National Livestock Development Board and its subsidiary - 2019

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Livestock Development Board (Board) and its subsidiary including group (“Group”) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and profit and loss statement , the statement of comprehensive income, 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(1) of the Constitutions of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of 2018 and provisions of the Finance Act, No.38 of 1979. My comments and observations which I consider should report to Parliament appear this report.

In my opinion, except for the effects of the matters described in basis for qualified opinion paragraph of this report, the accompanying financial statements of the Board and Group give a true and fair view of the financial position of the Board at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 Accounting Standards, and for such internal control as Management determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board’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 Board or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Board’s financial reporting process.

As per section 16(1) of the National Audit Act No.19 of 2018, the Board 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 Board.

1.4 Audit Scope (Auditor's responsibilities for the Audit of 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 high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect material misstatements 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 Company'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 Board'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 conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company 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 Board, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board

- Whether the Board has performed according to its powers, functions and duties; and

- Whether the resource of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

• that the Company has acted in accordance with any applicable written law or other general or special order issued by the Governing Body of the Board;

• that it has acted in accordance with its powers, duties and functions,

• That resources are procured and used sparingly, efficiently and effectively within time frames and in accordance with applicable norms,

1.5 Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

	Audit Observation	Comments of the management	Recommendation
(a)	According to item 32 of Sri Lanka Accounting Standards 1, assets and liabilities should not be set off, but as of 31 December 2019, the balance of taxes receivable such as withholding tax, social security tax were Rs.2,770,144, tax payable when earned, tax such as nation building tax The balance was offset by Rs.504,434 and a net value of Rs.2,265,710 was shown as tax balance receivable in the financial statements. Furthermore, a negative balance of Rs.112,458 was deducted from the wholesale value of Diagama farm.	These account balances are the accumulated balances from many years and the receivable and payable balances are reconciled with the Inland Revenue Department and will be corrected in future financial years. I admit that a mistake has been made in keeping the accounts of Diagama Farm. It has been corrected in the year 2020.	Assets and liabilities should not be offset.
(b)	According to Section 38 of Sri Lanka Accounting Standards 1, the corresponding previous year values should be presented for all current values in the financial statements,	For Note No. 11 from the year 2020, corresponding previous year values for biological assets are presented.	For all current values, corresponding previous year

	but the corresponding previous year values were not presented for biological assets in Accounting Note No. 11.		values should be presented.
(c)	According to Section 20 of Sri Lanka Accounting Standards 7, the value of the change in capitalized biological assets of Rs.160,603,005 should be shown under investing activities in the cash flow statement, but under operating activities.	The value of biological assets is defined as operational activities as they are generated from farm operations. Hence shown under operating activities in the statement of cash flows.	Changes in biological assets should be shown under investing activities in the statement of cash flows.
(d)	According to Section 15 and 16 of Sri Lanka Accounting Standards 12, the board should take into account temporary chargeable tax changes and identify deferred tax assets or liabilities for the year under review and adjust them to the financial statements, but such temporary changes were not taken into account.	I agree with the audit report and make relevant adjustments from the year 2023.	Deferred tax assets or liabilities should be identified and reconciled to the financial statements
(e)	According to Section 34 of Sri Lanka Accounting Standards No. 16, assets must be recalculated based on changes in the fair value of property, plant and equipment, and in cases where the fair value does not change significantly, the revaluation must be done at least once every three to five years, but as of 31 December 2019, the Board All assets amounting to Rs.2,651,694,675 had not been audited.	In the year 2004, no revaluation of assets was carried out and only an adjustment of the value of all assets to the values in the ledger was made. Assets owned by the board are accounted for only at cost. That has been revealed in the financial reports.	Assets should be revalued at least every three to five years in cases where the fair value does not change significantly.
(f)	According to Sections 50 and 51 of Sri Lanka Accounting Standards 16, the life of the assets used in property, plant and equipment should be reviewed annually and an effective life should be estimated and accounted for as a change in the estimates in the accounts, Even though the buildings, estate equipment, furniture and fixtures, motor vehicles, office equipment, machine tools, and structures worth Rs.241,881,459 mentioned in the fixed assets register are fully depreciated, they are still being used by the board, so they have been dealt with according to the accounting standard. didn't exist	Since the board owns about 12,000 hectares of land and a large amount of physical assets, due to the financial difficulties of the board, it is difficult to incur costs for the revaluation so no such revaluation has been done. It is disclosed that non-current assets are accounted for in the financial statements. And in the year 2004, only the value existing in the ledger was taken to the fixed asset register.	The useful life of fully depreciated assets should be reviewed and accounted for.

