and a hard copy of the cash book obtained through the SIGASS program was not filed separately.

Answers had not been provided.

The manually maintained cash book should be updated as per the provisions mentioned in the guidelines or a hard copy of the cash book obtained through the SIGASS program should be filed separately.

(iii) **Departmental Appropriation (Votes) Ledger.**

According to Financial Regulation 447, the Departmental Appropriation (Standard Expenditure) ledger had not been updated.

Defects are being corrected.

As per the provisions mentioned in the Financial Regulations, as per General Form 138, the Departmental Disbursement (Standard Expenditure) Ledger should include voucher number, total amount of expenditure, remaining provision, etc., and maintain it up to date.

(iv) **Inventory book**

The inventory register had not been updated and maintained as per F.R.454.

Defects are being corrected.

As per the provisions of the Currency Regulations, the inventory book should be updated and maintained as per General Form 44.

(v) **Security Register**

According to Financial Regulation 880, the department had not taken Security by identifying the officers who should deposit the Security and according to Financial Regulation 891(1), a Security register containing the information of the officers and

Defects are being corrected.

In terms of Finance Regulations 890 and 891(1) to identify the officers who should deposit the Security and maintain a Security register to include that information.

employees who should deposit the Security had not been prepared.

(vi) **Register of damages**

Although a register of damages and losses was maintained as per Currency Regulation 110, the register was not updated and maintained.

Defects are being corrected.

A register of damages should be maintained in a formal manner, as per the monetary regulation model.

(vii) **Record of liabilities**

As per Financial Regulation 214, a register of liabilities was not maintained.

Defects are being corrected.

A liabilities register should be maintained so that the liabilities can be checked regularly.

(viii) **Register of Loans and Advances**

According to paragraph 05 of the Public Accounts Circular No. 256/2017 dated 5 July 2017, the loan and advance documents must be prepared based on the C.C.10 format, but the loan and advance document, debtor document, creditor document and Advance control account was not updated and maintained under preferred format properly.

Instructions and directions were given to the subject officers and supervisory officers to ensure that the shortcomings shown by the audit do not reoccur in the preparation of advance "B" accounts in the year 2023.

These documents should be updated and maintained to maintain an adequate system of accounts and internal control system with respect to advanced "B" accounts of Government officials.

2. Financial Review

2.1 Revenue Management

The following points were observed in respect of preparation of revenue estimates, collection of revenue shortfalls, revenue waivers and deductions.

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
(a) For the Joint Cabinet Memorandum No. 14/2020 dated 13 November 2020 to	Answers had not been provided.	The government incurs huge costs for the protection and management of forest

reduce the fees charged up to the year 2020 by 50 percent without reasonable cause in accordance with the Gazette Notice No. 1600/18 dated 06 May 2009 for the demolition of granite located in the lands under the management of the department Cabinet approval had been given. Accordingly, although the audit of the year 2021 had shown that the state revenue has decreased greatly due to the reduction of fees, it had not been paid attention to and the revenue lost due to black stone quarrying in only 05 district offices that submitted information related to the year 2022 was Rs.18,204,346.

resources. Therefore, an adequate fee should be charged from the concerned parties for the restoration of the environmental damage caused during the release of forest materials without reducing the fees charged earlier.

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| (b) | Effective internal control systems were not established for accurate estimation, calculation and recovery of revenue from forests and private timber transportation, which were the major sources of income of the Department. Therefore, it was observed that the relevant parties defaulted on the crediting of money to the state revenue and the outstanding revenue which was Rs.1,491,611,273 on 31 December 2021, had increased to Rs.1,885,180,372 on 31 December 2022. | As this income received under “Puraskara” system is recovered after calculation on the units produced, there is always shortfall in income. Contracts are entered into after collecting all arrears of income in the next year's contract. | As per the existing laws and regulations, the management should be taken to action to establish effective internal control systems for revenue management, ensure that deficit income accurately estimated and collected on time. |
| (c) | Although a private telephone company had requested permission to build 08 telephone transmission towers in the years 2020 and 2021, the government had lost the license income that could | Due to the economic and political situation that has arisen for several years, the construction of these towers, which were to be built under communication projects | Work efficiently without missing out on opportunities to raise government revenue. |

have been obtained due to the negligence of the officials concerned. to the village, has been temporarily suspended. But Permit had been granted for Veragala Kanda Vadam tower.

