

The Transaction Report of the National Livestock Development Board of Sri Lanka - 2019, 2020 and 2021

The audit of operating activities of the National Livestock Development Board of Sri Lanka for the year ended 31 December 2019, 2020 and 2021 were carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. In accordance with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, this report shows my observations regarding the functioning of the Board which I intend to submit to the Parliament.

1.2 Management's Responsibility for Financial Statements

As per sub-section 16(1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the entity..

According to section 16(2) of the said Act, the annual financial statements in respect of each audited entity, should be submitted by the Chief Accounting Officer to the Auditor-General along with the annual performance reports within such period as may be prescribed by rules.

In terms of section 38 (1) (d) of the said Act, the Chief Accounts Officer should ensure the timely preparation and submission of annual reports and other financial statements and in addition he is required to submit annual reports to Parliament. Pertaining to the auditee entity

1.3 Presentation of Financial Statements

| Audit observation | Comments of Management | Recommendation |
|--|---|---|
| As per Section 6.5.1 of Public Enterprise Circular No. PED/12 dated 02 June 2003 and Paragraph No. 6.6 of the Operations Manual submitted with Circular No. 01/2021 dated 16 November 2021, Although the financial statements and draft annual report must be submitted to the Auditor General within 60 days after the end of the accounting year, The financial statements of the year 2018 were submitted to the Auditor General on 14 December 2022 and the financial statements and draft annual reports for the years 2019, 2020, 2021 and 2022 were not submitted to the Auditor General. | Financial statements for the years 2019, 2020, 2021 have been completed on the due date and approved by the Board of Directors. However, I would like to inform you that the preparation of the annual reports for the above years has been delayed as the auditor's opinion has not been submitted for the financial reports of the year 2018. | The financial statements and draft annual report must be submitted to the Auditor General within 60 days of the end of the accounting year. |

2. Financial Review

2.1 Financial Results

| Audit observation | | | | | | Comments of Management | Recommendation |
|--|--------------------------|----------|----------|----------|----------|---|--|
| (a) Out of the 32 farms under the board, the net profit/loss before tax in the last few years of the main farms namely Bopatthalawa, Diagama, Horakele, Miriswatta, Ridhiagama, Rukkattana, Siringapatha and Menikpalama were as follows. | | | | | | | |
| Name of the frame | Profit/(Loss) Rs.million | | | | | In Miriswatta farm, the loss has increased due to the fall in the selling price of chickens and the increase in the cost of production. Due to having to hand over 500 acres belonging to Siringapatha Farm to the Board of Investment, the total loss of its coconut income, the fall in coconut prices in Horakele, Siringapatha and Rukattana farms in 2016, and the increase in the operating cost of coconut production in 2017 and 2018 have caused the loss to continue to increase. . | The farms under the board should be made profitable. |
| | 2014 | 2015 | 2016 | 2017 | 2018 | | |
| Bopatthalawa | (13.12) | 6.87 | (21.53) | (48.74) | (59.85) | Menikpalama, Diagama and Bopattalawa farms have reduced the profit in those years due to the decrease in milk production and the decrease in the value of animals and the fact that the value of animals was not done correctly in the preparation of financial statements in 2015 and 2016. In 2015, 2500 cows were imported to Ridhiagama farm. A loss was shown due to having to incur huge food and maintenance expenses. | |
| Diagama, | (0.73) | 21.77 | (58.62) | (31.15) | (53.51) | | |
| Horakele | 60.51 | 46.79 | 89.02 | 85.88 | 66.55 | | |
| Miriswatta | 6.97 | 21.60 | 42.46 | 20.84 | 26.73 | | |
| Ridhiagama | (15.85) | (128.05) | (424.51) | (8.05) | (165.40) | | |
| Rukkattana | 16.82 | 12.82 | 13.51 | 8.85 | 13.38 | | |
| Siringapatha | 38.46 | 18.69 | 39.83 | 15.65 | 14.73 | | |
| Menikpalama | (44.73) | 26.61 | (85.21) | (132.11) | (132.68) | | |
| According to the above information, a trend of decreasing net profit before tax was observed in Horakele, Mirissawatta, Rukattana and Siringapatyana farms, while it was observed that there was a trend of increasing losses in Bopattalawa, Diagama, Ridhiagama and Menikpalama farms. | | | | | | | |

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|--|--|---|
| <p>(b) As on 31 December 2020 and 31 December 2021, the outstanding balance of more than 5 years was Rs. 84,714,279 and Rs.82, 081,430. The recovery of these loan balances was uncertain.</p> | <p>A committee including the chief financial officer of the line ministry has been appointed to take decisions regarding these debtor balances and the long outstanding debtors of the board, and work is being done to analyze and review all those debtors and take further action.</p> | <p>Quick steps should be taken to recover the debt.</p> |
| <p>(c) During the coconut auctions conducted by the Coconut Development Authority, due to the non-removal of stocks of coconuts within the prescribed period according to the rules issued by the Authority, the arrears of ground rent and fines over 5 years due from the brokers on 31 December 2021 was Rs. 18,164,830 and the No effective steps were taken to recover.</p> | <p>We cannot agree with the statement that the Board has not acted in accordance with the set of rules laid down in the coconut auction of the Coconut development Authority and various measures have been taken to collect the debtor balance of more than 15 years.</p> | <p>The balance of ground rent and fines should be recovered from the brokers or the officials who released the coconut stock.</p> |
| <p>(d) Since the year 2011, the amount of Rs. 3,689,824 due from Plantation Human Development Trust had been taken till 31st December 2021, but it was not possible to recover it.</p> | <p>Regarding this amount, the concerned institution has been informed in writing and the said institution has informed that the related value has been informed to the line ministry at that time to be settled through the line ministry. Accordingly, we have made inquiries with the line ministry in this regard and I inform you that we will take further steps after confirming the relevant facts.</p> | <p>Collect the amount due from Plantation Human Development Trust Should be taken.</p> |
| <p>(e) Insurance compensation of Rs. 19,253,926 due for dead imported cattle since 2013 had failed to be recovered till 31st December 2021.</p> | <p>A number of investigations, discussions and requests have been made regarding</p> | <p>Actions should be taken to recover the insurance</p> |

the insurance claims shown here and the note value of those accounts cannot be recovered.

compensation due value and since a lot of time has passed by now it is very difficult to re-investigate, so that title mentioned in the accounts is written off in the books.

It is expected to get approval for turning

2.2 Ratio Analysis

Following are the important accounting ratios related to the 5 years from 2014 to 2018 for which the accounts have been presented by the board.