(g)	Although Sri Lanka Poultry Development (Private) Ltd Company, in accordance with Sections 50 and 51 of Sri Lanka Accounting Standards No. 16, the useful life of property, plant and equipment should be reviewed annually and the useful life should be estimated and accounted for as a change in estimates in the accounts. , buildings, estate equipment, furniture and fixtures, motor vehicles, office equipment, machine tools and structures worth Rs.42,113,669 mentioned in the fixed assets register were fully depreciated and were still in use as they were not treated according to the accounting standard.	I will revalue the fully depreciated property, plant and equipment related to the company in the future and arrange for accurate accounting.	The useful life of fully depreciated assets should be reviewed and accounted for.
(h)	At the end of the reviewed year, among the machinery and equipment in the farms of the board, there are 02 machines worth Rs. 1,979,984 in Bopattalawa and Adigama farms, 03 machines in Malsiripura farm and one machine in Rosita farm, the value of which is Rs. 1,979,984. A machine which had been repaired at a cost of Rs. 3,853,490 during the year was also not put into use by the year under review. As per clause 12(e) of Sri Lanka Accounting Standards 36, impairment adjustments should have been made for idle machinery but this was not done.	The Board does not have the assets required to carry out an impairment assessment. It is not possible to use these machines due to the severe shortage of raw materials in the market.	impairment adjustments should be made for idle machinery
(i)	The coconut trees of Rs.807,067,195, rubber trees of Rs.30,403,142 and cashew trees of Rs.1,847,488 were accounted under biological assets as of total value of Rs.839,317,825. However, those assets should be accounted for under Sri Lanka Accounting Standards 16 and the identification, measurement and disclosure of those assets were not done in accordance with that. According to Sections 45 of Sri Lanka Accounting Standards 41 , those assets should be recognized separately as mature and immature in the financial statements, but this was not done.	Agree with the audit report and correct from the 2023 financial report.	Rubber trees and cashew trees should be shown separately in the financial statements as mature and immature.

(j)	Sri Lanka Poultry Development (Private) Ltd Company's Statement Financial of Position which has been carried forward since before the year 2009 Rs. 1,347,099 in the Mawatta farm, although the immature coconut crop was currently bearing fruit, it had not been identified as a mature crop in accordance with paragraph 45 of Sri Lanka Accounting Standards 41 and had not been valued and accounted for at fair value.	It is true that there is no accurate data for the balance related to coconut cultivation from before 2009. Since June 2014, when this company was established, the documents related to this have been missing. But I will work to correct this balance through future financial statements.	Fruit bearing trees should be recognized as mature plantations and valued and accounted for at fair value.
(k)	According to Sections 5.5.15 of Sri Lanka Financial Reporting Standards No. 09, the expected credit loss method should be used for subsequent measurements of the trade and other debtors balance of Rs.177,052,109. As a result of not doing so, it was observed that trade and other debtors were over or under calculated in the year under review.	Agree with the audit report and correct from the 2023 financial report.	The expected credit loss method should be used for subsequent measurements to account for trade and other debtors.

1.5.2 Accounting Deficiencies

	Audit Observation	Comments of the management	Recommendation
(a)	According to the stock verification report of Sri Lanka Poultry Development (Pvt.) Ltd Bandirippwa Division, the final stock of poultry and hens in the reviewed year was Rs. 19,329,896, but according to the final account, it was Rs. 16,147,294.A difference of Rs.3,182,602 was observed from	There were 04 poultry and hen units in Bandirippwa Division 2018/04, 2019/02, 2019/03 and Mawatta Division 2019/01. According to the 2019 stock verification report, the cost related to these animals is Rs. 12,799,184 and Rs. 6,530,712. This cost includes all expenses incurred for one animal.	The final stock of poultry and hens should be accounted according to the stock survey report.
(b)	The receivable balance of the board was Rs.47,966,507 and the sum of the balances of the farms included in that balance was Rs.21,728,705, but according to the financial statements of each farm, the balance was Rs.34,521,735, so a difference of Rs.12,793,030 was observed.	Mahaberiyathenna Farm Rs.271,574 Property is shown under plant and equipment in financial reports but it shown under current assets in farm accounts. Horakele Farm Rs.305,973 It is admitted that an error has been made in the financial records and this amount has been	The balance receivable should be the same as per the farm's financial statements and as per the closing accounts