- (d) According to paragraph 04 of the State Financial Policy Circular No. 01/2015 dated 20 July 2015, the amount of revenue to be collected and the amount of revenue collected for the purpose of improving revenue administration and accounting, monitoring activities and policy analysis etc. in a clear, orderly and accurate manner Records were not maintained. A model framework will be prepared and accordingly the income expected to be collected will be determined, and the responsibilities of reaching those goals and follow-up activities will be assigned to regulate the collection of income. As per the provisions of the circular, action should be done to establishing an effective internal control system for revenue management, by the management.

2.2 Certifications to be made by the Accounting Officer

According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Chief Counting Officer should have made assurances regarding the following matters, but had not done so.

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
(a) The Chief Counting Officer and the Counting Officer shall ensure that an effective system of internal control is developed and maintained for the financial control of the Department. The effectiveness of the system should be reviewed in advance and the necessary changes should be made to make the system effective, and the reviews should have been written and a copy submitted to the Auditor General, but the statement that such reviews were done was not submitted to the audit.	Answers had not been provided.	Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.

- (b) The Chief Accounting Officer and the Accounting Officer shall ensure that annual and other financial statements are prepared within the required time. In addition, although the Chief Accounting Officer should ensure that the annual reports related to the entity being audited are submitted to Parliament, due to the audit observations mentioned in paragraphs 1.6.1 and 3.4 of the report, those requirements were not fulfilled. Answers had not been provided. Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.
- (c) The Chief Accounting Officer and the Accounting Officer shall ensure that all audit queries be answered within the specified time as required by the Auditor General. However, in terms of paragraph 3.9 of the report, audit queries had not been answered. Answers had not been provided. Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.

2.3 Non-compliance with Laws, Rules and Regulations

Cases of non-compliance with the provisions of laws, rules and regulations observed during sample audits test are analyzed below.

	<u>Observation</u>			
<u>Reference To</u> <u>Laws, Rules</u> <u>And</u> <u>Regulations</u>	<u>Value</u> <u>Rs.</u>	<u>Case Of Non-</u> <u>Compliance</u>	<u>Comment of</u> <u>the</u> <u>Accounting</u> <u>Officer</u>	<u>Recommendati</u> <u>on</u>
(a) Financial Regulations Of The Democratic Socialist Republic Of Sri Lanka				
(I) Financial Regulation 104(4)	-	Although A Full Report Should Be Submitted Within Three Months From The Date Of The Damage, The Department Had Failed To Recover The Damages As It	Actions are being taken to correct the deficiencies and recover the losses in due course as indicated by the audit.	According to the Financial regulation, a full report must be submitted within three months from the date of the loss or damages.

Had Not Dealt
With The
Damages In The
Years 2020 And
2021.

(ii) Financial Regulation 371(2) And (5)	637,480	Although The Advance Was To Be Settled As Soon As The Work Was Completed, In 41 Cases, 15 Days To 256 Days Had Been Spent To Settle The Advances.	Advice and guidance was given to ensure that the deficiencies do not recur.	Steps should be taken to settle the advances immediately after completion of the work and to strengthen the internal control arrangements for the same.
(iii) Financial Regulation 395 (C)	-	As At December 31, 2022, Reconciliation Statements Related To 29 Bank Accounts Were Not Submitted For Audit.	Instructions were given to correct the deficiencies.	Bank reconciliation statements should be prepared and submitted for audit as per financial regulations.
(iv) Financial Regulations 396 (D)	544,505	As Of December 31, 2022, 190 Checks That Had Been Issued For More Than 6 Months Had Not Been Dealt With As Per The Finance Regulations.	Answers are not correct	The value of the checks that are more than 06 months from the date of issue should be taken as revenue as per the finance regulations.

