

Zoological Gardens Development and Welfare Fund - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Zoological Gardens Development and Welfare 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 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of The Management	Recommendation
-----	-----	-----
(a) At the end of the year under review, Rs.14,928,060 to be paid to the contractors had been identified as accrued expenses and had not been accounted.	Action has been taken to inform all the made obligations formed will be recorded under accrual expenses.	Steps should be taken to accurately identify and account for accrued expenses.

- | | | | |
|-----|--|--|--|
| (b) | Although the construction of the crocodile sanctuary at Wagolla Zoo, which had completed in year 2016, had been capitalized, the consultation fee of Rs.1,729,236 paid for it had been shown as work-in-progress. | Inform that steps will be done to capitalize on the preparation of accounts for the year 2021. | Action should be taken to be correctly accounted. |
| (c) | Birds value at Rs.722,650 purchased during the year under review due to use of incorrect stock valuation basis the value of the birds was reduced by Rs.642,650 due to the valuation of Rs.80,000. | Inform that action will be done to correct the account preparation in the next year. | The stock assessment of birds should be done correctly. |
| (d) | When the ticket revenue had been accounted taken for the year under review the value added tax value had been understated Rs.1,004,258. As a result, ticket revenue and value-added tax balance for the year under review had understated that amount. | Inform that action will be done to correct by the financial statement in the year 2021. | Income should be taken to correctly identified and accounted for |
| (e) | Restaurant rental income and jeep rental income were Rs.15,694,738 and Rs.426,250 respectively but Rs.16,780,923 and Rs.544,050 had shown in the accounts. As a result, restaurant rental and jeep rental revenue had been shown overstated by Rs.1,086,185 and Rs.117,800 respectively and receivable revenue by Rs.1,203,985 had been overstated | Inform that in the preparation of the financial statement for the year 2021, action will make steps to make cut and had been adjust the impact on profits. | Should be done income correctly identified and had been accounted. |
| (f) | For assets valued at Rs.650,874,579 which had been capitalized but it had not been done depreciation last year Depreciation allocations made for the previous year during the year under review had increased by Rs.16,522,372 as adjusted to the financial statements. Further, the depreciation allocation for assets under capitalization of Rs.65,129,095 during the year under review had be reduced by Rs.1,479,456. | Adjustments will be made in the preparation of the account for the next year. | Depreciation must be accurately calculated and accounted |

1.5.3 Unreconciled Balance

Item	Value as per Financial Statement	Value as per Relevant Records	Difference	Comments of The Management	Recommen- dation
-----	-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.		
According to the financial statements of the Fund,	2,957,096,088	2,923,294,156	33,801,932	Inform that through the annual financial statements, a comparison statement will be made for the change that has taken place in each of those years.	The reasons for the change must be found and corrected.
Comparing the opening and closing balances of the Treasury Deposit Account and the Treasury Notes, a difference of Rs.33,801,932 and Rs.33,230,026 was observed respectively.	2,594,576,144	2,561,346,118	33,230,026		

1.6 Receivable and Payable Accounts

1.6.1 Receivable

Audit Observation

From the letter dated 09 September 2019 from the Director General of the Department of Zoology although a decision has been made to charge a fee for the period from April 2019 to June 2019, when zoos are closed due to the Easter attack, such decision had not been made by the end of the year under review. As a result, the rent arrears of Rs.4,782,701 had not been recovered by the end of the year under review.

Comments of The Management

The Secretary to the Ministry of Finance had been informed on several occasions to take a decision in this regard, but the Secretary to the Ministry has been informed on several occasions but that decision has not been informed yet. Inform you that the 3rd reminder in this regard will be made in the future.

Recommendation

Action should be taken to recover quickly.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference with the Laws, Rules and Regulations	Non-compliance	Comments of the Management	Recommendation
Section 2.6.1 (a) (ii) of the Procurement Guidelines Code	It is the role of the Technical Evaluation Committee to review the specifications to ensure that competitiveness can be promoted, but to limit local competition due to factors such as the fact that all birds are exotic birds when planning of the procurement the purchase of exotic birds and the limited number of suppliers who can complete the relevant supply within Sri Lanka the technical evaluation committee had not considered the possibility.	Inform that the Technical Evaluation Committee had observed that there are sufficient suppliers for bidding as there are traders in Sri Lanka who import and breed exotic birds for domestic and exhibition purposes.	Action should be taken in accordance with the provisions of the Procurement Guidelines.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a profit of Rs.409,287,647 and the corresponding profit for the preceding year was Rs.75,889,902. Accordingly, a deterioration of Rs.485,177,549 was observed in the financial results. Due to the covid 19 epidemic the closure of all zoos for several months in the year under review, the revenue had decreased by Rs.557,932,879 as compared to the previous year had mainly attributed to this deterioration.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of The Management	Recommendation
(a) Although animal breeding and conservation is a primary objective of the Department of Zoology, no baby elephant had been born at the Pinnawala Elephant Orphanage since 2011.	Reply is not submitted.	Necessary action should be taken for animal breeding.

(b) Twelve rural sales outlets constructed at a cost of Rs.7.2 million at the Ridiyagama Safari Park were completed on March 22, 2018 but remained idle without used by the end of the year under review.	Inform you that action has to be taken in the future, these rural outlets will be offered to bidders	Steps should be taken to utilize assets efficiently and effectively.
(c) Construction of the bird sanctuary, which commenced on October 8, 2019, was scheduled to be completed on May 5 according to the agreement, 2020, but its work had not been completed by as at 26 February 2021. Although the importation of birds took place over a period of 2 ½ years from 2018 to 2020, 57 birds had been kept in other cages in the safari park without being exhibited due to lack of space.	Would like to inform that the construction of the Bird Sanctuary could not be completed as a result delays in imports due to the corona situation and the birds exhibition could commence after the completion of that work.	Arrangements should be made to complete the construction of the bird sanctuary and start the bird exhibition.

3.2 Procurement Management

Audit Observation

In the Procurement for the purchase of foreign birds, two of the three bidders had submitted bids for only a few birds, due to the narrowing of the specification condition to stipulating that "one supplier must supply 32 species of birds" 53 birds had purchased from the selected supplier at prices higher than those offered by the rejected suppliers. Due to this the government had incurred a loss of Rs.17,860,085.

Comments of The Management

Inform you that two out of the three suppliers who had submitted have been rejected on the condition that the price should be quoted for all the items given here, but those two suppliers are not be rejected only for the as same condition.

Recommendation

Action should be taken in accordance with the provisions of the Procurement Guidelines.