

Head 292 – Department of Animal Production and Health

1 Financial Statements

1.1 Unqualified Opinion

The audit of the financial statements of Head 292 – Department of Animal Production and Health for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance for the year then ended and cash flow statement was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the Department of Animal Production and Health was issued to the Accounting Officer on 28 May 2024 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department of Animal Production and Health was issued to the Accounting Officer on 28 May 2024 in terms of Section 11(2) of the National Audit Act No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Department of Animal Production and Health as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Unqualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the 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 summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

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

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

I express the following matters in terms of Section 6(1) (d) of the National Audit Act No.19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

2. Financial Review

2.1 Revenue Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Rs.12,398,310 for the cow semen issued to the provincial councils by Kundasale Artificial Insemination Center between the year 2018 and the year under review had not been collected.	Cow semen is continuously supplied to the farmers and there is a constant shortage as it takes some time to send the collected revenue to the provincial council.	Revenues related to the period should be recovered correctly.

2.2 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Audit Observation	Comments of the Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations	Value Rs.	Non-Compliance
(a) Paragraph 193 of Chapter XVIII of the Procedural Rules Series published by the Public Service Commission in Extraordinary Gazette No. 1589/30 dated 20 February 2009	-	Although every government officers with more than 05 years of service should be subject to transfers, 25 officers were employed in the same workplace for a period of 07 to 28 years in the 04 sub offices that were investigated without act accordingly.
		Some officers have not applied for transfer even after 05 years and that there is no suitable successor for the transfer.
		Action should be taken according to Procedural Rules.

(b) Establishment
Code of the
Democratic
Socialist Republic
of Sri Lanka

Section 4 of Chapter XV	of 6,199,106	Due to the fact that 08 officers who went abroad for study, training or duty did not report back to work, the fines due from those officers due to the violation of the agreement reached to serve a mandatory period of service had not been collected.	That the money will be collected from 04 officers in installments.	It should be act as per the establishment code.
-------------------------	--------------	--	--	---

3. Operating Review

3.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the action plan prepared for the year under review, the progress of 42 sub-activities related to 23 planned activities was less than 50 percent and 24 sub-activities of 18 activities had not been implemented.	That the disease investigation reports reported during the relevant period have been referred for re-investigation and that the disease conditions were not sufficiently reported in relation to 04 activities.	Planned activities should be implemented.
(b) Out of the 1,057 animal and animal feed samples obtained, 850 were given to the Gannoruva Animal Research Institute and 187 to the Welisara Animal Research Center due to the lack of adequate laboratory facilities in the Colombo Animal Quarantine Center. Since these research activities take a lot of time, the possibility of an adverse effect on the import and export of animal and animal feed could not be ruled out.	That the instructions have been given to the Officer-in-Charge to adopt a suitable procurement method for purchasing the laboratory materials required to upgrade the laboratory.	Adequate laboratory facilities should be established in the quarantine center.

3.2 Non-achievement of expected Output Level

Audit Observation	Comments of the Accounting Officer	Recommendation
In the years 2021, 2022 and 2023, the number of litters born in the Telahera Goat Breeding Center was 182, 35 and 108, respectively and due to the low level of growth of the breeding process, the goal of adding stud goats with high production capabilities to the national goat population was not fulfilled.	Due to the poor nutritional status of the animals, the return of these animals to the herd was low and therefore the pregnancy rate has decreased.	Actions should be taken to achieve the planned objectives of the project.

3.3 Non-achievement of expected Outcome

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The Boer type goat breeding project was started in the year 2019 in Imbulandanda Goat Breeding Center with the aim of fielding 250 goats at 50 per year in 05 years. An expenditure of Rs.91,970,290 had been incurred for this project by the end of the year 2023 and only an income of Rs.2,362,442 had been obtained during that period. Also, only 23 goats were released to the field during this period and therefore the expected objectives of the project had not been fulfilled.	Due to the presence of B/T and CAE antibodies during the quarantine period, the imported goat group was checked from time to time and infected animals were found and accordingly the release of animals to the field has been suspended.	The planned objectives of the project should be achieved along with disease control.
(b) A doctor who was appointed to confirm the health status of the animals in the Telahera Goat Breeding Center by properly performing the duties of diagnosis, prognosis and control of the diseases had observed the center for a limited number of days such as 03 days in the year 2022 and 23 days in the year under review for the duties of the breeding center. . Accordingly, the expected duties of the doctor were not fulfilled and the death of animals during that period had been high as 141 and 35 respectively.	That due to unavoidable reasons such as difficulties in using public transport and lack of fuel during the economic crisis in the year 2022, it was not possible to provide the services of veterinarians from the head office to the Telahera Goat Breeding Center continuously.	An easily accessible veterinarian should be assigned to the breeding center

- | | | | |
|-----|--|--------------------------|---|
| (c) | In the year 2018, the cost of producing a diploma holder in Karandagolla Animal Husbandry College was approximately Rs.600,000 and between 2019 and 2022, it had increased from 11 lakhs to 18.5 lakhs. Actions such as increasing the number of students registered to reduce the cost incurred per year for one diploma holder, working to reduce the leaving rate and reducing the costs incurred for each subject had not been focused on. | Comments were not given. | Costs should be managed to reduce student leavings and increase efficiency. |
|-----|--|--------------------------|---|

3.4 Annual Performance Report

Audit Observation

Comments of the Accounting Officer

Recommendation

The annual performance report had not been submitted with the annual financial statements as per section 16 (2) of the National Audit Act No.19 of 2018.