(V) Finance Regulations 565(3)	-	Although A Balancing Account Should Be Prepared For The General Deposit Account, The Department Has Not Prepared Balancing Accounts For The General Deposit Account.	Answers had not been provided.	A balancing account should be prepared every month in respect of the general deposit account and reconciled with the treasury notes.
(Vi) Finance Regulations 565(5)	-	Regarding The General Deposit Account, The Monthly Deposit Summary Statements Which Should Be Prepared According To The General Format 71 To Be Submitted To The Auditor General Before The End Of The Next Month Were Not Prepared.	Answers had not been provided.	Monthly deposit summary statement should be prepared and submitted as per regulations.
(b) Public Finance Circular No. 05/2016 And Finance Regulations 507 And 756	-	Annual Board Of Surveys Should Be Done And Related Reports Should Be Submitted To The Auditor General Before 15 June Of The Following Year, But The Department Had Not Finished Submitting The Board Of Survey Reports For The Year 2021, And Had Not	Answers had not been provided.	As per the instructions of the circular, annual board of surveys should be completed in due time and reports should be submitted to the Auditor General and a good control and system should be established for asset management.

Completed The Board Of Survey Activities For The Year 2022.

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| (c) Public Administration Circular No. 30/2016 Dated 29 December 2016 | - | The Fuel Combustion Test To Be Carried Out After 12 Months Of Driving Or After 25,000 Km Or After A Major Engine Repair, It Has Not Been Done Form Many Years. | With the commencement of the fuel combustion test, a document will be maintained as per Annexure 01 of the document. | A good internal control system for the asset management should be followed as per the circular. |
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2.4 Irregular Transactions

The following observation is made.

<u>Audit Observations</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
The construction contract executed in the Kanneliya reserve under the provisions of the Ecosystem Conservation and Management Project (ESCAMP) had been stopped in the middle beyond the contract period, and Out of the initial work advance amount of Rs.4,750,000 paid for that, Rs.3,723,637 was not recovered in the payment of share money for the completed work, and the period of the related guarantee was not extended.	Answers had not been provided.	Disciplinary action should be taken against the officers who failed to recover the mobilization advance paid to the contractor from the bills submitted and the due amount should be recovered appropriately.

2.5 Operation of bank accounts

The deficiencies revealed during the sample audits conducted regarding the management of bank accounts are below .

<u>Audit Observations</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
(a) Bank accounts which have been inactive for more than 06 months should be looked into and attentions should be given to canceling them, and to the audit it has not confirmed whether 18 bank accounts with zero balance are still active or not.	Those bank accounts with zero value related to the ESCAMP project, which has been completed so far, will be closed in the future.	Bank accounts which are inactive for more than 06 months with a zero balance should be closed as per the provisions mentioned in Treasury Operational Circular No. 03/2015.
(b) In the reconciliation statements of 19 bank accounts of the District Offices and Head Office as on 31 December 2022 In 188 cases, there were unrecognized receipts amounting to Rs.19,338,009, and since they were not correctly identified and adjusted to the cash book, it was not possible to verify in the audit that the accounts were correctly settled to the treasury.	Action will be taken to Correct it.	The direct credits made to the bank should be identified and taken into the cash book at that time and arrangements should be made to settle the accounts correctly to the Treasury.

3. Operational review

3.1 Vision and Mission

The following observations are made regarding the vision and mission.

<u>Audit Observations</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
(a) Adequate information on the total area of reserved, conserved and other forest lands under the administration of the department the end of December 2022 and the total gazetted area was not	Answers had not been provided.	Arrangements should be made to maintain accurate data of total area under departmental administration and total gazetted land, and to make

available during the audit. It was observed during the field inspection at the regional offices that gazetting of forest land is slow.

land gazetting efficient.

