

## **Zoological Gardens Development and Welfare Fund - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of financial statements of the Zoological Gardens Development and Welfare Fund for the year ended 31 December 2021 comprising the Statement of Financial Position as at 31 December 2021 and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Basis for the Qualified Opinion**

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My opinion is qualified based on 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 opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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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 of the Fund.

## 1.4 Responsibility of Auditor regarding the Audit of Financial Statements

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund ;
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Audit Observations on the Preparation of Financial Statements**

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### **1.5.1 Internal Control over the Preparation of Financial Statements**

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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 the Sri Lanka Public Sector Accounting Standards**

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<b>Non-compliance with the Reference to Relevant Standard</b>	<b>Comments of Management</b>	<b>Recommendation</b>
(a) Investing and financing transactions that do not require the use of cash or cash equivalents should be excluded from a cash flow statement as per Paragraph 54 of Sri Lanka Public Sector Accounting Standard 02. Such transactions should be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities. However, though the amount of Rs.17,555,328 that should be payable to suppliers for the constructions as at 31 December 2021 was removed from the cash flow statement, action had not been done to disclose it elsewhere in the financial statements.	It was informed that it would be taken actions to disclose the transactions that should be disclosed as per Paragraph 54 of Sri Lanka Public Sector Accounting Standard 02, when preparing financial statements in future.	It should be acted as per Sri Lanka Public Sector Accounting Standards.

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| (b) | Although the prior period error should be corrected by retrospective restatement except the extent that it is impracticable to determine either the period specific effects or the cumulative effect of error as per Paragraph 48 of Sri Lanka Public Sector Accounting Standard 03, without doing so, Rs.15,288,355 had been adjusted to the accumulated fund in the statement of changes in equity in the year under review as prior year adjustments. | It was informed that actions would be done to make relevant adjustments in prior periods as per Paragraph 48 of Sri Lanka Public Sector Accounting Standard 03, when preparing financial statements in future. | -Do- |
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**1.5.3 Accounting Deficiencies**  
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	<b>Audit Observation</b> -----	<b>Comments of Management</b> -----	<b>Recommendation</b> -----
(a)	Assets with Rs.28,402,024 that were used productively by completing works in previous years had been stated in the work-in-progress account without capitalizing. As a result, it had not been made adjustments for the depreciation as depreciation of Rs.971,248 for the year under review and depreciation of Rs.3,083,782 for the previous year.	It was informed that the sum of total assets and liabilities in relation to the previous year was stated in the balance sheet as Rs.6,064,171,771 due to typing error and its corrected value was Rs.5,530,582,524.	Financial statements should be presented to the audit correctly.
(b)	It had been stated as work-in-progress without capitalizing by identifying the projects precisely in relation to the expense of Rs.15,751,930 that incurred for the building construction.	It was informed that actions would be done to capitalize by identifying these assets correctly in future.	It should be acted to account properly.
(c)	The assets of Rs.17,019,680 that were in an unusable state and stopped the constructions by cancelling agreements by	An asset of Rs.17,019,680 that stopped by cancelling agreements was	-Do-

the end of the year under review had been capitalized and, as the depreciation of Rs.231,839 related to that was adjusted, the profit of the year under review had been decreased by that amount.

capitalized by mistake. It was informed that it would be rectified when preparing accounts in coming year.

(d) As the expenses of Rs,19,575,119 that paid in year 2022 on behalf of the year under review were not accounted as accrued expenses, the profit for the year had been overstated in that amount.

An amount of Rs.2,078,797 out of animal food expenses of Rs.19,575,119 that fell under the accrued expenses could not be accounted by mistake and, it was informed that the rest of amount could not be accounted as those bills were not presented by the suppliers before 28 February 2022.

It should be acted to account properly.

(e) As it was not calculated the income as per agreement when identifying the canteen rental income, the canteen rental income in the year under review and income receivable had been overstated by Rs.449,758.

This amount of Rs.449,758 was over accounted and, it was informed that it would be rectified when preparing account in future year

Income should be calculated correctly.