		written off as an expense to the profit and loss account for the year 2020. Ridhiagama Farm Rs.13,370,577 This difference has arisen because the expense is shown under current assets in the farm accounts, even though it should be accounted for as a deferred debit expense and is correctly accounted for in the final financial statements.	
(c)	In the financial statements, there was a negative balance of Rs. 29,061,513 as the current account balance of the farms under short-term loans, and it was observed that it was not a short-term loan balance and that the balance was an unreconciled balance that had existed for many years. The total of the schedule presented in relation to that balance was Rs.1,248,424,481 and according to the financial statements of each farm, the balance was Rs.1,241,148,615. Accordingly, a difference of Rs.7,275,866 was observed.	The total of farm current accounts is correct to the values mentioned in the sub-document and it is Rs.1,248,424,481. This difference has arisen due to the non-calculation of the value of the maize project of Rs.15,133,321 during the audit. The balance of current accounts amounting to Rs.29,061,513 is a collection of balances from many years and it has been adjusted and corrected a significant amount in 2020.	This difference has occurred after taking into account the value of the maize project and the current account balance adjustments should be made and corrected.
(d)	According to the financial statements, the expenditure incurred during the year for coconut under cultivation and new coconut cultivation were Rs.22,566,776, but according to the presented schedule, the expenditure was Rs.30,602,883, which was a difference of Rs.8,036,107.	I accept that there has been a change. Expenditure incurred as per schedule is correct. An amount of Rs. 6,714,923 has been mistakenly added to the opening balance of expenses incurred in the year 2019 for a coconut plantation cultivated in the year 2013. This difference has arisen because an expenditure of Rs. 1,321,184 incurred for grass development in the farm was accounted as an expenditure of coconut under cultivation. At the end of 2019, all errors have been corrected and accounts have been submitted	The expenditure incurred during the year as per the financial statements should be the same as the schedule

(e)	According to the financial statements, the expenditure incurred during the year for cashew cultivation, rubber cultivation and other crops was Rs.533,530, Rs.954,291 and Rs.254,475 respectively, but according to the submitted schedule, the expenditure was Rs.208,102, Rs.3,178,873 and Rs.479,919 respectively. There was a difference of Rs. 2,124,598 ,	No answers have been submitted	The expenditure incurred during the year for cashew and rubber cultivation and other crops should be the same as in the schedules.
(f)	An expenditure of Rs 124,662 was incurred for the cultivation of pepper in the Welikanda farm during the year under review, but these plantations owned by the farms were not recognized in the financial statements as bearer biological assets. And the accounting policy to be followed in relation to these plantations was also not disclosed in the financial statements	Apart from the pepper cultivation of Rs.124 062, the rest of the tree species are not managed by the farm at a reasonable cost. Therefore, those plantations are not recognized as biological assets.	While bearer biological assets should be recognized in the financial statements The accounting policy to be followed should be disclosed.
(g)	Although the income of the dairy project included in the various incomes was Rs.218,697,945 according to the farm accounts, according to the financial statements, the balance was Rs.219,082,481, but a difference of Rs.384,536 was observed.	In the milk project Rs. 384,535 due to addition of closing stock to income this difference has occurred	The income of the dairy project should be equal according to the financial statements of the board and the financial statements of the farm.
(h)	According to the financial statements, the main project income of the board was Rs. 2,241,174,115, but according to the farm accounts, the balance was Rs. 2,277,351,448, but a difference of Rs. 36,477,333 was observed.	Income in the farm accounts stated in the financial statement and income according to the farm accounts are the same as in the financial statements.	The income in the farm accounts mentioned in the financial statement and the income according to the farm accounts should be the same and the relevant details should be submitted to the audit.
(i)	A bank overdraft balance of Rs.1,240,214 was offset against the bank debit balances and the cash equivalents were shown as Rs.5,377,955 in the statement of financial position.	It is acknowledged that a mistake has been made and this has been rectified from FY 2020 onwards.	Bank overdrafts should be disclosed without offsetting bank debit balances.

(j)	It was stated in Accounting Policy 3.3.2 of the financial statements that the total unreconciled stock balance was Rs.25,690,247 at the end of the year under review. Due to a technical error in the stock control computer system, these unreconciled stock balances had arisen in relation to a milk project and had not been resolved.	With the introduction of the QB accounting package for the milk project in the year 2009, a difference between the physical stock and the stock in the ledger at the end of the relevant accounting period has been shown. From the year 2009, the physical stock was checked with the help of stock ledger (Manual) and if there were differences, recovery was also done from the relevant responsible officials. But because the reason for the increase in the stock value in the ledger has not been properly identified, it has been maintained as unsettled stock in the balance sheet.	Unreconciled stock balances should be settled.
(k)	According to the financial statements, although the cost of sales for the main projects of the board was Rs.1,821,663,297, the value of the balance in the 31 farm accounts were Rs.1,806,709,099 and a difference of Rs.14,954,198 was observed.	The cost of sale for the main projects of the board is Rs.1,821,663,297 and its farm sale cost is also the same value.	Cost of sales in final financial statements do not agree with farm accounts, so it should always be presented accurately.
(l)	According to the previous year's financial statements, the value of biological assets - animals as on December 31, 2018 was Rs.1,782,405,054, but in the schedule submitted to the audit, the opening balance as on January 01, 2019 was Rs.1,764,195,583, so a difference of Rs.18,209,471 was observed.	There have been changes in the animals and schedules depicted in the financial statements.	The values in the financial statements should be the same as the values in the schedule.
(m)	Biological Assets - Although the value of additions and removals of animals was Rs.432,588,316 and Rs.463,331,291 respectively, according to the schedule presented, that value was Rs.281,730,123 and Rs.499,103,409 respectively, but a difference of Rs.150,858,193 and Rs.35,772,118 were observed.	There has been no change in the total amount of biological animals and the total of the biological assets of the respective farms is Rs.1,425,794,256 and the initial value of the animals in the reviewed year has been correctly	The value of additions and removals of animals in biological assets should be equal to the schedule