- (b) According to Circular No. 1/2020 of the Secretary of the Ministry of Wildlife and Forest Conservation dated November 04, 2020, district secretaries and divisional secretaries were given the opportunity to use forest land for other purposes which is not owned by a government agency. Due to that, it is observed that certain lands that should be kept under the control of the department as a reserve may be threatened to protect and achieve sustainable development goals.
- Answers had not been provided.
- As there is a risk of disposal of the lands to be further maintained under the control of the department, the formal ownership of the lands should be confirmed.
- (c) Out of the total land area of 178,218.7 hectares controlled under the Mullaitivu District Forest Office, 6,825 hectares were gazetted in the year 1932 and after 80 years, 74,797.63 hectares were gazetted between 2012 and 2019, but 10,892.44 hectares had not been gazette, and 1,550 hectares had not been measured. Also, 13,377.06 hectares measured out of the area of 52,395.21 hectares controlled by the Kurunegala District Forest Office had not been gazetted. In the years 1895, 1918, 1936 and 1939 gazetted 352.6 hectares of Kurunegala Moragolla, Devagiri Kanda, Talgamuwa and Maragal Kanda forests had not been measured and boundaries confirmed. Accordingly, it was observed that the work of surveying and land gazetting is going on slowly and there is a
- Due to the war period, the private lands in Mullaitivu district have become forests, so the political authority and the district secretary have requested to delay the gazetting of the land until it is resolved. According to the request, it was decided to delay the gazetting of reserved forests in the meeting held at the Vauniya District Secretariat on March 04, 2022 under the chairmanship of the Ministry Secretary.
- The ownership of those lands should be confirmed by managing the existing conditions.

risk of facing various problematic situations in taking legal action regarding forest crimes.

- (d) The plants required for forestry are produced by the department under 05 projects in 40 plant nurseries located all over the island. As at 31 December 2022, the information related to the stocks of plants in those nurseries was not submitted to the audit.
- Answers had not been provided.
- Correct data should be maintained about the total number of plants available in the nurseries and arrangements should be made for timely planting of saplings.
- (e) Most of the 197,736 saplings planted from the year 2019 in two Sapling Nursery located in Mullaitivu and 67,375 saplings produced in the year 2022 and earlier at the Medagama Sapling Nursery affiliated to the Galgamuwa Site Forest Office due to the lack of a planned program for planting saplings or distributing saplings in due time. 6,748 saplings, and a large number of saplings that were planted and maintained on the provision of Rs.70,716,004 in the Ecosystem Conservation and Management Project (ESCAMP) from 2019 to 2022 had died and another large number of saplings had grown abnormally.
- Due to the Covid-19 epidemic situation and the fuel problem, it was impossible to proceed the programs. But the plants remain strong and healthy, and a return on investment can be achieved.
- Adequate plans should be made to plant or distribute plants at regular intervals to minimize damage.
- (f) Under the Special Forestry Project in the year 2021, 1000 saplings planted in polythene packaging at a cost of Rs.77,964 had grown beyond the size due to not being used for the intended purposes. Also, in the years 2021 and 2022, 524 “rootball” plants produced at a cost of Rs.02 million at the Medagama nursery were not released for planting on both sides of the roads in urban areas, walking lanes and tree planting programs in Colombo
- Although these plants were produced targeting various programs in the year 2022, the opportunity was lost due to the situation in the country.
- Currently, polythene bags are undergoing an explosion in a state of high growth and plans are being prepared to use them for various programs in the year
- The department should prepare a formal plan to use these plants for a productive purpose and avoid wastage of government money.

city, because of that 103 seedlings had died. 2023.

- (g) The Kurunegala District Forest Office had not completed the work of 81 plots that had been handed over to the State Timber Corporation for full felling within the stipulated time, and the number of plots that had not been handed over by February 2023 was 27. As a result, it was not possible to reforest as planned. Also, although 18,700 trees were handed over to the State Timber Corporation on 9 August 2021 for pre-commercial thinning in the Ambanpola bittuwa of the Galgamuwa site, the growth of the rest of the trees had been stunted due to the non-fulfillment of the work by 15 February 2023. The department had not taken steps to collect late fees from the State Timber Corporation for these delays and to apply suitable measures to avoid delays.
- It has been decided that the government will own the deposit money deposited by the State Timber Corporation due to the non-handover of the demolition sites in Kurunegala district on time. The felling of forest plantations handed over for commercial thinning in the years 2020, 2021 and 2022 by the State Timber Corporation has not yet started and despite being informed from time to time, it has not been successful so far.
- In order to fulfill the role of the department without interruption, necessary steps should be taken to fulfill the tasks assigned to the State Timber Corporation without any delay.
- (h) The State Timber Corporation has not released 234 plantation lands in 08 districts where the expected growth period of a tree has exceeded, and there is a risk of destruction due to widespread crime and other natural hazards. It was also observed that the government will lose state share by not felling the trees within the prescribed periods.
- Amount of allocation from the treasury for the relevant year for reforestation, annual timber requirement, management of timber harvest sustainably, the amount of afforestation given to the State Timber Corporation for full felling is determined on the basis of the capacity of the State Timber Corporation to felling timber annually.
- Taking into account the life span of each forest plantation and its vulnerability to forest crimes and other natural hazards, priority should be given to such plantations and efforts should be made to carry out full clearing activities.
- (i) It was observed that 94 plantations sites in Kegalle, Trincomalee and Anuradhapura districts had failed due to non-
- According to the allocation given by the treasury, under the special forestry project in
- The forestry management and follow-up process should be done in accordance with the

