

Wildlife Conservation Fund - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Wildlife Conservation Fund for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the income statement, 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 report 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 2020, 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 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 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 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.

1.4 Auditor's Responsibility in Auditing 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 skepticism 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 performed according to its powers, functions and duties; and
- Whether the resources 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.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant standard	Comments of the Management	Recommendation
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(a) According to No 02 of public sector Accounts of Sri Lanka, Balance of Rs.67,212,382 has been accounted as the work-in-progress in the previous years as capitalization under buildings during the year under review had been shown as a cash flow generated by the investment	The total expenditure incurred on the buildings under construction for the year under review was Rs.210,869,157 to inform you that Rs.67,212,382 out of which erroneously it	In preparing the cash flow statement, cash flows must be accurately identified.

activities in the cash flow statement. Further, although the expenditure on buildings under construction during the year under review was Rs.210,869,157, the cash inflows from investment activities were Rs.143,656,774 and it had been understated to Rs.67,212,383.

had been noted only cashflow statement.

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| (b) | According to paragraph 13 of paragraph 07 of Public Sector Accounts of Sri Lanka, assets that are in existence should be grouped for the purpose of disclosure in financial statements based on their similar nature or functional similarity, but valued at Rs.24,140,000 purchased in 2019 to control the monkey -human conflict two endoscopy machines had been shown in the financial statements under Office Equipment. | Inform action will be taken to correct in the future. | Should act in accordance with the Public Sector Accounting standards of Sri Lanka. |
| (c) | Increase in the value of property plant and equipment if there is a potential for future benefit or service potential associated with the asset item due to the cost of replacing parts of a property plant and equipment item in accordance with paragraph 22 of No 7 of Sri Lanka Public Sector Accounts Standards Should be capitalized. However, the black bridge at Lunugam Vehera National Park was taken to be replaced cost of Rs.11,547,986 was written off as recurrent expenditure without capitalized. | Inform action will be taken to correct in the future. | Should act in accordance with the Public Sector Accounting standards of Sri Lanka. |

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The court fines for 23 cases had been understated Rs.1,700,000 and the court fines for two cases had been accounted for Rs.65,000 twice.	Inform action will be taken to correct in the future.	Revenue should be properly identified and accounted.
(b) For Institutional Structure Improvement Assets, Rs.547,171 had been understated in the calculation of depreciation for the year under review.	Inform action will be taken to correct in the future..	Should be taken to properly account for depreciation.

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

Reference to Laws, Rules, Regulations, etc.	Non-compliance	Comments of the Management	Recommendation
(a) Sections 37 and 43 of the Measurement Units Standards and Services Act No. 35 of 1995	Udawalawe Elephant Detention Center, hand scales used for weighing leaves and branches and electronic scales used to weigh vegetables and fruits in the shade of elephants had been used without inspection or sealing in accordance with the Act.	The bow scales at the Elephant Detention Center were purchased, for internal purposes, such as calculating the amount to be fed to each animal, and inform the bridge scales used to weigh the leafy branches brought in after being electrocuted Let know that.	Action should be done in accordance with the provisions of the Act.
(b) Financial Regulations of the Democratic Socialist Republic of Sri	When approving expenditure in respect of supplies, the approving officer	The bridge scales at the Udawalawe Elephant Detention Center have been verified from the	Action should be taken in accordance with Financial regulations.

Lanka section of the financial Regulations No 137 (2), (4), (5)	should ensure that the relevant supply is in the prescribed quantity and that they have been inspected and accepted correctly. On the contrary, according to the informal method of purchasing leafy branches for the Udawalawe Elephant Detention Center. 8,896,827 had been paid based on the estimated weight reports prepared.	beginning until they are electrocuted. The bow scales at the center were used for the needs until it was repaired and the bridge scales are currently being repaired.	
(c) Section 8.9.1 of Government Procurement Guideline	Valued at goods or service contracts at exceeded Rs.500,000 a formal contract must be signed, but no written agreement had been signed with the company that purchased the swimming and diving equipment for Rs.1,366,000.	Informed that to although no agreement had been reached with SABCCO company a deposit of Rs.136,600 as 10 percent of the value of the relevant items had been made as security deposit .	Should be act in accordance with the provisions of the Government Procurement Guidelines.
(d) Paragraph 03 of the Public Finance Circular No. 01/2018 (i) and dated 13 June 2019	The current tariffs for various services provided by all government agencies should be increased by 15 percent. However, the license fee of Rs.250 charged for fishing vessels used for fishing in a reservoir in a national reserve or sanctuary has not been amended by the end of the year under	Inform that the relevant activities are being carried out in this regard as the approval of the Cabinet of Ministers had been obtained to amend the Gazette Notification.	Action should be taken in accordance to the circular.

review according to the Gazette Notification No. 1433/4 dated 20 February 2006.

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| (e) | Paragraphs 1.1 and 1.2 of the Department of Circular No.16/2002 dated 11 February 2002 | Service Fees charged from ticket revenue in National Parks 10 percent of those who had been taken noplay leave for 1 to 10 days and 50 percent of those who have taken noplay leave for more than 11 days although should had been credited back to the Conservation Fund, the amount of Rs.1,829,200 deducted from 14 officers had not been credited. | Informed you the work is being credited to the Wildlife Conservation Fund through the Service Charge Advisory Committee for the year 2020. | Action should be taken in accordance to the circular |
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2 Financial Review

2.1 Financial Results

The operating result for the year under review was a deficit of Rs.282,296,192 and the corresponding surplus for the preceding year was Rs.1,282,370,046. Accordingly, a deterioration of Rs.1,564,662,238 was observed in the financial result. The decline in park entrance fees by Rs.1,422,924,461 service charges by Rs.231,970,231 and vehicle entry fees to parks by Rs.51,449,395 as main revenue component of the Fund and the increase in plant, equipment, electrical equipment, maintenance of the building expenses by Rs.29,120,712 and purchases of electrical fence maintenance and necessary equipment of maintenance employees by Rs.48,684,848 as expenditure component also had mainly attributed to this deterioration.

3. Operating Review

3.1 Operational Inefficiencies

Audit Observation

Comments of the Management

Recommendation

(a) According to the action plan for the year under review, Rs.367,357,000 had been allocated for 28 targeted activities but they had not been implemented. The physical progress of 18 projects implemented was less than 50 percent.

Inform that due to the corona epidemic in the country throughout the year 2020, it was not possible to implement these projects properly.

Action should be taken to implement the targeted tasks according to the action plan.

(b) The implementation of the Biodiversity Survey and Declaration of Ship Wrecks (2019) project, planned for 2018 had been estimated at Rs.2,956,000. Meanwhile, all the swimming equipment planned by the project had been purchased by 31 March 2019. However, the project had not been implemented by the end of the year under review.

To inform you that the implementation of the Biodiversity Survey on Sunken Ships in for the year 2019, was not possible due to difficulties in procuring resource persons and in 2020 the relevant project could not be carried out due to the covid 19 epidemic.

Action should be taken to expedite the implementation of the project.