		obtained the value of Rs.1,610,545,549 of the previous year and there is a deficiency in the presentation of the schedule of animals in the additions and decreases. I admit that it has been.	
(n)	From the date of the stocks verification at the Nikaveratiya farm to 31 December 2019, when adjusting the changes in animals, 4 cows and 2 buffaloes were undervalued, so the biological assets were undervalued by Rs.387,638.	In the year under review, 2019, the number of cows physically present during physical inspection is 293 and changes have occurred between 31/12/2019 and physical inspection.	From the date of stocks verification to 31st December, the changes made in animals should be corrected.
(o)	The submitted schedule shows the gross value of each animal for 30 farms owned by the Board, but instead of the gross value of cattle at Welikanda Farm, the net value was Rs.13,071,497 instead of Rs.14,523,886. The value of the cows on the Welikanda farm was understated as this net value was included in the financial statements and once again reduced by 10 percent of the profits earned.	The gross value of cattle in Welikanda Farm is Rs.14,523,886 and unearned profit allocation is Rs.1,452,389. Accordingly, the net values shown in the accounts are Rs.13,071,497. It is correct and the accounts have shown that value correctly.	The double deduction error in the financial statements should be corrected.
(p)	The biological assets (animals) of Haragama farm were Rs.6,211,740 according to the stocks verification report and account, but according to the presented schedule, it was Rs.7,399,121, but a difference of 1,569 animals and the value of Rs.1,187,381 was observed.	According to the stocks verification report and account report of the biological assets of Haragama Farm, the value of Rs.6,211,740 is correct and the schedule has erroneously stated a different value.	The value of the biological assets in the final account and the schedule should be the same.
(q)	According to the stocks verification report of the Mahaberiyathanna farm, the value of the pigs as of December 31, 2019 was Rs.7,493,500, but the farm accounts and the schedule presented were Rs.5,134,970, so the value of the biological assets was underestimated by Rs.2,358,530.	The accounts represent the correct value and accordingly no understatement has occurred in the financial statements of biological assets. The reason is that the true value of 130 female animals in the pig project is Rs.1,089,850 and due to a typographical error, Rs. 3,448,380 is reported as the reason for this change.	The value of the animals as per the stocks verification report should be shown in the farm accounts and in the schedule.

(r)	In the census of 1328 animals in Ridhiagama and Mahaberiyathenna farms, the daily average milk production of those animals was considered as 11.82 liters and 2.4 liters respectively, and a value of Rs.13,385,730 was collected. The use of such an average value instead of the actual milk production of each dairy cow was flawed, so the value of the animals shown in the financial statement was over- or under-calculated.	An error is admitted and this error is rectified from the next financial year onwards.	Value addition should be done based on the actual milk production of each dairy cow.
(s)	In the census of 323 animals in Kouvulwewa and Adigama farms, the daily average milk production of those animals had added a value of Rs.1,627,180. The Board's adoption of the approved policy of the Board in importing animals, instead of the actual milk production of each dairy cow, was flawed, so the value of the animals shown in the financial statement was over- or under-calculated.	I admit that a mistake has been made. I will correct it from FY 2020 onwards.	Value addition should be done based on the actual milk production of each dairy cow.
(t)	According to the ledger, an amount of Rs.12,198,802 was paid as gratuity during the year, but in the cash flow statement, there was up to Rs.27,190,479 as employee benefit payments and accordingly, a difference of Rs.14,991,677 was observed between the balances.	According to the ledger related to the year 2019, the amount of gratuity to be paid in the year is Rs. 27,190,479, of which an amount of Rs. 12,947,241 has been paid in the year 2019 itself and the gratuity to be paid in the year 2019 but paid in the year 2020 is Rs. 14,243,237.02. Accounted for accordingly.	Only employee benefit payments during the year should be shown in the cash flow statement
(u)	According to the farm accounts included in the financial statements, the average stock value of the Mahaberiyathenna farm was Rs.1,219,199, but according to the stocks verification y reports, the stock value was Rs.2,264,218, a difference of Rs.1,045,019. Also the value of some general stock items was not mentioned in the stocks verification report.	The average stock value of the Mahaberiyathenna farm is correct and the value has changed due to typographical errors in the stocks verification report. As the items used in the stocks verification report have already been written off to the income statement, no stock valuation is carried out.	stocks verification reports should be prepared correctly.
(v)	Accrued Economic Service Tax value of Rs.3,042,196 calculated on the basis of sales	I acknowledge that the relevant tax adjustment has not been	Adjustment of accrued economic