implementation of forestry management and follow-up process and they had been allowed to complete the lifetime of them, without taking necessary measures to rehabilitate and properly maintain .

the year 2021, 892 hectares of degraded forestry were restored.

existing internal control system of the department.

3.2 Planning

The following observations are made.

<u>Audit Observations</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
(a) The department's action plan for the year under review did not include the vision, mission, objectives and goals of the institution and the work, goods and services expected to be procured by each department under line items as per the form introduced by National Budget Circular No. 128 dated March 24, 2006, and A detailed procurement plan including the expected time frame for implementation was also not prepared.	Agree with the audit observations.	According to Budget Circular No. 02/2020 dated August 28, 2020, the vision, mission, objectives and goals of the department should be included and the action plan and procurement plan should be prepared and implemented.
(b) Although seed planting and maintenance were included in the action plan, it was not possible to confirm that the distribution of saplings will take place through a planned work schedule, as a program related to the distribution of saplings was not included in the action plan.	As indicated by the audit, the objectives and related utilizations were noted to be included in the action plan.	The action plan should be prepared including the activities to achieve the desired objectives.

3.3 Non-performance of the functions

The following observation is made.

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
108.7 hectares of land belonging to 05 forest offices in Kurunegala district where timber clearing is being carried out had not been done to produce saplings for reforestation.	Plant production had been started in March 2023 on receipt of departmental grants.	The requirements should be identified correctly and the plants needed for reforestation should be produced in a proper manner.

3.4 Annual Performance Report

The Annual Performance Report should have been prepared as per the format mentioned in Guideline No. 14 issued by the State Finance Department as per paragraph 10.2 of State Finance Circular No. 2/2020 dated August 28, 2020. The following observations are made in this regard.

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
According to paragraph 12.1 of the State Finance Circular No. 2/2020 dated 28 August 2020, the annual performance report should be prepared in three languages and submitted to the Parliament before 150 days after the end of the relevant financial year. But the annual performance report for the year 2021, had been submitted to the Parliament after a delay with one year on 06 June 2023.	Answers had not been provided.	As per the provisions of the circular, the annual performance report should be prepared in three language and submitted to the Parliament before 150 days from the end of the relevant financial year.

3.5 Procurement

The following observations are made.

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
(a) According to Guideline 3.9.4 of the Government Procurement Guidelines Code, a contract exceeding Rs.2,000,000 cannot be	Considering reasons such as lack of time to choose another farmer's organization, it was	Estimates should be prepared economically and procurement should be done in accordance

executed by a registered society, while the total cost estimate of Rs.2,547,166 for the repair of the old lecture hall at Kanneliya Conservation Center is Rs.1,816,008 and Rs.731,158. Two estimates had been prepared and accomplished by a community-based farmer organization.

done in agreement with that farmer's organization.

with government procurement guidelines.

- (b) As per paragraph 2.1 of State Finance Circular No. 08/2019 dated 17 December 2019, the Department was not registered for e-procurement under e-GP system.

Answers had not been provided.

As per the provisions of the circular, the department should register for e-procurement under the e-GP system and conduct procurement.