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | Admit that the board has a working capital problem get Necessary measures will be taken to resolve the problem in the future. | Necessary measures should be taken to resolve the working capital problem. |
|------------------------------|--------|--------|-------|---------|----------|---|--|
| ----- | ----- | ----- | ----- | ----- | ----- | | |
| Current Ratio | 0.79 | 0.42 | 0.37 | 0.75 | 0.59 | | |
| Quick Ratio | 0.51 | 0.24 | 0.21 | 0.49 | 0.38 | | |
| Gross Profit Ratio | 37.32% | 37.25% | 33.8% | 27.06% | 19.09% | | |
| Net Profit Ratio | 3.12% | 1.8 % | 0.33% | (52.5%) | (10.51%) | | |
| Debtors turnover ratio | 9.86 | 11 86 | 16.92 | 0.09 | 0.07 | | |
| Fixed Assists Turnover Ratio | 1.23 | 0.85 | 0.91 | 0.49 | 0.48 | | |
| Gearing Ratio | 1.76 | 3.47 | 3.35 | 0.08 | 0.08 | | |
| Debtors Collection Period | 37 | 31 | 22 | 32 | 27 | | |

According to the above information, it was observed that the current ratio and quick ratio of the board have gradually decreased from the year 2014 to the year 2018 and it was not at an optimal level. Accordingly, it was observed that there was a problem with the board members. Also the gross profit and net profit has gradually decreased from 2015 to 2018 and after 2017 it has decreased to a net loss.

3. Operational Review

3.1 Losses of Identified

| Audit Observation | Comments of Management | Recommendation |
|--|---|--|
| (a) In the year 2021, Rs. 714 million and after incurring those direct expenses, the gross loss of the project was Rs. 16 million. Accordingly, it was observed that it has not been possible to cover the direct expenses of the farm in the year 2021. | The reasons for the high costs in the farm in 2021 have been presented in detail earlier. | Work should be done to make the farm profitable. |
| (b) The following was observed during the inspection of a sample of liquid milk sales revenue in the year 2021 at Bopattalawa Farm. | | |
| (i) For the last quarter of 2021, an agreement was made with a private company to purchase 3,000 liters per day at Rs. 134 per liter for the sale of liquid milk, but during the month of October 2021, the farm had incurred a loss. of Rs. 235,648 | Even if the tender price is Rs.134, 50 cents will be added or decreased depending on the increase or decrease of 12.5 percent on the value of Fat and SNF. Since that time is a rainy season, the price has decreased due to the reduction of this percentage. This is a common occurrence. | Liquid milk should be sold at the agreed price. |
| (ii) In the third quarter of the year 2021, it was observed that there were differences between the quantity of liters of milk delivered by the farm and the quantity of liters of milk accepted by Cargills and accordingly, it was observed that loss of Rs 219,735 had been incurred for 1,704 liters of liquid milk | This has happened due to the use of two units of measurement (kilo and liter) by the farm and Cargills and I inform that both parties will use the same measurement system in the future. | Milk should be sold as agreed. |
| (c) It was observed that, Since the number of cows available for milk in Menikpalama Farm has decreased from 742 to 288 from 2014 to 2021, there has been a decrease of 454 dairy cows in 08 years and the average milk production of dairy cows has decreased from 14.78 to 12.60, and milk sales income in the farm has been reduced due to the sale | Under this project, all the heifers born in the farm were distributed among the farmers. Due to the lack of maintenance of heifers in the farm, the number of dairy cows rapidly decreased year after year as there was not enough replacement for the cows leaving the farm due to | Efforts should be made to increase milk production |

of milk at low prices were directly affected the increase in farm losses.

deaths and other disorders. Due to the occurrence of diseases that did not exist in Sri Lanka and the lack of related vaccines in Sri Lanka, the death rate increased. Due to this, the milk production of the farm decreased due to the inability to maintain the quantity of cows at the expected level.

(d). Additional income had been obtained From the harvesting of the vegetable cultivation activities were carried out in the farm land of Bopattalawa and Menikpalama .Although the relevant products should be sold according to the daily highest price given by the wholesalers, It was observed that potato, carrot and cabbage were sold at a low price during the sample inspection conducted in relation to the sales revenue. It was observed that an income of Rs. 316,232, Rs. 102,429 and Rs. 173,550 has been lost for 25,282 kg, 4,121 kg and 11,990 kg of potato, carrot and cabbage respectively in Bopattalawa farm

In the sale of vegetables in the farms, the price was decided by the selling price committee. In some cases, the buyers do not come to buy even though the price is given. Then selling at a lower price usually takes place. Some buyers also bid higher to create an artificial price

Sales of the relevant product should be done according to the highest daily price.

3.2 Management Inefficiencies

| Audit Observation | Comments of Management | Recommendation |
|---|--|---|
| <p>There are 10,088 cows and buffaloes in 26 farms under the National Livestock Development Board. For those cows, in the year 2020, 1,096.432 metric tons of cattle feed per month will be spent 13,157 metric tons per year. For that Rs. 733,663 million and in the year 2021, 938.807 metric tons of cattle feed per month will cost 11,266 metric tons per year and for that Rs. 726,893 million were paid to private institutions. The following observations are made.</p> | <p>The National Livestock Development Board has sold milk at maximum price compared to the prevailing market prices at that time. The increase in the cost</p> | <p>Cost of dairy products should be reduced</p> |
| <p>(a) For 2020 and 2021, considering the 04 farms Menikpalama, Diagama, Bopattalawa and Ridhiyagama, where the imported cow project was implemented, the cost of animal feed in those farms was 53 and 63 percent of the milk</p> | | |

income, respectively. Similarly, animal feed in 15 farms with other cow projects in 2020. The cost was 60 percent of the milk income. Accordingly, it was observed that only considering the cost of cattle feed (except the cost of medicine and electricity), there was no effort to increase milk income.

of dairy products was due to external factors beyond the control of the board, such as the collapse of agriculture, import restrictions, movement restrictions, closure of industries, etc. due to the large increase in input prices, the cost of production has increased significantly.

(b) Considering the non-utilized animal feed production machines, the high cost of animal feed and the efficiency of the dairy cow project, according to the project feasibility study report, it was stated that the project will be profitable from the second year after the start of the project, and the profit will gradually increase from the 4th year to the 10th year. In relation to farms that keep imported cows in 2012 and 2013, in the years 2019, 2020 and 2021, there was a loss of Rs. 72,532,028, Rs. 21,078,530 and 25,233,137 in Menikpalama Farm, respectively, A loss of Rs. 266,437,694, Rs. 99,050,282 and Rs. 213,944,24 was reported in the Ridhiagama farm, respectively, a loss of Rs. 29,107,043, a profit of Rs. 4,628,164 and 4,185,177 in the Bopattalawa farm, and a profit of Rs. 4,628,164 and Rs.4,185,177 respectively in the Diagama farm. A loss of 32,280,028, a profit of Rs.3,239,143 and Rs.4,627,726 Accordingly, it was observed that the feasibility study reports were inaccurate and the project failed.

The economic factors during the period in which the feasibility study was conducted have undergone major changes in the years 2019, 2020, 2021. That was, the excessive increase in inflation and the impact caused by the ongoing Covid epidemic have directly affected the profit and loss account of these farms. Therefore, it is our assessment that the above deviation has occurred.