#### 1.5.4 Unreconciled Control Accounts or Reports

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Item	Value as per Financial Statements	Value as per Relevant reports	Difference	Comments of Management	Recommendation
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	Rs.	Rs.	Rs.		
(a) Although the income receivable of Rs.10,777,115 of main canteen of Dehiwala Zoological	10,777,115	9,142,083	1,635,032	It was informed that actions would be done to rectify when preparing account in next year.	Income receivable should be identified correctly.

Garden as at 31 December 2021 was stated in the financial statement, that receivable amount (with VAT) was Rs.9,142,083 as per information presented to the audit.

Accordingly, the income receivable had been overstated by Rs.1,635,032.

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| <p>(b) When comparing the balance of treasury deposit account as per financial statements of the Fund in the year under review with balance as per the treasury notes, it was observed a difference of Rs.37,790,953 and, the difference prevailed in the previous year had been increased further by Rs.4,560,927.</p> | <p>2,205,052,703      2,167,261,750      37,790,953</p> | <p>It was informed that when considering the balance of treasury deposit account as at 31 December 2021 as per financial statements of the Fund with the balance of treasury notes, the difference of Rs.37,790,953 that stated was impacted the debits and credits made to the deposit account.</p> | <p>It should be acted to account properly.</p> |
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**1.6 Receivable and Payable Accounts**  
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**1.6.1 Receivable**  
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<b>Audit Observation</b>	<b>Comments of Management</b>	<b>Recommendation</b>
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<p>Although it was informed that a decision was taken in relation to the charging fees for the period from April to June 2019 that the shops carried out in the zoos were closed due to the Easter attack from the letter of Director General of the Department of Zoology dated 09 September 2019, a decision had not been taken by the end of the year under review as such. As a result, the rent arrears of Rs.4,782,701 had not been charged even by the end of the year under review.</p>	<p>It was presented to the approval by deciding the amount to be charged through a departmental committee as informed by the Secretary to the Ministry and, it was informed that actions would be taken to charge the relevant rent arrears after receipt of the approval for that.</p>	<p>A decision on charging the rent arrears promptly should be taken.</p>

**1.7 Non- compliance with Laws, Rules, Regulations and Management Decisions**  
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<b>Reference with the Laws, Rules and Regulations</b>	<b>Non- compliance</b>	<b>Comments of Management</b>	<b>Recommendation</b>
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<p>(a) Paragraphs 4.2.2 and 4.2.3 of Procurement Guideline 2006</p>	<p>A procurement timetable should be prepared by describing steps of each procurement activity in a timely manner from the starting point of procurement to the ending, such timetable had not been prepared at the procurement of purchasing pharmaceuticals for years of 2018/2019 and 2020/2021.</p>	<p>It was informed that actions would be done to prepare by describing steps of each procurement activity in a timely manner for pharmaceutical procurement when preparing procurement timetable for future year.</p>	<p>It should be acted as per provisions of the procurement guideline.</p>

- (b) Section 8.9.3 of Procurement Manual
- Though it should be signed an agreement formally for the goods and services exceeding an amount of Rs.500,000, it had not been signed formal agreements with the relevant private companies at the procurements of purchasing pharmaceuticals of Rs.627,775 for year 2018/2019 and Rs.521,953 for year 2020/2021.
- It was informed that as it was required to sign a written agreement, action would be done in that regard in future.
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- (c) Section 5.2.1 of Procurement Guideline on Pharmaceuticals and Medical Equipment
- The composition of Technical Evaluation Committee should be comprised of a representative of the Ministry of Health, a representative of State Pharmaceutical Corporation, a minimum of two consultants in the relevant speciality and a representative of the Treasury or National Procurement Agency for the purchasing of pharmaceuticals and medical equipment, only three members had been appointed to the Technical Evaluation Committee of purchasing pharmaceuticals for year 2018/2019.
- It was informed that it would be acted in accordance with the Procurement Guideline on Pharmaceuticals and Medical Equipment since next year.
- It should be acted as per the provisions of Procurement Guideline on Pharmaceuticals and Medical Equipment.
- (c) State Account Circular No 270/2019 dated on 29 October 2019
- Although the input and output tax should be identified through a control account of 9185 that established in CIGAS
- It was informed that actions would be done to account tax through CIGAS system before end of
- It should be acted as per circulars.