3.6 Asset management

The following observations are made

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
(a) The Wakunugoda Tourist Bungalow, which was closed since 2018 and is controlled by the Galle District Forest Office, was repaired at a cost of Rs.687,337 in December 2020, but it had been unutilized by June 30, 2023.	At present, there is no circuit keeper or watcher appointed for the tourist bungalow and the bungalow is not being used regularly, but the premises are maintained and used by officials visiting for official purposes.	It should be used efficiently.
(b) From 2015 to 2019, the Kanneliya Tourist Bungalow, which earned an income of over 7 million rupees, was temporarily closed from January 2020 for maintenance, but due to lack of maintenance, the sewerage system was destroyed, the retaining walls collapsed and the walls of the building were cracked, and there is a risk of serious damages existed. Due to	An emergency situation has arisen due to subsidence of the ground around the kitchen and toilet system. As a result, it was temporarily closed for resident tourists from January 2020.	Necessary arrangements should be made to repair and put into efficient use.

this, the provision of accommodation facilities to tourists was hampered and the government had also lost revenue.

- (c) Although an allocation of Rs.500,000 was given in the year 2020 for the repair work of the Kurunegala Kumbalgama circuit bungalow, which needs to be fully repaired, it was not possible to maintain the quality of a circuit bungalow due to the lack of repair work.
- The head office has been informed from time to time about the need for maintenance of buildings in Kurunegala district and an allocation of Rs.350,000 has been made for painting on 27 March 2023.
- Assets should be managed properly and utilized efficiently.
- (d) The vehicle pool belonging to the department had not been physically verified and information was presented that 711 vehicles are available. However, the detailed information of 288 vehicles were not submitted to the audit, and physical existence could not be confirmed of them .
- Answers had not been provided.
- All vehicles should be physically verified and physical existence verification provided to audit.
- (e) Although the department used vehicles owned by other government agencies, information about the number of vehicles and their ownership was not submitted to the audit. There was no action taken to take over or hand over their ownership. The Land Rover Jeep No. 64-4438 belonging to the Ministry of Lands, Irrigation and Mahaweli Development was parked the Galle Divisional Forest Office since 2017 without running, and the Nissan Cab No. 52-5093 belonging to the North-Eastern Provincial Council at the Mannar Divisional Forest Office since 2015 was also parked without running.
- Answers had not been provided.
- The vehicles used by the department owned by other government agencies should be identified and to get the ownership or to handed over back.

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|-----|--|--|--|
| (f) | The 13 unusable motorcycles and 05 premises of Galle district for more than 04 years. As per Asset Management bicycles, whose year of registered could not be identified, have been parked in the office Circular No. 05/2020 dated 02 October 2020 issued by the Ministry of Finance, they had not been disposed of. | The committee appointed for abuse and assessment of unusable vehicles met on 16 June 2022 and inspected 13 motorcycles. informed that according to the report of that committee, further work is to be done. | As per Asset Management Circular Vehicles to be disposed of should be dealt with. |
| (g) | At the Galgamuwa Site Forest Office, 04 vehicles were taken out of service due to non-repair, and 02 vehicles which are in running condition but need to be repaired, there was a risk of being abandoned without proper repairs. Necessary measures were not taken to dispose of 06 vehicles reserved for Kurunegala District Forest Office, Kurunegala Site Forest Office and Malsiripura Site Forest Office, which have been under construction for many years. | To repair one motorcycle, It has also been decided to dispose of 03 motorcycles. To repair the damaged cab in the near future, Arrangements are also being made to obtain the revenue license for the motorcycle at the Galgamuwa site, which is currently in running condition. | Vehicles should be properly maintained and used efficiently. |
| (h) | 169 vehicles had been identified for disposal and 101 vehicles for which valuation reports had been obtained, open bids had not been called for disposal. Also, no arrangements were made to obtain the valuation reports of 68 vehicles. Therefore, it was not possible to dispose of the vehicles. | Answers had not been provided. | Delayed reports should be taken from the concerned committee and action taken on disposal should be expedited. |

3.7 Losses and damages

The following observation is made.