Farms should be brought to profitability

(c) Since February 2020, Mahaweli Livestock Enterprise Limited Company had started to produce 2 types of food for mother chickens due to lack of money to purchase animal feed. By that alone, the company can earn Rs. 6,538,000 had been saved Therefore, among the farms, efforts should be made to maximize the little profit received by some of the farms and to turn the losses into profits. The board had not made any indication of its ability to remain profitable. By

A large investment in the raw materials needed to produce animal feed must be made at once. It was often advantageous to buy from large-scale food manufacturers at competitive prices. Boards are very old machines with low capacity and their efficiency is also very low. Therefore, since the existing

The board should implement strategies to increase profitability.

using 05 poultry feed processing machines owned by 3 farms under the National Livestock Development Board, poultry feed grinding and mixing machines owned by Mahaweli Livestock Enterprise Company, 2 poultry feed grinding and mixing machines owned by Sri Lanka Poultry Development (Private) Company and By using unused land to produce basic raw materials for food production (maize, soy) and by using the new knowledge of the Animal Production Department, by producing high quality animal feed and reducing the cost of animal feed.

requirement cannot be fully met and the production cost is often increased, animal feed was purchased from external agencies under open competitive prices.

(d) The board was a B grade institution according to the ratings of classification 1.6 of the guidelines circular for good governance of the Department of Public Enterprises and according to 5.2.2.(a) of that guidance, a feasibility study should be conducted for projects where the capital investment of a B grade institution was more than Rs.2.5 million. Although No such feasibility study was conducted for 11 projects worth Rs.97.06 million in the year 2021.

Feasibility studies will be conducted for future project investments of more than 2.5 million rupees.

A feasibility study should be done for projects where the capital investment is more than Rs.2.5 million.

(e) According to the board of survey reports of Menikpalama and Bopattalawa farms, 153 and 1225 commodity items in the year 2020 and 161 and 965 commodity items in the year 2021 respectively were listed as unusable goods (condemn), but those goods should be taken into account. As on 10th March 10, 2022, the Commodity Survey Board had not given recommendations on the next course of action. Out of these 153 items, 122 items and 551 items out of 1,225 items were not identified as unusable items in the 2021 item survey.

Condemned materials (goods not suitable for use) are kept separately after the recommendations of the committee appointed for the year under consideration. Accordingly, the amount of waste material in the year 2020 will not be included in the 2021 annual stock survey report, so they have not been included.

Unusable goods should be mentioned under condemnation if they have not been used.

(f) According to the board of survey report of 2020 and 2021 of Menikpalama farm, a deficiency of 135 engineering devices under the sprinkler system was observed.

The reason for the lack of item 135 is the use of equipment to construct a water pipe system to meet the water needs of Bopattalawa and Menikpalama. But I accept that this exclusion has not been formally excluded by means of exclusion notices.

Maintain good internal control over inventory items.

National Livestock Development Board and to maintain Mawatta Farm as a farm belonging to the National Livestock Development Board, The dissolution of the company and the transfer of all assets and liabilities and the absorption of staff were not done until 31December 2022.

Company has been appointed in February and accordingly, after adopting a board resolution to carry out further activities, the liquidator Further action will be completed shortly.

National Livestock Development Board.

(k) According to the Cabinet Decision No. 15/0940/631/018-1 dated 16 July 2015, all the resources, assets, shares and management belonging to Mahaweli Livestock Enterprise Ltd Company shall be acquired by the National Livestock Development Board subject to the relevant legal processes. Until 31 December 2021, the National Livestock Development Board had acquired only 27 percent of the company's shares, while the rest of the shares were owned by the Mahaweli Authority 45 percent, 23 percent by Netherlands Finance and 05 percent by the farmers of the Mahaweli region. The necessary legal processes to transfer these shares to the Livestock Development Board were not followed until 31December 2022.

The shareholders of Mahaweli Livestock Enterprise Ltd Company were Mahaweli Authority, National Livestock Development Board, a Dutch company and a farmer organization. The Mahaweli Authority, which owns the majority of its shares, has not transferred the shares to the National Livestock Development Board as per the requests made for many years.

According to the decision of the Cabinet, all the resources, assets, shares and management belonging to the company should be acquired by the National Livestock Development Board subject to the relevant legal processes.

3.3. Operational Inefficiencies

Audit Observation

According to the annual reports of the Department of Census and Statistics and the Central Bank, the total milk production in the country in the years 2019, 2020 and 2021 were 374,015,943 liters, 413,635,518 and 425,369,628 liters respectively, and coconut production were 3,086,000,000 nuts, 2,792,000,000 nuts and 3 ,120,000,000 nuts and poultry production 20,411,050 animals 24,277,830 and 24,310,690 out of which milk production of National Livestock Development Board were 12,432,324 liters, 12,027,883 liters and 9,774,168 liters and coconut production were 18,606,035 nuts 13,860,239 nuts and 17,018,801 nuts poultry production 2,763,600

Comments of Management

10 million liters of milk are obtained annually from the board's dairies and about 7 liters of milk per animal per day. Milk production in Sri Lanka is about 10 lakh liters per day and the quantity obtained from one milk person is about 2-3 liters. Further, it is planned to improve the production capacity of the dairy farms owned by the board to produce maximum production. And compared to the total poultry population of the country, the board maintains about 1%-2%. . Development investments should be made, but the lack of sufficient

Recommendation

Efforts should be made to increase the market share by using the resources of the Board's farms effectively.

animals 3,034,226 animal and 3,084,591 animal were also only. Accordingly, it was observed that the contribution of the board were 3.32, 2.91 percent and 2.3 percent of milk production, 0.6 percent, 0.5 percent and 0.55 percent of coconut production and 13.54 percent, 12.5 percent and 12.69 percent of poultry production.

financial provision has become a hindrance in increasing production. There is a lack of coconut production due to the inability to get the fertilizer required for coconut cultivation.

3.4 Transactions of Contentious

| Audit Observation | Comments of Management | Recommendation |
|--|--|---|
| (a) On 28 June 2007, the General Treasury had given Rs.37.55 million to the Board to create a revolving fund under Ngenahira Navodaya for a maize project on 1,000 acres of land in Kantale sugarcane land. Due to the failure of that project, on 11September 2011, when the land was transferred to the sugar company, the remaining amount of the revolving fund under the maize project, which was Rs. 17,549,342 should have been forwarded to the Treasury as per the comments of the Central Bank and the decision of the Cabinet of Ministers dated 20June 2007, but without doing so, Rs. 4,253,795 has been spent and the remaining Rs. 13,295,637 had been deposited under fixed deposits since 2011. | agree informed that the amount spent has been used for the development of maize, grass and grazing for the board's animals. | As per the decision of the Cabinet, the remaining amount should be transferred to the Treasury. |
| (b)According to the income report of Menikpalama farm, the daily average amount of milk available from cows compared with the value of those animals, the animals with higher daily average amount of milk were valued as less value and the animals with lower daily average amount of milk were valued as more value. Accordingly, it was observed that the daily average has taken into account only the weight of the animals without considering the amount of milk. | agree Animals are valued on the basis of the milk cycle of the animals for the weight of the animals and even if the average milk production is equal, if the milk cycle is high, the sale value of the milk of those animals will be lower. | A correct policy should be followed while appreciating animals. |
| (c) According to the 2020 Board of Survey Report of Bopattalawa Farm, 453 coconuts and 348 kg | During the relevant year, these rice stocks which were brought to the | Unusable goods should be disposed |

of red rice were among the 1,225 unusable items. And according to the 2021 Board of survey report, 643 of the 965 unusable commodity items were coconuts. Thus, it was observed that the stocks of rice and coconut brought in by other farms were left to perish without being used or sold.

farm workers for sale at subsidized prices were left unfit for consumption due to damage caused during transportation. Also, let me inform you that the stocks of coconuts brought to be issued to the farm workers from the sister farms are the leftovers from the selection.