That the annual performance report according to the request sent by the Ministry of Agriculture and Plantation Industry on 03.01.2024 and prepared in accordance with the format sent by the said Ministry was sent to the Planning Division of the Ministry on 05.02.2024 for submission to the Auditor General by the Ministry Secretary.

The provisions of the Act should be followed.

3.5 Assets Management

Audit Observation

Comments of the Accounting Officer

Recommendation

- (a) Although the necessary resources to train 100 students per academic year were available in Karandagolla Animal Husbandry College, the available resources were underutilized as only 137 students were registered for both academic years 2019-2022 and 2022-2024.

It is intended to carry out the necessary activities to enroll 75 students for one student group by expanding the lecture halls of this college.

The available resources should be fully utilized.

- (b) The upper floor of the canteen of the Continuing Education Institute which was completed on 04 January 2021 at a cost of Rs.11,611,665 remained idle for more than three years without being used for its intended purpose.

That the attempt to obtain at least part of these requirements from the provisions under the purchase of office equipment and furniture in the year 2024 will be done.

The building should be used in relation to the intended purpose.

- | | | | |
|-----|---|---|--|
| (c) | Although the Central Poultry Research Center has Poultry houses and resources to maintain a maximum capacity of 5,181 cocks, the center remained underutilized by 68 percent by maintaining 1,680 cocks i.e. less than 32 percent during the year under review. | Although there is enough space in the Poultry houses to breed more than 5000 cocks in the farm, since the capacity of the hatchery is only for 8400 eggs, the necessary actions are being taken to purchase the setter machine required for the hatchery. | The Poultry Research Center should be run at maximum capacity. |
|-----|---|---|--|

3.6 Transactions in the Nature of Financial Frauds

Audit Observation	Comments of the Accounting Officer	Recommendation
Gannoruwa Animal Research Institute's Treasurer (SARAP) committed an irregularity by taking an amount of Rs.14,749,160 from the income collected daily during the period from 2018 to July 2023 for personal use without handing it over to the Chief Treasurer of the head office. F.R104(4) full investigation reports regarding this irregularity had not been issued by the end of the year under review.	Comments were not given.	Financial Regulation should be followed.

3.7 Losses and Damage

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the financial statements prepared as at end of the year under review, necessary actions had not been taken in relation to losses and damages amounting to Rs.21,299,643 in relation to 18 cases.	That the further action is expected to be taken on receipt of preliminary report on losses under 104(3) and full report on losses under the 104(4).	Financial Regulation should be followed.

3.8 Management Weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although an automatic bio-treatment machine was purchased and installed for the Polgolla Veterinary Virus Laboratory on 15 August 2022 at a cost of Rs.96,548,000, it remained unused and idle until 31 December of the year under review.	Procurement process has been initiated in year 2021 and that the purchase has been made on the recommendation of the Technical Evaluation Committee.	Purchases should be made on the basis of need and the machine should be put to use.

- (b) According to the information of 06 academic years of Karandagolla Animal Husbandry College, the percentage of students who left the diploma course was high at 27 percent and the expenditure incurred for the students who left the course was an idle expenditure. Although the department has prepared an agreement to recover the expenses incurred on behalf of the students who leave the course after registering for the course due to other higher education activities and various employment opportunities and has forwarded it to the legal department, formal approval has not been received for it so far. Appropriate actions should be taken to reduce the number of students leaving the course.

4. Achievement of Sustainable Development Goals

Audit Observation

The department had worked to reach 06 targets for 03 sustainable development goals and the progress of 02 targets was between 50 and 74 percent.

Comments of the Accounting Officer

Although it is not possible to reach the desired goals under the prevailing economic crisis, the necessary strategic activities are being prepared to reach the goals systematically.

Action should be taken to achieve the objectives and goals.

5. Good Governance

Audit Observation

It was observed that chick applicants were not formally registered in the farm of the Central Poultry Research Center and that chicks were released to the same consumer group during the release of chicks. Also, it was observed that they are working to supply to applicants who request more and not to give chicks to a small number of applicants and, during the period from March to September 2023, 12,000 chicks were released at the rate of 500 chicks per week to the same person.

Comments of the Accounting Officer

Even though it is the responsibility to do justice to all customers who request litter, it is not possible to meet all customer needs because there is no supply to meet demand.

Litter should be released among all applicants under proper procedure.

6. Human Resource Management

Audit Observation

There were 152 vacancies in the year under review when comparing the approved cadre and the actual cadre. There were 61 vacancies in 16 posts in the senior management level of the department and among those vacancies were 08 Deputy Director posts, 07 Veterinary Investigation Officer posts, 16 Veterinary Research Officer posts and 09 Veterinary Officer posts. As there were 33 vacancies at the primary level, there were difficulties in carrying out the field work.

Comments of the Accounting Officer

That the officers are appointed to cover the duty until the officers are permanently appointed to the vacant posts.

Vacancies should be filled considering the requirements.