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
Due to the fact that the pages of the department's loss and damage register were torn, letters were blurred, several pages were pasted and the losses that occurred after 2011 were not included, the audit could not confirm whether the Damages and losses were correctly recorded and settled.	Answers had not been provided.	The damages and losses register should be updated and maintained in proper condition as per financial regulations. Also, formal action should be taken regarding damages and losses.

3.8 Uneconomic transactions

The following observations are made.

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
(a) 35 hectares of Alavwa - Viharakanda 01/001 "Kaya" plantation cultivated in 2020 had been damaged by animals. But in the year 2022, Rs.3,886,452 were spent and 04 maintenances were done, but by February 14, 2023, it was observed that about 70 percent of the crops were destroyed.	In order to protect the plants, black oil is applied from the root of the plant to a height of about 02 feet, but due to the repeated attacks of porcupines, the percentage of living plants is at the level of 30% - 40% without any remedy. Maintenance has been abandoned..	A formal arrangement should be established regarding forestry management and protection.
(b) 51,449 teak and kaya plants produced in 2021 and 2022 for 04 forestry plantations including Kurunegala Aethgala forestry plantation have been destroyed Due to the explosion of polythene bags by overgrowth of plants, and failure to prevent insect damage. As a result a sum of Rs.1,208,372 incurred passive expenditure..	These plants have been destroyed due to failure of the State Timber Corporation to carry out fellings and hand over the working sites within the specified period. Therefore, Rs.585,807 is expected to be handed over to the government out of the security	In order to plant saplings according to the departmental plans, arrangements should be made to get the State Timber Corporation to complete the work at the work sites on time. Also arrangements should be made to recover the additional costs incurred

deposited by the State Timber Corporation. for the maintenance of the produced saplings and the loss incurred by the government due to the destruction of the saplings from the State Timber Corporation.

- (c) Kurunegala District Office was instructed in April 2021 to prepare saplings for planting in the field by the end of September 2021. Accordingly, 5,000 seedlings produced in polythene bags at a cost of Rs.500,000 that year and 4,000 seedlings of size 12”X18” produced at a cost of Rs.400,000 in 2021 at Medagama Nursery in Galgamuwa site were kept unused in the nurseries.
- At present, the plants are occasionally used for forest extension programs based on local requests.
- Arrangements should be made to use the produced plants in the planned way.

3.9 Failure to reply Audit Queries

The following audit inquiries issued to the Department had not been answered even by 31 July 2023

<u>Description of the audit query</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
There are 02 audit queries issued in 2019 and 2020 by Auditor General answers had not been submitted.	Answers had not been provided.	Arrangement should be taken to answers to audit queries within the given time.

3.10 Management weaknesses

The following observations are made.

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
(a) The Galle District Forest Office had not properly performed the tasks related to the annual registration of timber businesses and had not taken steps to cancel the registration of entities that are not actively engaged in business activities and take legal action against entities that run timber businesses without licenses.	All site forest officers were instructed to inspect the field and take necessary legal action against unregistered timber businesses.	The existence of timber businesses should be monitored Regularly and their registration should be renewed annually.

- (b) 370 timber businesses run under the control of the Kurunegala District Forest Office had not renewed their licenses for the year 2023, thus it was observed that by the end of February 2023, the total revenue lost to the Forestry Department was Rs.3,058,907. Acordence with Gazette No. 1891/26 issued on 03.12.2014 a 06 months grace period has been given to the business owners to extend the timber business period, so at the end of that period, legal action will be taken. Regular follow-up on the running of timber businesses should be done to renew the annual registration on the due date and collect the relevant fees.
- (c) During the period from 2017 to 2022, 1,420 forest crimes such as unauthorized clearing, felling of trees, timber transportation has been committed in reserved forests under the control of the Mullaitivu Divisional Forest Office and the Olumadu Range Forest Office. It was observed that 253.053 hectares of protected forests under the control of 05 sites belonging to the Kurunegala District Forest Office had been damaged, and the proceedings related to it were proceeding very slowly, and forest crime timber was being piled up and decaying. Agree with the audit submissions. Although proceedings were initiated without delay, delay in settling cases is beyond our control and cannot be commented upon. In all possible cases, even though the judicial process is not completed, orders have been obtained and the State Timber Corporation has been notified to sell the timber. Efforts should be made to control and reduce forest crimes and steps should be taken to make the resolution of related cases efficient by contacting the relevant courts directly.
- (d) According to paragraph 2(c)(i) of Section 64 of the Forest Conservation Ordinance, not less than half of the proceeds from the auction of confiscated vehicles and other equipment used in crimes shall be credited to the departmental fund. A lorry and 08 tractors, which were confiscated but not auctioned in time, were parked insecurely in the Malsiripura Range office premises, Vevarauma plant nursery premises and Kurunegala Range office premises. It is difficult to identify as court auctioning is very slow and the credits after the auction sale do not record whether it is a fine or an auctioned amount. In the case of forest offences, the management should directly contact the respective courts and arrange for timely auctioning of the goods.