3.5 Idle or Underutilized Property Plant and Equipment

| Audit Observation | Comments of Management | Recommendation |
|--|---|---|
| (a) 4 farms of the Livestock Development Board have 4 machines capable of producing 3.75 tons of fodder per day. Although they can produce 10,800 metric tons of cattle feed per month (3.75 * 30 days * 8 hours) per year, it was revealed that the machines remain idle for a period of 01 to 12 years. | A large investment in the raw materials needed to produce animal feed must be made at once. It is often advantageous to buy from large-scale food manufacturers at competitive prices. Boards has very old machines with low capacity and their efficiency is also very low. Therefore, since the existing requirement cannot be fully met and the production cost is often increased, animal feed was purchased from external agencies under open competitive prices. | Idle fodder production machines should be put to use |
| (b) 4 farms under National Livestock Development Board have 04 poultry feed processing machines. In addition, Mahaweli livestock Enterprise Company has 1 poultry feed grinding and mixing machine and Sri Lanka Poultry Development (Private) Company has 2 poultry feed grinding and mixing machines. From this, there was a capacity to produce 30,960 metric tons of poultry feed per month as 2,580 metric tons per month (10.75*30 days*8 hours). But on 31 December 2021, it was revealed that those 8 machines were idle for a period of 01 to 12 years. | A large investment in the raw materials needed to produce animal feed must be made at the same time. It is often advantageous to buy at competitive prices from large-scale food manufacturers. Boards are very old machines with low capacity and their efficiency is also very low. Therefore, since the existing requirement cannot be fully met and the cost of production often increases, animal feed was procured from external agencies at open competitive prices. | Idle poultry feed processing machines should be put to use. |

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|---|--|---|
| <p>(c) As of 31 December 2020, it was revealed that the three companies namely National Livestock Development Board, Mahaweli livestock Enterprise Company and Sri Lanka Poultry Development (Private) Company have 2,311.35 hectares of unused land out of 12,617.43 hectares.</p> | <p>A considerable amount of those lands are sensitive zones Eg :- Water catchment areas. Fauna and flora protected areas etc. are located as places which cannot be used for permanent use. Although those land areas are shown as unused parts, they are used for the use of animals.</p> | <p>Unutilized land should be utilized effectively</p> |
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3.6 Procurement Management

| Audit Observation | Comments of Management | Recommendation |
|---|--|---|
| <p>(a) The board shall prepare the main procurement plan for a period of at least three years, and then prepare a procurement plan for the upcoming year, including the matters mentioned in 4.2.1 of the procurement guidelines, but prepare a procurement plan including such matters. didn't exist</p> | <p>The staff has been informed to take measures to avoid those deficiencies in the future</p> | <p>Procurement Plan should be prepared. as per Procurement Guidelines code</p> |
| <p>(b) Although according to 4.2.3 of the procurement guidelines, a procurement schedule should be set and proper management should be done as per phase 1 and phase 2. . However, The starting date of all the purchases included in the procurement plan for the years 2019, 2020 and 2021 was given as January 01 and the last date as December 31 of the respective years and no specific period was specified for the purchases.</p> | <p>The staff has been informed to take measures to avoid those deficiencies in the future</p> | <p>Procurement Plan should be prepared. as per Procurement Guidelines code</p> |
| <p>(c) The value expected to be purchased in the 2019 procurement plan over the amount allocated in the 2019 budget for the purchase of animal feed, in respect of total of 06 farms was Rs.2,345,095 to Rs.11,395,496 and the total was Rs.30,336,379 more, and the total of 09 farms was Rs.400,000 to Rs.10,344,089 and the total was less than Rs.35,711,445 were observed. In addition, the cost of buying animal feed in 04 farms was not included in the procurement plan.</p> | <p>The staff has been informed to take measures to avoid those deficiencies in the future.</p> | <p>Procurement plan and The information in the budget document should be compared with each other</p> |
| <p>(d) Regarding the purchase of fertilizer, it was observed that the total value expected to be purchased in the 2019 procurement plan is Rs.41, 012,859 more than the amount allocated in the 2019 budget of 07 farms and the total value of 09 farms is Rs.13,251,841 less. Apart from that, the cost</p> | <p>Avoid those shortcomings in the future The staff has been informed to take care of it</p> | <p>Procurement plan and The information in the budget document should</p> |

| | | |
|--|--|---|
| of buying fertilizer in 06 farms was omitted from the budget, and the cost of buying fertilizer in 03 farms was omitted from the procurement plan. | | be compared with each other+ |
| (e) Although the cost of fertilizer for 17 farms of the board in the year 2020 was estimated to be Rs.61,605,729 and the cost of veterinary medicine/drugs for 04 farms was estimated to be Rs.2,243,180, those costs were not planned in the procurement plan. | Avoid those shortcomings in the future The staff has been informed to take care of it. | The procurement plan should be properly prepared |
| (f) Although the cost of cattle feed for the year 2020 for Polontalawa farm was estimated as Rs. 424,075 in the budget document, the cost of cattle feed was not planned in the procurement plan for that farm. | The staff has been informed to take measures to avoid those deficiencies in the future. | Procurement plan and The information in the budget document should be compared with each other |
| (g) It was observed that In relation to the purchase of animal feed, the amount expected to be purchased in the procurement plan of 2021 is more than the amount of money allocated in the 2021 budget, in 02 farms, the range of Rs.500 to Rs.56,117,036 was more and in 03 farms, the range of Rs.365 to Rs.3,384,545 was also understated. | Avoid those shortcomings in the future The staff has been informed to take care of it. | Procurement plan and The information in the budget document should be compared with each other |
| (h) Regarding the purchase of fertilizers, it was observed that the value expected to be purchased in the procurement plan of the year 2021 was Rs.44,540 more than the amount allocated in the 2021 budget of farm 01 and the total value of farm 05 is Rs.1,231,024 less. . Apart from this, the cost of buying fertilizer in 03 farms was waived from the procurement plan. | Avoid those shortcomings in the future The staff has been informed to take care of it. | Procurement plan and The information in the budget document should be compared with each other. |
| (i) The following facts were observed during the inspection regarding the purchase of 4 sprinkler water systems and 2 water pumps for the development of grass cultivation in Ridiagama Farm. | | |
| (i) For this procurement, the Acting General Manager had appointed a technical evaluation committee of 03 members to prepare specifications and bid documents on 22 May 2019. On 21 August 2019, the chairman again appointed a technical evaluation committee of 5 members to evaluate | A technical evaluation committee of five members has been appointed by the chairman of the board. Later, by the letter dated | Procurement should be done in accordance with procurement guidelines code |

the bids. And on the same day, the assistant manager of the farm was appointed in addition to the technical evaluation committee. Accordingly, the members of the first committee were removed and re-appointed to the technical committee of 6 members including two of those members to evaluate the bids, but according to 2.8.4 of the procurement guidelines code, the maximum number of members of the departmental technical evaluation committee should be 5.

