

## **Forest Department Fund - 2012**

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### 1. Financial Statements

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#### 1.1 Qualified Audit Opinion

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In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the Financial Statements give a true and fair view of the financial position of the Forest Department Fund as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Comments on Financial Statements

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##### 1.2.1 Accounting Deficiencies

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The following observations are made.

- a) Although fines imposed by courts had been paid to the Forest Fund by respective courts after finalizing the forest offence, rewards payable to officers had not been computed and brought to accounts at the end of the year
- b) Even though a sum of Rs.1,687,627 had been shown in the Financial Statements as court fines receivable for the year 2012, the court fines collected during the first 4 months of the year 2013 in respect of the year 2012 amounted to Rs.4,025,328. Accordingly the court fines receivable had been understated in the Financial Statements.
- c) Fines collected by 2 courts but not remitted to the Fund amounting to Rs.54,750 had not been included in the Financial Statements as arrears of revenue.

2. Financial Review

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2.1 Financial Results

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According to the Financial Statements presented, the operation of the Fund for the year under review had resulted in a surplus of Rs.14,946,455 as compared with the surplus of Rs.22,454,897 for the preceding year thus decreasing the financial result by Rs.7,508,442 or 33 per cent. Decrease in court fines amounting to Rs. 3, 108,690 or 11.13 per cent and increase in overall expenditure by 72 per cent, comprising the increase in rewards by Rs.2,209,176 and increase in security expenses by Rs. 2,848,594 had been the main reasons for the deterioration of the financial results.

2.2 Analytical Financial Review

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A sum of Rs.25, 925,192 had been received during the year as court fines and a sum of Rs.23, 000 had been refunded from it. After adjusting a sum of Rs.1,078,151 received in the year 2012 on behalf of the year 2011 and a sum of Rs1,687,627 receivable for the year 2012, the fines received for the year under review amounted to Rs.26,511,688 representing 01 per cent increase as compared with the year 2011. This increase would also be changed as per the matters mentioned in paragraph 2.2.1 (b) above.

3. Operating Review

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3.1 Performance

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The following matters were observed.

- a) There were delays in crediting the fines recovered by courts to the Forest Fund. A follow up procedure had not been adopted after correctly identifying the court fines revenue receivable for each month during a year.

- b) A proper procedure had not been followed to prevent delays in making claims for rewards and payment of rewards to officers who had contributed to prevent forest offences, although court cases had been finalized.

### 3.2 Management Inefficiencies

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Information relating to the revenue to be credited to the Rewards Fund in respect of decided court cases on forest offences at the end of each month was not obtained from regional forest offices. Instead the court fines receivable had been brought to account on the basis of the annual report of arrears of income received directly from 23 courts.

## 4. Accountability and Good Governance

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### 4.1 Annual Action Plan

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An Annual Action Plan had not been prepared for the year 2012.

### 4.2 Budgetary Control

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The balance after utilizing from the budgetary provisions made for the year under review in respect of the other expenditure of rewards fund and courts travelling represented 31 per cent and 89 per cent respectively from the net provision. It was explained that such savings had been due to systematic expenditure management. However, it is emphasized that expenditure incurred on the prevention of forest offence could not be controlled from the Fund established for the payment of benefits to law enforcement forest officers on their performance evaluation. If such expenditure is controlled, the expected objectives of the Fund could not be reached due to the above variances and it was observed that the budget had not been made use as an effective instrument of management control.

### 4.3 Internal Audit

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The internal audit programme for the year 2012 was not made available for audit.

5. Systems and Control  
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Deficiencies in systems and control observed during the course of audit were brought to the attention of the Conservator General of Forests from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Collection of revenue
- (c) Cash deposit in the bank