- (e) From the fines of Rs.10,009,477 received from the courts from the year 2019 to February 2023 in relation to the crimes related to the 05 sites belonging to the Kurunegala District Office, the department had not taken steps to pay the reward that should be offered to the officers in accordance with paragraph 2(c)(i) of section 64 of the Act. It was observed that it affects the efficiency of officers.
- After completion of the work, most of the forest crime reports received by the district forest office So far, arrangements have been made to pay the rewards. An amount of Rs.1,841,988 has been paid from 2019 to 2023.
- As per the provisions of the Act, the relevant rewards should be paid without delay and arrangements should be made to encourage the officers.
- (f) Although 200 perches were leased to a private company that related to energy generation from February 2015 to run a small-scale power plant, as per the agreement, Rs. 5,000 per perch per year was borrowed for the first year only and tax money of Rs. 1,000,000 was received and after that no amount was recovered. In addition to the contracted 200 perches, this company had used another 523.78 perches without permission and accordingly, as of February 18, 2023, the amount due from the company for 08 years for 723.78 perches was Rs.40,349,839.
- Answers had not been provided.
- According to the provisions of the Forest Conservation Ordinance, fees should be charged in a manner proportionate to the value of the financial or other benefits derived from the forest by the external parties and should be dealt with accordingly.
- (g) In a granite quarry run by a private company, 541,471 cubic meters of stone were excavated beyond the limit between 2013 and 2019. In October 2020, the Cabinet had given approval to collect the amount of Rs. 133,093,715 due to the department in monthly installments over the next 3 years. Accordingly, by December 31, 2022, out of Rs.77,638,000 that should have been collected, Rs.66,158,183 had not been collected. Among them was a bounce check of Rs.5,000,000.
- The case is pending in the Court of Appeal to recover the outstanding amount of Rs.58,764,080.
- Appropriate steps should be taken as necessary to recover the dues expeditiously.

4. Achievement of Sustainable Development Goals

The following observation is made.

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
"Protection and restoration of forests" and "Protection, restoration and promotion of sustainable use of terrestrial ecosystems and sustainably managed forests, combating desertification, prevention of biodiversity loss" are the Sustainable Development Goals identified by the department for the year 2020. It was targeted to increase the forest cover to 32 percent by the year 2030 under 2 Sustainable Development Goals. Nevertheless, as the information on the performance of the year 2022 is not presented, the total population and the overall progress in achieving the sustainable development goals in comparison, it was not possible to confirm that the goals were achieved.	Comments were not made.	Actions should be taken to achieve the Sustainable Development Goals and the progress should be submitted to the audit.

5. Human Resource Management

The following observation is made.

<u>Audit Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
As at 31 December 2022, in accordance with the approved cadre of the department was 3,229, and the actual cadre was 2,504, and 725 vacancies. In these 725 vacancies, there are 33 deputy and assistant forest conservator officers of senior level, 22 Forest Controller (special) and Divisional Forest Officers of tertiary level, 86 Range Officers and 127 Beat Forest Officers of secondary level are vacant. It was observed that, especially, it will affect carrying out efficiently in regional offices works and that it will affect the prevention of forest crimes.	Answers had not been provided.	After obtaining formal approval arrangements should be made to fill up the vacancies or if it is possible to work on the existing number of employees, the approved cadre should be revised.