21.08.2021, the Acting General Manager had again appointed the Acting Manager of Ridhiagama Farm for the Technical Evaluation Committee. It is accepted that a technical evaluation committee of six members cannot be appointed and technical evaluation committee members have been appointed in accordance with the Code of Procurement Guidelines in all procurements carried out after this procurement.

(ii) On 21 August 2019, while the Acting Manager of the Ridiyagama Farm was appointed as a member of the Technical Evaluation Committee, the manager's letter addressed to the General Manager dated 22 August 2019 and bearing the number 2019/tender stated that the 2 sprinkler water systems currently used in the farm were obtained from a representative of a private manufacturing company. And the advantages of getting new machines from the same company, the quality of the company's services and his experience and technical evaluation committee have made suggestions to be considered. Thus, it was observed that by serving as a member of the Technical Evaluation Committee, the procurement objective of providing fair, equal and maximally equal opportunities to all parties was defeated.

The relevant sprinkler water systems were imported from Forsyte Engineering Agrigo (PVT)Ltd and considering the quality of the systems used so far, this appointment has been made with the aim of purchasing a sprinkler water system of similar quality.

Procurement should be done in a transparent manner.

(iii) Specifications related to the procurement had been prepared by the technical evaluation committee member engineer and approved by the Acting General Manager with the approval of the said committee. According to 5.3.11 of the procurement guidelines, a specific amount equal to 1 to 2 percent of the estimated amount should be fixed as bid security, on the contrary, a bank guarantee of 2 percent of the contract value offered by the contractor was accepted as bid security.

In the procurement activities carried out after this procurement, arrangements have been made to obtain bid security in accordance with the Code of Procurement Guidelines.

A certain amount equal to 1 to 2 percent of the estimated amount should be taken as bid security.

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| <p>(iv) As per 6.3.3 of the Code of Procurement Guidelines, a bid opening committee has not been formally appointed on the agreement of the Procurement Committee and as per 6.3.6 of the Code of Procurement Guidelines, the records containing the financial details of the bidder's name, the bid price including VAT and excluding VAT, the bank holding the bid security and the amount. was not prepared.</p> | <p>These prices have been opened under a formal bid opening process and the report containing financial and other information has not been prepared.</p> | <p>Records containing financial information should be prepared in accordance with the Code of Procurement Guidelines.</p> |
| <p>(v) As per 7.9.2 of the Code of Procurement Guidelines. It was observed that in order to consider alternative bids, a separate bid security should be submitted for that bid, but the company that offered the highest price did not submit a bid security for the alternative bid of Rs. 39,000,000, but it was used to evaluate the alternative bid.</p> | <p>These 04 machines were purchased under 02 phases, 02 machines each and for those 02 cases, bid security has been submitted separately by the concerned company.</p> | <p>A bid security shall be obtained for the alternative bid as per the Code of Procurement Guidelines.</p> |
| <p>(vi) A tender evaluation report as per 2.11.3 of the Procurement Guidelines Code and bid evaluation reports as per 7.11.1 of the Procurement Guidelines Code should be prepared, but such reports have not been prepared and only the minutes of technical evaluation meetings have been submitted.</p> | <p>A bid evaluation summary report has not been prepared.</p> | <p>Bid evaluation reports shall be prepared in accordance with the Code of Procurement Guidelines</p> |
| <p>(vii) According to 7.9.2 of the Code of Procurement Guidelines. If there is significant difference between the Engineer's estimate and the estimate submitted in the contract, the reasons for the difference shall be analyzed and the estimate reviewed and all bids rejected or bids accepted and additional performance security requested.. The engineering estimate (excluding VAT) of this procurement was Rs. 28,400,000 and the price (excluding VAT) of the supplier selected through the invitation to bid. Was Rs. 38,999,996 . Accordingly, the value is 37 percent higher than the estimated cost, but no causal analysis was done.</p> | <p>These 04 machines were purchased under 02 phases, 02 machines each and for those 02 cases, bid security has been submitted separately by the concerned company.</p> | <p>If the engineer's estimate and the price offered show a significant difference, the bid should be rejected or additional performance security should be obtained.</p> |
| <p>(viii) In the committee meeting held on 27th September 2019, the Chief Procurement Committee had decided to purchase 2 sprinkler water systems and 1 water pump. It was observed that according to the above prices, Rs. 19,499,998</p> | <p>Considering the financial situation of the board at that time, it was decided to purchase the relevant water</p> | <p>The board should plan the most advantageous procurement</p> |

had spent. Accordingly, it was observed that only half of the requirement of procurement rigidity was fulfilled and if the minimum price was accepted, the price was 27 percent $(38,999,996/2 - 28,400,000/2) / 19,499,998 * 100$ more than the estimated cost.

sprinkler systems in two activities. phases.

(ix) Minimum prices are Rs. 35,027,446 and the second lowest price was Rs. 38,999,996 had been offered by 2 companies and the company that offered the second lowest price had been selected for purchase, but due to the rejection of the company with the lowest price without reasonable grounds, the board had incurred a loss of Rs. 3,972,550. It was mentioned in the recommendations of the Technical Implications Committee that the minimum prices were rejected due to the supply of water pumps under a local brand and on 30 August 2019, the Acting General Manager told the supplier to submit the prices again separately as the prices were unclear. Separate quotations were submitted on 5 September 2019, but prior to that, on 21 August 2019, the Technical Evaluation Committee had recommended the award of bid to this supplier. The bid was 11 percent above the minimum price

The reasons for not purchasing from the concerned institution are given in the report of the technical evaluation committee. An inquiry should be made regarding the rejection of the minimum price and appropriate action should be taken.

(x) as a criterion for bid evaluation in the tender document, the installation time of the machine should be 75 days from the maximum order date, but it was observed that this criterion was not considered in the bid award as it was stated as 120 days in the tender document submitted by the selected supplier.