	in the last quarter of the year under review was not adjusted as payable in the financial statements.	made in the year under review.	service tax should be made in the last quarter of the year under review.
(w)	On 31 December 2019, the value added tax of Rs.200,000 was paid by cheque number 036965 but instead of accounting for the year under review, the payment was accounted for in the following year.	I admit that a mistake has been made	VAT payments should be accurately accounted for in respect of the year.
(x)	Although all output value added tax and input value added tax transactions should be reconciled through a value added tax control account, the board had maintained a value added tax receivable account in addition to the value added tax control account. Although its opening balance was Rs. 12,702,061, no schedule or any explanation for that balance was submitted to the audit.	This balance is the opening balance from the year 2013 and it is not possible to submit detailed documents related to this.	Schedules and explanations for the opening statement of the value added tax account receivable should be submitted to the audit.
(y)	In the financial statements, under other income in Note No. 4, land compensation receipts and asset sales amounting to Rs. 167,100,000 were not submitted to the audit regarding the approval and valuation of the sale of the Rukattana land to the board of investment.	I submit the written evidence related to this.	In the submitted written evidence, the relevant approval and value assessment method was not presented and the necessary evidence should be submitted for the audit immediately.
(z)	In the financial statement of the board in the year 2019, 10 percent or Rs.150,160,617 was deducted for the probability that the biological assets (animals) will not be realized from the year-end value of the animals. When valuing these animals at a fair value at the end of the year, since it is a fair value after considering all the factors, the value of the animals was shown to be less than that value due to a deduction of 10 percent again.	According to Sri Lanka Accounting Standard No. 41, after valuing the animals at fair value as on the balance sheet date, there is a possibility that the total number of animals will not be realized after the accounting period. It is disclosed in the accounting policies that it is 10% of the total value. The factors based on that are, a. About 5% of animals die. b. Biological changes in animals during the period between the balance sheet date and the date	The 10 percent deduction should not be made after the determination of the fair value, taking into account the probability that the biological assets will not be realized in the financial statements at fair value.

		of acquisition Considering the above, an estimated 10% unearned profit allocation has been made.	
(aa)	Under Note No. 9 of the financial statements, the development cost of Mahaberiyathenna Farm which was Rs. 46,804, the development cost of Rukattana Farm which was Rs. 7,295,921 and the development cost of Beligama Farm which was Rs. 87,178 were removed from the land cost. The board did not have the documents confirming whether the value of the removed land was included in the land. Furthermore, no details were submitted to the audit about to whom the lands were transferred, the approval for the same, and how the values of the transferred lands were calculated.	The cost related to 4 acres 4 perches of Mahaberiyathenna farm is Rs.46,804, the related cost of 446 acres 36.13 perches of Rukattana farm is Rs.7,295,921 and the value of 2.344 acres of Beligama farm is Rs.87,178 has been removed in the accounts, in the accounts of each farm. A withdrawal is made in proportion to the amount withdrawn from the total value represented.	The board should maintain all the details related to the land and the details of to whom the land was transferred, the approval for the same, and how the value of the transferred land was calculated should be submitted to the audit.

1.6 Accounts receivable and Accounts Payable

1.6.1 Accounts Receivable

	Audit Observation	Comments of the management	Recommendation
(a)	In the financial statements, there was Rs. 4,184,415 as the balance due from Mahaweli Livestock Enterprice Company, an associated company that has been in existence for several years, but this receivable balance was not shown as payable in the accounts of Mahaweli Animal Business Company	In the trial balance it is accepted that there is a balance of 4,784,415.	The receivable balance should be verified in the financial statements**.**
(b)	The balance due from the Sri Lanka Poultry Company was Rs. 2,044,818 and that balance was a balance that has existed for more than a year and because 100 percent of the Poultry Company belongs to the National Livestock Development Board, the group's financial statements show this value. The other current assets balance in the statements had been an overstatement.	An amount of Rs. 2,044,818 is to be received from the Poultry Development Company and Rs. 140 Mn as there is an advance so this amount can be settled by that advance	Group disclosures in financial statements should be accurate.