system by the department that registered for Value Added Tax, a VAT receivable account of Rs.20,860,288 had been maintained in the accounts of Zoological Gardens Development Fund that was not having a legal authority to collect VAT.

the year by opening VAT control account through CIGAS system based on the instructions of the Department of State Accounts.

**2. Financial Review**  
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**2.1 Financial Result**  
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The operating result for the year under review was a deficit of Rs.558,081,259 and the corresponding deficit for the preceding year was Rs.409,287,647. Accordingly, a deterioration of Rs. 148,793,612 was observed in the financial result. The decrease in income by Rs.92,364,343 compared to the previous year due to the closure of all zoological gardens in few months in the year under review since Covid-19 pandemic had been caused mainly.

**3. Operating Review**  
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**3.1 Management Inefficiencies**  
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<b>Audit Observation</b> -----	<b>Comments of Management</b> -----	<b>Recommendation</b> -----
(a) As per the agreement of supplying fruits for Pinnawala Elephant Orphanage for the year 2021-2022, fruits had been supplied for the higher prices than normal prices for 01 Kilogram of Ambul banana, watermelon and pineapple. The contract price had been increased by Rs.19,394,640 when comparing the supply price of fruits and market price. 44,513 kilograms of fruits had been purchased at a higher price than market price form 15 October 2021 to 31 December	It was informed that an amount of Rs.5,952,420 could be reduced by discussing for the reduction of prices by the Procurement Committee when supplying fruits and this condition was occurred as the bidders presented the prices by forecasting the prices for the period of one year.	Actions should be done to minimize the cost when purchasing animal foods.

2021 based on the conditions of supply contract and, as a result of that, a loss of Rs.3,724,156 had been incurred by the government.

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| (b) It was observed that the agreed prices as per the conditions of the supply agreement of supplying fruits to the Dehiwala Zoo were higher largely than the normal market prices of those fruits and, accordingly, it was observed that it was agreed at a higher price of Rs.6,369,017 when compared with the market price. As it was taken fruits for higher price than market price based on the conditions of the contract, a loss of Rs.1,725,261 had been incurred by the government. | The total contract amount could be reduced by Rs.10 million by discussing with the bidder when supplying fruits and, it was informed that the reasons such as the taxes imposed on imported fruits and difficulties in finding fruits due to pandemic situation were caused for these prices increase. | -Do-  |
| (c) Although twelve rural sales outlets constructed at a cost of Rs.7.2 million at the Ridiyagama Safari Park were completed on 22 March 2018, it had been remained idle without used even by April 2022.   | It was informed that the procurement activities were being done to rent out these rural sales outlets.   | Assets should be utilized efficiently.  |
| (d) 136 foreign birds had been purchased with an expense of Rs.66 million in year 2020 and, the construction works of the bird garden in Hambantota Safari Park that was expected to construct for the exhibition of these birds had not been completed even by the end of the year under review. As a result of this, 57 birds had been retained in the other cages in the safari park without exhibiting.   | The kinds of nets for this foreign bird garden should be imported. These kinds of nets could not be imported due to dollar crisis occurred within the country and, it was informed that this construction could be completed if this condition was relieved in future.                                 | The required matters for exhibiting animals should be planned with the commencement of the purchasing process of animals. |

- (e) The agreements had been cancelled due to the poor performance of three projects amounted to Rs.82,334,768 as per Action Plan of the year under review and, an expense of Rs.26,942,651 had been incurred as at 31 December 2021 for those projects.
- It was informed that construction works of abandoned projects by the National Machineries Authority were being done as each project by the Civil Defence Force by now.
- The targeted tasks should be completed as per Action Plan.