Although we have given the maximum order time for installing the machines as 75 days, the relevant company knows the actual time required to import and install the relevant machines, so the relevant systems were purchased considering the time offered by the relevant company. The criterion of machine installation time should be considered while awarding bids

(j) According to the draft profit/loss account of Menikpalama and Bopattalawa farms for the year 2021, the cost of cattle feed was Rs. 95,042,252 and Rs. 80,101,231 respectively and the cost of cattle feed from July 2021 to December 2021 is Rs. 47,172,625 and Rs. 41,924,825 respectively. and it was 50 percent and 52 percent of the total cost of cattle feed in the year respectively. The following was observed in respect of 02 cattle fodder purchases from July 2021 to December 2021.

- | | | |
|--|--|--|
| <p>(i) Cattle feed required for the period from 01 July 2021 to 31 December 2021 in Menikpalama and Bopattalawa Farms was 489.964 metric tons and 404.967 metric tons (Milkin Cow Mash Feed - Type I) respectively. II) 232.04 metric tons and 154.582 metric tons of calf starter pelleted feed as 6.143 metric tons and 8.325 metric tons of total cattle feed as 728.147 metric tons and 567.874 metric tons. It was observed in the audit that the procurement committee of the board has decided to conduct the procurement under the national competitive bidding system, but a total cost estimate and procurement schedule has not been prepared in accordance with 4.3, 4.2.2 and 4.2.3 of the procurement guidelines code.</p> | <p>The Board of Directors has taken steps to get the approval of including the estimated total cost for Menikpalama farm. An annual estimate has been prepared for the purchase of animal fodder at Bopattalawa Farm and it has been included in the procurement plan and the Board of Directors has been working to get approval and no procurement schedule has been prepared.</p> | <p>A total cost estimate and procurement schedule should be prepared as per the procurement guidelines code.</p> |
| <p>(ii) Acceptance letters of award of bids were sent to Mahaweli Feed Meals Company and Palwatta Dairy Industries Company but no written contract agreement was signed with the supplier as per 8.9.3 of the Procurement Guidelines Manual and 8.9 of the Procurement Guidelines Code.</p> | <p>From the year 2022, steps have been taken to formally sign the contract agreements related to the awarding of tenders for the purchase of animal feed in both Bopattalawa and Menikpalama farms.</p> | <p>A written contract must be signed with the supplier</p> |
| <p>(iii) In terms of 5.4.8 of the Code of Procurement Guidelines and as per the bid documents of the Board, performance security should be obtained from the selected supplier within 14 days from the date of award of the order to the selected supplier, but as per the letter dated 27th September 2021 included in the file submitted for audit, the order It was observed that even after 87 days had passed since the award, performance security had not been obtained.</p> | <p>Arrangements have been made to obtain a performance guarantee from the year 2022</p> | <p>A performance guarantee must be obtained from the suppliers within 14 days.</p> |
| <p>(iv) In case of failure to furnish performance security for contracts above Rs.5 million as per 8.11.4 (a) (ii) of the Code of Procurement Guidelines, to give reasons in writing within two weeks as to why the name of the supplier should not be included in the list of defaulting contractors. Although the procurement authority should have sent a written notice to the said contractor, it had not done so.</p> | <p>From the year 2022 onwards, the procurement guidelines have been dealt with in accordance with 8.11.4 (a) (ii).</p> | <p>A written notice shall be sent to the contractor as per the Code of Procurement Guidelines.</p> |

- (v) Even if the Mahaweli Feed Meals Company had informed that the price should be increased, if the contract agreement had been signed then there would be no need to increase the price and if a performance guarantee had been obtained, even if the price had increased, the increased cattle feed would have been purchased. Losing the opportunity to cover the cost by performance guarantee, the prices were re-invoked for 244.98 metric tons of Milking Cow Mash Feed (Type I) to Menikpalama farm and 202.48 metric tons to Bopattalawa farm at an additional cost.
- As there was already an amount of 24 million to be paid in arrears to the Mahaweli Feed Meals Company for the supply of cattle fodder for the board, the concerned company has refused to submit the performance security and due to the increase in the prices of animal feed by the company, the prices have to be called again. it was .
- (k) During the inspection of documents for the sale of animals in the year 2021 at Bopattalawa farm, only two buyers from Agarapatana town, which was the nearest town to the farm, were selected to call for applications and all the other buyers were suppliers from remote areas between Colombo, Welisara, Nuwara Eliya and thus they refused to forward applications on behalf of distant buyers. was observed Accordingly, the submission of applications for the respective tenders was also limited to the two aggressive buyers and therefore the frame had lost the opportunity to get the maximum price from other buyers. Also, it was observed that the farm has lost the opportunity to get more tenders and to choose a buyer who offers a higher price by selecting more buyers in cities near the farm such as Agarapatana and calling for applications.
- Applications were invited from about 30 buyers for the purchase of these animals, but only two buyers offered prices for this. Buyers or suppliers from other areas refuse to buy animals and supply goods to the farm due to transportation difficulties and high cost of transportation.
- The highest price should be obtained by soliciting applications from a large number of suppliers

3.7. Resources Related to Other Organization

| Audit Observation | Comments of Management | Recommendation |
|---|--|--|
| It was observed that in the year 2019, 440 acres of land owned by the Board worth Rs.167.1 million was given to BOI and the Board did not have any legal document regarding the handover. | This has been taken on the basis of a government decision. | A legal practice should be followed in disposing of the land owned by the board. |

3.8. Human Resource Management

| Audit Observation | Comments of Management | Recommendation |
|---|---|--------------------------------------|
| (a) Senior level vacancies are 33, 12 and 38 respectively in 2019, 2020 and 2021, | Vacancies have arisen due to 35 posts of Farm Manager and Head Office | Steps should be taken to fill up the |

tertiary level vacancies were 12, 10 and 14 respectively, secondary level vacancies were 7, 22 and 7 respectively and primary level vacancies were 42, 102 and 113. Whereas in 2020 primary level employee surplus was 64 and in 2021 senior level secondary level and primary level employee surplus were 8, 2 and 61 respectively.

Manager Grade 1 posts in MM 1-1 category.

These vacancies are indicated by the absence of employees with more than 10 years of experience in the position of Assistant Manager.

- Tertiary level posts are maintained for promotion of secondary level officers and these vacancies are due to non-recruitment of officers from outside.

- Due to the existence of vacancies at the secondary level, the officers holding the post of Field Veterinary Assistant (MA 1-2) of the Board periodically go abroad for work and resign from the Board service.

- Excess of primary category posts
It shows that sales assistants have been recruited for milk outlets but the recruitment procedure has not been approved.

vacancies and if no approval is obtained for surplus employees, they should be treated as illegal recruitment.

(b) As on 31 December 2021, it was observed that the post of Assistant General Manager (Finance) was vacant for a period of 02 years and 07 months and the post of Internal Audit was vacant for a period of 02 years and 07 months.

The post of Assistant General Manager (Finance) was filled on February 01, 2023. The post of Internal Audit also cannot be filled from outside as per the Board's approved recruitment procedure and this vacancy is indicated by the absence of employees having experience of more than 10 years in the post of Assistant Manager.

Vacancies must be filled.