©	According to the financial statements as of 31 December 2019, the value of trade and other debtors was Rs.177,052,109 and of this debtor value, Rs.4,849,129, Rs.20,628,411 and Rs.57,096,551 were uncollected debtors for 3-4 years, 4-5 years and more than 5 years respectively. It was observed that the values and their recovery are uncertain and no half loan has been provided for those balances.	Answers not submitted.	Prompt recovery of uncollected debtor values and provision should be made for doubtful debts.
(d)	Rs,500,000 arrears of tax due from the Inland Revenue Department and Rs. 267,706 were not submitted for audit in the detailed schedule for other tax payables. It was observed that these balances are from before 2012 and their recovery is uncertain.	It has been started since before 2012 and it has been difficult to find related details	Detailed schedules for the taxes to be charged should be submitted to the audit and arrangements should be made to collect them. should do

1.6.2 Accounts payable

Audit Observation	Comments of the management	Recommendation
The Board has acquired all the shares of Sri Lanka Poultry Development (Private)Ltd Company on 07 May 2014 and for that the said company provided a loan amount of Rs.140,000,000 to the Board ,The board had not settled that amount and the balance of Rs.4,201,333 owed to the Libyan Foreign Investment Company (LFICO).	Accounts show that there is Rs.140,000,000 payable to Sri Lanka Poultry Company and this amount has been taken as an advance to cover the dividends at the time of payment of dividends. The amount of Rs.4,201,333 owed to the Libyan investment company has not been claimed by the foreign company, and the board is not in a position to settle this as it does not have any details regarding that company.	Arrangements should be made to settle the balance due.

1.7 Non-compliance with rules, regulations and management decisions

References to laws, rules and regulations etc	Non Compliance	Comments of the management	Recommendation
(a)Treasury Circular No. PED/12 dated 02 June 2003			

Section 5,1,2	Products and operations held by the entity And facilities, human resources and management skills, technical knowledge, markets and suppliers, organizational structure, management responsibility included in the action plan regarding the goals and objectives to be accomplished during the planning period, information related to the projects under the board were not included in the 2016-2020 corporate plan.	In the preparation of the 2021-2025 corporate plan, as per Section 5.1.2 of the public enterprise Circular, matters to be included in the corporate plan site plan will be included.	Relevant information should be included in the corporate plan
Section5,1,3	The corporate plan should be submitted to the Line Ministry, Department of Public Enterprise, Treasury and Auditor General after approval by the Board of Directors, but the 2016-2020 corporate plan was approved on 27 October 2016 and submitted late on 12 July 2017.,	From 2016-2020 There was some delay in preparing the composite plan.	The corporate plan should be submitted to the concerned parties in due time.
Section 6.5.1	Although the financial statements and draft annual report must be submitted to the Auditor General within 60 days of the end of the accounting year, the financial statements and draft annual report of the year 2019 were submitted on March 03, 2023.	So far the accounts of 2020, 2021, 2022 financial years have been prepared and the financial reports will be received by the audit one financial year after the completion of the audit and therefore there is a delay but I guess this delay will end at the end of the year 2023.	The financial statements and draft annual report must be submitted to the Auditor General within 60 days of the end of the accounting year.
(b)No. 01/2014 and para 5 (2) of Public Finance Circular dated 11 February 2014.			
Para 5.2	The operational plan including expected commercial activities should include the operations of Welisara Farm, Delight Development, Franchise Outlets and the annual budget should include cash flow	At present, in the preparation of the action plan, the details of UHT milk production under the Welisara farm, operation	The elements to be included in the action plan should be properly prepared.

statement, loan repayment plan, updated organization structure, approved staff and actual staff details. Were not included.	of the chartered outlets, cash flow statement to be included in the budget document, updated organization structure, approved staff and actual staff have been included. .	

2. Financial review

2.1 Financial Results

The pre-tax operating result of the year under review was a loss of Rs.452,737,459 and correspondingly the loss of the previous year was Rs.1,624,315,327. Accordingly, a reduction in the loss of Rs.1,171,577,868 was observed in the financial result. The decrease in this loss was mainly due to the decrease in financial costs and the increase in other income.

2.2 Ratio Analysis

Current assets ratio, Quick assets ratio, gross profit ratio were 0.17, 0.10 and 17.6 respectively in the year under review and the same ratios were 0.17, 0.11 and 19 respectively in the previous year. Accordingly, a decline was observed in these ratios and it was observed that the current assets ratio, the Quick assets ratio is at a weak level, so it is facing a working capital problem. And the decrease in gross profit ratio was due to the decrease in sales revenue.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of Managements	Recommendation
(a)	During the year under review, the Board received a value of Rs.10,303,750 for the transfer of the Victoria portion of the Mahaberiyathanna farm to the Sinha Regiment of the Army and accounted it as income, but it was not explained under what arrangements this transfer was made.	With the handing over of a part of the Mahaberiyathenna farm to the army, in the year 2018, Rs. 6,500,000 and 3,803,750 in the year 2019 and 46,804 will be recorded in the books as the value of the transferred lands. Accordingly, the asset disposal account has been debited with the development cost of the land and its value is 46,804. The difference between these two values is accounted for as profit.	The arrangements under which the transfer of land was made should be submitted to the audit.
(b)	At the end of the year under review, there was a balance of Rs. 62,820 in the Peopl's bank account of the Delight project belonging to the	It is acknowledged that a mistake has been made and this has been rectified from Financial Year 2020 onwards.	Bank reconciliations should be prepared for the bank

	Welisara farm, but the bank reconciliation statement had not been prepared for that account.		accounts of all farms belonging to the board.
(c))	In the financial statements of the reviewed year, under Note No. 09, it was stated that Rs.17,734,893 had been capitalized for work in progress, but Rs.4,390,935 under structures, Rs.1,000,350 under buildings, Rs.40,708 under machinery and equipment and the head office Under Rs.12,302,900, the value of the relevant assets were not included in the fixed assets register.	• Mahaberiyathenna farm Rs. 4,029,101 winter rooms in September 2020 also in Haragama farm Rs. 361,834.13 sheep in December 2019 was also recorded in the fixed assets register. • Cold room repair costs of Rs.11,310.00 at Mahaberiyathenna Farm have been accounted as an expense in 2020 and at Polonnaruwa Farm A new purchase of Rs.989,040.77 has been entered in the December 2020 fixed assets register. • Cattle shed worth Rs. 7,911,380.11 in Mahaberiyathanna farm in 2020 also to the fixed asset register and Martin farm Rs. 2,195,760,99 each, 20 percent advance for the establishment of cold rooms, which was paid on two occasions, has also been included in the fixed assets register of 2019. • Mahaberiyathenna farm machinery equipment Rs 40,707 This has been accounted as an expense in 2021. • Cattle worth Rs. 7,911,380.11 in Mahaberiyathanna Farm in 2020 and Rs. 2,195,760,99 each, 20 percent advance for the establishment of cold rooms, which was paid on two occasions, has also been included in the fixed assets register of 2019.	All assets to be capitalized should be entered in the fixed assets register.
(d)	National Livestock Development Board, Mahaweli Livestock Enterprise Company and Sri Lanka Poultry Development (Private) Ltd	In the year 2022, 980 acres in Parasankaswewa Farm, 826 acres in Oyamaduwa Farm, 150 acres in Weerawila Farm, 150 acres in	Unutilized land should be used for generating other income.

	Company own an area of 12,617.43 hectares and at the end of the year under review, National Livestock Development Board owned 2,266.05 hectares. A total of 2,311.35 hectares of unutilized land was observed, including 9.7 hectares of Mahaweli Livestock Enterprise Company Company and 35.6 hectares of Sri Lanka Poultry Development (Private) Company.	Kottukachchiya Farm, 250 acres in Nikaveratiya Farm and 100 acres in Marandawila Farm. From the year 2021, the underutilized land identified by the board has been provided through short-term lease agreements for the production of animal feed.	

3.2 Operational inefficiencies

	Audit Observation	Comments of Managements	Recommendation
(a)	A land of 517 perches located at Mahaberiyathenna was purchased with a private company for Rs. 24,418,300 for 99 years at a return of Rs.31,600,800 and 31 perches in Welisara was leased for 30 years with a private garment company at a return of Rs.31,600,800ෙAccording to Section 2 of the State Agriculture Act No. 11 of 1972 and the amendment made by the Gazette No. 157 dated February 14, 1975, the tasks to be performed by the Board were specified, and it is observed that the lease of this land was not related to those tasks.	The Board has handed over the leasehold property to Rajawella Holdings on 04.12.1996 and accordingly in the audit inquiry the calculation has been made from January 1997 and accordingly the reason for this difference is the deferred income of December 1996. The value shown in the accounts is correct. With Brandix Intimate Apparel Limited The agreement will commence from 06.01.2006 and accordingly, the initial consideration paid for a period of 13.5 years as on 31.12.2019 should be written off, but since the calculation has been made on the basis of 13 years during the audit inquiry, there has been a relevant difference in that value. Thus this calculation is correct.	The Board shall perform only the functions specified in the Act and the Gazette. The possibility of canceling the contracts and repossessing these properties should be considered.
(b)	According to the stocks verification reports of Narangalla farm, although the number of cows were 134 as on 31st December 2019, as per the submitted schedule, the number of cows were given as 143, so a difference of 9 animals was observed.	Although the number of cows is mentioned as 134 in the stocks verification report of Narangalla farm, the correct figure should be 143. It is an error in copying and the cows mentioned in the schedule are correct and the accounts show the value of 143 animals.	stocks verification reports and related schedule should be submitted correctly.