3.9 Vehicle System Management

| Audit Observation | Comments of Management | Recommendation |
|--|--|--|
| (a) Files were not maintained for Trailers 044-4856, 045-7370, which were used for transporting grass at Menikpalama farm. | A file for tractor trailers 44-4856 and 45-7370 is not maintained by Menikpama farm and I will give instructions to the management to maintain the relevant files. | Proper internal control should be maintained for vehicles. |
| (b) The Kubota tractor numbered 49-1908 of Ambagasdowa Agricultural Center | The agricultural development department has given unused | Arrangements should be made to take |

has been used in Bopattalawa Farm since 29 July 2020 without taking ownership and the said tractor has not been taken over and the running records have not been maintained for the above two years.

agricultural machinery to be used for cultivation in the farms as per the request of the board and the machinery that needs to be registered is in the process of getting the registered title to the board.

ownership of the machinery used.

- (c) The tractor bearing number GB- 4430 has become unusable since the year 2020 and was parked at Menikpalama farm without repair even on 10th March 2022.
- The Mahindra type tractor bearing GB-4430 does not belong to Menikpalama Farm and during the period mentioned in the audit enquiry, it was stored at Bopattalawa Farm. Due to minor repairs, it has been taken out of service until necessary spare parts can be procured.
- The tractor needs to be repaired and put to use.

4. Accountability and Good Governance

4.1 Cooperate Plan

| Audit Observation | Comments of Management | Recommendation |
|--|---|---|
| (a) Quantitative variations were observed regarding the income and expenditure of the corporate plan prepared for 2016-2020 and the budget prepared for the year 2020. But accordingly, as per section 5.1.1 of the Public Enterprise Circular, the approved corporate plan , which corrected those variations and updated from 2019 onwards, was not prepared and submitted. | Annually review the corporate plan and revise the parts that need to be revised correctly Since these errors have occurred due to non-implementation, the corporate plan will be revised annually in the future | Future updates should be submitted to the Compact Plan. |
| (b) In accordance with Section 5.1.2 of the Public Enterprise Circular No. PED 12 dated 02June 2003, the technical knowledge, markets and suppliers currently possessed by the organization should be included in the corporate plan and the action plan should include the goals and objectives to be achieved during the planning period. The matters of management responsibility were not included in the 2016-2020 and 2021-2025 corporate plan , and information related to production and operational facilities, human resources and management skills, and organizational structure were not included in the 2016-2020 c corporate plan . | In the future, efforts will be made to prepare a corporate plan by avoiding the shortcomings | The information to be included in the corporate plan should be submitted. |

Furthermore, the income, expenses, goals and other information related to the planning period related to the projects of franchise outlets, milk projects and head office outlet operating under the board were not included in the 2016-2020 and 2021-2025 corporate plan

- Considering the cost of the coconut project in the years 2019 and 2020, the cost of the budget of 03 farms and 02 farms was 18 to 46 percent and 05 to 11 percent more than the cost of the corporate plan , and the cost of the budget of 12 farms and 13 farms were more than the cost of the corporate plan . A difference was observed as indicating 04 to 55 percent more and 03 to 62 percent less. In addition, the cost of 04 farms in the year 2019 and 05 farms in the year 2020 had been waived in the corporate plan.

Annually review the corporate plan and revise the parts that need to be revised correctly Since these errors have occurred due to non-implementation, the corporate plan will be revised annually in the future

All the information to be included in the budget should be accurately presented to match the corporate plan
- (c) In terms of Section 5.1.3 of Public Enterprise Circular No. PED 12 dated 02 June 2003, the corporate plan approved by the Board of Directors 15 days before the commencement of the financial year to the Line Ministry, Public Business Department, Treasury and Auditor General Should have been submitted but the 2016 - 2020 corporate plan was approved on 27 October 2016 and submitted on 12 July 2017 and the 2021 - 2025 corporate plan was approved on 25 February 2021 and submitted late on 15 March 2022.

The Board has not submitted the corporate plan to the Auditor General in the previous years and as per the requirement of the audit, the report has been submitted as per the request of the Auditor General and the report will be sent to the Auditor General in the future. However, as mentioned there, it is accepted that there has been a delay in submitting the plan to other institutions and efforts will be made not to do so in the future.

The corporate plan should be submitted to the concerned agencies 15 days prior to the commencement of the financial year
- (d) In the 2016-2020 corporate plan , the objectives of running resorts in Oyamaduwa, Nikaveratiya, Medarata Livestock Development Board, Polonnaruwa and Weerawila farms and making profit from them, conducting courses at Galpokunna farm training center, pepper and fruit cultivation in Mahaberiyathanna farm, In the years 2019 and 2020, such activities were not planned in the action plans.

In the action plan prepared for the year 2021, it is planned to include the details related to the resorts and the objectives of conducting courses at the Galpokuna Training Center and cultivating pepper and fruits at the Mahaberiyathenna farm.

The activities in the corporate plan should be taken right into the action plan.

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|---|---|--|
| <p>(e) In the corporate plan , 9 activities expected to be implemented under 15 farms in the year 2019 and 09 activities expected to be implemented under 19 farms in the year 2020 were not planned or implemented in the action plan.</p> | <p>Even if the relevant activities are included in the corporate plan , only if it is decided to implement those activities in the relevant year, they will be included in the action plan.</p> | <p>Activities in the corporate plan should be taken to Action plan correctly</p> |
|---|---|--|

4.2 The Action Plan

| Audit Observation | Comments of Management | Recommendation |
|---|--|--|
| <p>(a) According to paragraph 5 (2) of the Public Finance Circular No. 01/2014 dated 17 February 2014, based on the business plan, an action plan should be prepared that includes expected commercial activities to be implemented in the next financial year. The details of the Welisara farm should be included in the action plan for the years 2019 and 2020 and The action plan for the years 2019, 2020 and 2021 should include the milk project, the operation of the franchise stores and the main office store, the financial status statement to be included in the annual budget, the loan repayment plan, the updated organizational structure of the organization, the approved staff and currently Details of existing staff were not included.</p> | <p>Efforts will be made to avoid those shortcomings in the future.</p> | <p>As per the circular, the action plan should be submitted on time and the information to be contained in it should be submitted correctly.</p> |
| <p>(b) 24 activities related to 05 projects in 16 farms, 20 activities related to 02 projects in 13 farms and 166 activities related to 08 projects in 25 farms included in the action plans of the years 2019, 2020 and 2021 respectively were not implemented and the reasons for non-implementation were also not disclosed in the performance report</p> | <p>Since our organization mainly implements animal husbandry projects, there are times when the production fluctuates constantly due to factors such as short-term market changes and demand in those projects, so there are times when certain planned activities cannot be carried out in the same way. Due to various practical problems such as financial allocation, it has not been possible to achieve the targeted performance. Because of the</p> | <p>Progress should be achieved as indicated in action plans</p> |
| <p>(c) The progress of 58 activities related to 08 projects of 24 farms, 87 activities related to 08 projects of 27 farms and 265 activities related to 11 projects of 29 farms respectively included in the action plans of 2019, 2020 and 2021 were range of 1 percent to 49 and the reasons for not reaching the relevant progress were not given.</p> | <p>Easter attack in 2019</p> | <p>Progress should be achieved as shown in action plans.</p> |
| <p>(d) When comparing the performance French reports of the years 2020 and 2021, compared to the year 2020, the</p> | <p>Due to external factors</p> | <p>in the activities Performance</p> |

actual output of 15 activities of 04 projects has decreased from 2 percent to 90 percent, and the actual output of 15 activities of 06 projects has decreased from 4 percent to 98 percent. was observed.

beyond our control, such as market uncertainties, 2020, 2021 covid pandemic and the fall in agricultural production, many of the activities could not be implemented as per the action plan. should be increased.

(e) Expected milk production of the board from 2019-2021 as per the action plan and according to the performance report the actual milk production was observed to decrease as follows.

Being directly affected by the agricultural and economic problems in the years 2019, 2020, 2021 has led to the inability to obtain the target production. Efforts should be made to achieve the desired milk yield

| Year | Expected milk production as per Action Plan (Liters million) | Actual milk production as per performance report (Liters million) | Decreased (Liters million) |
|------|---|--|----------------------------|
| 2019 | 17.91 | 12.43 | 5.48 |
| 2020 | 15.11 | 12.03 | 3.08 |
| 2021 | 15.22 | 9.7 | 5.52 |

(f) Expected milk production according to the corporate plan and according to the performance report, the actual milk production was observed to decrease as follows.

Being directly affected by the agricultural and economic problems in the years 2019, 2020, 2021 has led to the inability to obtain the target production. Efforts should be made to achieve the desired milk yield.

| Years | Expected milk production as per corporate plan (million liters) | Actual milk production as per performance report (million liters) | Decreased (million liters) |
|-------|---|---|----------------------------|
| 2019 | 23.54 | 12.43 | 11.11 |

| | | | |
|------|-------|-------|-------|
| 2020 | 23.92 | 12.03 | 11.89 |
| 2021 | 14.8 | 9.7 | 5.1 |

(g) The following facts were observed about the milk products obtained from imported dairy cows in the year 2018, 2019, 2020 and 2021 in Menikpalama, Bopattalawa and Ridhiagama farms where there were imported dairy cows.

Being directly affected by the agricultural and economic problems in the years 2019, 2020, 2021 has resulted in not being able to achieve the target production. Farms with imported dairy cows should work to achieve milk yield.

Milk Production (Liters)

| Farm | 2019 | 2020 | 2021 |
|-------------|-----------|-----------|-----------|
| ----- | ----- | ----- | ----- |
| Menikpalama | 1,537,665 | 1,395,705 | 1,226,559 |
| Ridhiagama | 7,132,284 | 6,827,458 | 4,864,983 |
| Bopattalawa | 1,134,265 | 1,169,795 | 1,116,391 |

(h) The following facts were observed about milk products obtained from dairy cows in 2018, 2019 and 2020 in 14 farms with local dairy cows.

Being directly affected by the agricultural and economic problems in the years 2019, 2020, 2021 has resulted in not being able to achieve the target production. Farms with local dairy cows should work to increase milk yield.

Milk Production (Liters)

| Farm | 2019 | 2020 | 2021 |
|------------------|----------|----------|----------|
| ----- | ----- | ----- | ----- |
| | (Liters) | (Liters) | (Liters) |
| Nikawaratiya | 88,452 | 64,646 | 54,467 |
| Rukattana | 146,009 | 115,240 | 100,714 |
| Maradawila | 109,513 | 69,639 | 81,832 |
| Oyamaduwa | 56,676 | 51,714 | 48,855 |
| Malsiripura | 166,615 | 130,657 | 104,702 |
| Roshita | 107,468 | 114,366 | 93,968 |
| Koulwawe | 212,019 | 209,477 | 253,422 |
| Mahaberiyathanna | 76,090 | 77,663 | 74,113 |
| Siringapata | 85,572 | 80,354 | 75,457 |
| Adigama | 237,209 | 238,241 | 220,883 |

(i) The following facts were observed about the milk products obtained from buffaloes in the year 2019, 2020 and 2021 in 05 farms where there are buffaloes

Agricultural and economic problems in the years 2019, 2020, 2021 Direct exposure has resulted in the inability to obtain the target product. n farms where there are buffaloes Efforts should be made to increase milk yield.

| Milk Production (Liters) | | | |
|---------------------------|---------|---------|---------|
| Farm | 2019 | 2020 | 2021 |
| ----- | ----- | ----- | ----- |
| Weerewila | 73,150 | 37,830 | 38,561 |
| Polonnaruwa | 263,912 | 217,842 | 199,652 |
| Nilawaratiya | 50,086 | 52,175 | 59,250 |
| Malsiripura | 120,604 | 124,380 | 115,982 |
| Maradawila | 167,451 | 149,975 | 173,749 |

- (j) Regarding the production of coconuts carried out under the coconut project, the amount of coconuts expected to be obtained according to the action plans of the years 2020 and 2021 were 20,778,985 and 20,631,018 respectively, and according to the performance of the years 2020 and 2021, the amount of coconuts actually obtained were 13,860,239 and 17,018,801 respectively..
- Efforts will be made to avoid such deficiencies in the future and prepare an action plan
- Actions should be taken to achieve the desired product to be obtained as per action plans.
- (k) There was a high demand in the market for packaged liquid milk (Fresh milk) and although other competing organizations have identified the market needs, although the National Livestock Development Board was the main milk producer in the country, it has to identify such opportunities and take action to suit the current times and increase the market share. Had not been dealt with.
- The National Livestock Development Board has identified the market needs and was working within the scope assigned to us. Although it was essential to turn liquid milk into value-added products, under the existing provisions, our institution's investment capacity is gradually increasing value-added products.
- Work should be done to increase the market share

4.3 Budgetary Control

| Audit Observation | Comments of Management | Recommendation |
|---|--|---|
| According to Section 5.2.4 of the Public Enterprise Circular No. PED 12 dated June 02, 2003, the draft budget should be submitted to the Board of Directors for approval three months before the beginning of the financial year and the Director of Budget for the years 2019, 2020 and 2021 respectively. The Board | Steps to overcome these weaknesses in future Let me know that I will take it | According to the circular, the draft budget should be approved three months in advance. |

had approved on 26 February 2019, 2 February 2020 and 24 December 2021.

4.4 Sustainable Development Goals

| Audit Observation | Comments of Management | Recommendation |
|--|--|---|
| <p>Although the United Nations has introduced the Sustainable Development Agenda based on the economic growth and social development and environmental protection of all countries belonging to the organization by 2030, it has not identified the desired objectives, targets and indicators to match it, and the lack of access to accurate data and physical Resource management methods were also not identified.</p> | <p>In order to more accurately implement the sustainable development objectives introduced by the United Nations Organization, a workshop should be held at the ministerial level or otherwise and informed.</p> | <p>Achieving the Sustainable Development Goals should be pursued.</p> |