(c)	The total income of the board has decreased by Rs.100,095,928 in the year 2019 and major project income has been mainly affected for the decrease in income by Rs.187,870,292. Decline in milk production has led to decline in major project income.	There has been a decrease in revenue in financial year 2019 compared to financial year 2018. Coconut and copra by 13 percent, chicken project - broiler by 21 percent, sleeping cow and buffalo project by 2 percent.	The board should work to increase the income of milk production and other major operations
(d)	The Franchise project income which was Rs.2,406,766 in the year 2018 has decreased to Rs.2,034,785 in the year 2019, but the distribution expenses for that project had increased by Rs.2,984,826 or 32,268 percent.	Declining sales of milk-related products has been the main reason for the decline in Franchise project revenue in 2019. In 2018, the transportation costs incurred for the chartered stores are not included in the distribution costs. But in the year 2019, it was corrected and an amount of 2,966,821 related to the year 2019 was included as transportation expenses.	The board should work to reduce operational costs
(e)	Normally there should be 01 current liability for 02 current assets but the current ratio of the board was 0.16. The quick ratio should also be 1:1 but it was 0.08. The quick ratio for the previous year was 0.097. Accordingly, it has deteriorated. Due to the fact that this situation continued since 2013, it was observed that there are severe working capital problems in the board.	The main reason for the decrease in current ratio and quick ratio is the annual loss and this loss has been reduced so far. The main reason for the decrease in the loan rate and the instant rate was the inability to pay the loan installments of the Vilad project, and this situation has decreased significantly with the conversion of it into a public investment. Moreover, by the year 2020, the mobile ratio has grown accordingly to 0.77 and the instant ratio has also achieved growth to 0.49.	Actions should be taken to resolve working capital issues.
(f)	The gross profit ratio was 17.91 in the year under review and 19.08 in 2018. It was observed that the profitability of the board is not satisfactory as it has decreased compared to the previous year.	The main reason that affected the decrease in the gross profit rate compared to the previous year was the decrease in the market price of agricultural and livestock products in 2019 compared to 2018 and this cannot be controlled by the board and the annual price fluctuations of agricultural products have a direct impact on profitability.	The board should do the work related to increase the profitability.

(g)	The year under review shows a net loss situation which was observed to have continued from the year 2017 and had led to negative reserves. It was observed that it strongly affects the continuity of the board.	The board admits to showing a net loss situation from 2017 and it has turned into a net profit situation by 2022.	Actions should be taken to increase profitability.
(h)	The total asset turnover ratio and fixed asset turnover ratio were 0.44 and 0.97 respectively and it was 0.44 and 0.94 in the previous year, thus the problems of non-efficient utilization of the assets of the board to generate income were observed.	The low market price of agricultural primary products and the rapid increase in the price of inputs of agricultural products have mainly affected this situation and to control this situation, the board has worked to increase the production based on added value in the future. Accordingly, this situation will be avoided in the future.	Assets must be efficiently deployed to generate income**.**

3.3 Procurement Management

	Audit Observation	Comments of Management	Recommendation
(a)	During the year under review, coconut, teak, mahogany and rubber trees were sold for Rs.41,920,346 and no procurement action was followed for that.	Cost removal is done for coconut trees maintained as commercial plantations and there is no method to identify the cost of coconut plantations for each farm, so it is not possible to do so. In projects where teak trees, mahogany trees and rubber trees have been identified as commercial plantations, the cost is recognized at the time the trees are sold and revenue is received. But not so cultivated as commercial crops. As there is no cost write-off in the accounts against the proceeds from the sale of trees, no cost write-off is made on those trees.	Procurement procedure should be followed while selling trees. An investigation should be conducted as to whether the board has suffered a disadvantage

(b)	During the year under review, an income of Rs.3,585,422 had been obtained from the sale of trees in Haragama, Beligama, Narangalla, Marandawila and Polontalawa farms, and procurement measures had not been followed for that.	In the financial year 2019, the sale of Midella trees at Beligama Farming Market generated Rs. 157,200, while Narangalla farm has generated Rs.375,500 from the sale of jackfruit and teak, Maradawila farm has generated Rs.1,751,500 from the sale of teak trees and Polontalawa farm has generated Rs.312,322 from the sale of turpentine trees. The amount of compensation received for the damage to the trees due to the laying of power lines in Haragama is Rs.1,008,900.	Procurement procedure should be followed while selling trees. An investigation should be conducted as to whether the board has suffered a disadvantage