

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Poultry Development Company Private Limited for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income ,profit and loss statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(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 . My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 **December 2018**, 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 misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

1.4 Audit Scope

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the 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 Company, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;
- Whether the Company has performed according to its powers, functions and duties; and

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

1.5 Financial Statements

1.5.1. Non-Compliance with Sri Lanka Accounting Standards.

Reference to the relevant Standard and Non-Compliance	Comments of the Management	Recommendation
(a) Contrary to paragraph 17 of the Sri Lanka Accounting standard No .01 the total non-current assets amounting to Rs.93,613,705 had been shown in the statement of financial position for the year 2018 as Rs.4,293,459; the total of Rs.270,689,599 as at 01 January 2018 had been shown as Rs.270,779,599 and the total of Rs.223,985,617 as at 01 January 2018 had been shown as a minus balance of Rs.40,891,115 under the total column of the statement of changes in equity.	Action will be taken to rectify the defects of the financial statement.	Financial statements should be submitted according to the Provision of the Standard.
(b) According to Paragraph 9 of the Sri Lanka Accounting Standard No 02, the closing stock should be computed at the lower of the cost or net realizable value. However, the closing stock of the Kollupitiya sales outlet as at 31 December 2018 had been shown in the financial statement as Rs.399, 044 at the market price.	Actions will the taken to rectify in the year 2019.	The financial statements should be prepared in terms of the standard.
(c) Although the company further uses fully depreciated property , plant and equipment costing Rs.33 million , the effective life time of those assets had not been reviewed annually and the necessary adjustments had not been made in the accounts in terms of paragraph 51 of the SriLanka Accounting Standard No.16	Action will be taken to revise as per Sri Lanka Accounting Standard No.08 and disclose as per paragraph 79 of the standard through future financial Statements.	The Financial statements should be prepared in terms of the standard.
(d) The animal food grinding machine owned by the company had been repaired at a cost of Rs.3, 853,490 during the year 2016. But it had been lying idle even by June 2019 .However, Provisions had not been made in the financial statements for the impaired to the machine in terms of paragraph 9 of Sri Lanka Accounting Standard No.36.	It has to incur a heavy cost for producing animal food and animal food purchase from the market involves a minimum cost and therefore ,this machine has not been used for animal food production .Although this machine do not generate any cash flow it is depreciated by	A feasibility study should be carried out before spending money for a project ,Before the stoppage of using this machine it should be examine whether a high cost involve in producing food and the quality should be evaluated. Further, provisions should be made

Rs.578,024 (15%) in the financial statements annually. for the damages to the machine.

- (e) Revenue of Rs.7, 687,939 equivalents to 11.92 percent of the total revenue had been received during the year under review from coconut and related products. Although the value of the coconut cultivation should have been accounted at cost or fair value assessed as a mature cultivation in terms of paragraph 45 of Sri Lanka Accounting Standard No 41; it had been shown in the financial statements as cultivation immature.
- Action will be taken to show the coconut cultivation in the financial statements at cost or fair value in future .
- The coconut cultivation should be shown in the financial statements at cost or fair value in terms of the provisions of the standard.

1.5.2 Accounting Deficiencies

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
(a) 4,398 hens valued at Rs.3,476,588 as at 31 December 2018 and the cost of food and medicine amounting to Rs.3,872,164 incurred during the year under review for these hens that should be capitalized had not been included in the closing stock as at end of the year under review hence the profit for the year under review and the stock had been understated by Rs.7,348,752 .	Action will be taken to rectify this .	Expenditure which should be capitalized has to be capitalized correctly and the correct values should be forwarded by the financial statements.
(b) The register of fixed assets had not been maintained up to date, Therefore, the correctness of provision for depreciation amounting to Rs.2, 785,767 relevant to the year under review and the written down value of property, plant and equipment amounting to Rs.82,868,230 shown in the financial statements	Action will be taken to maintain a correct register of fixed assets in future.	A register of fixed assets should be maintained up to date including the particulars of assets brought forward.

could not be assured in audit. Further , the profit or loss arisen from the disposal of fixed assets purchased prior to 2017 also had not been brought to account correctly.

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| (c) Depreciation amounting to Rs.304,360 relating to sheep had not been adjusted in the accounts and therefore the profit for the year under review had been overstated by a similar amount. | Action will be taken to rectify the accounts relevant to sheep in future. | Depreciation should be correctly accounted and the financial statements should be correctly prepared. |
| (d) Although the credit balance of the sheep assets appreciation account amounted to Rs.1,150,700 ; it had been shown as Rs.807,175 and therefore , the profit for the year under review had been understated by Rs.343,525 . | - Do - | The credit balance of the sheep assets appreciation account should be correctly accounted and the financial statements should be correctly prepared . |
| (e) Trade stocks amounting to Rs.495, 041 and stationery stocks amounting to Rs.98,363 relating to the year under review had not been taken to the statement of financial position as at 31 December 2018 and had not been adjusted through the Profit and Loss Account .Therefore ,the project for the year under review and the stock had been understated by Rs.593,404. | Action will be taken to account the stocks correctly. | Valuation of stocks exists as per stock verification should be carried out under a proper supervision. |
| (f) The interest income receivable as at 31 December 2018 amounted to Rs. 1,465,645 and it had been shown as Rs.1,540,487 .Hence current assets had been overstated by Rs.74,841. | Action will be taken to account the interest income correctly. | Interest income receivable should be correctly accounted and the financial statements should be prepared correctly. |

(g) The interest income for the year under review was Rs.5, 556,168 and it had been brought to account as Rs.5,315,298. Therefore, net loss for the year had been overstated by Rs.240,870.	- Do -	Interest income should be correctly accounted and the financial statements should be prepared correctly.
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(h) The net loss after tax had been taken into consideration to compute the adjusted revenue instead of pre-tax loss for the computation of income tax .Therefor, the adjusted revenue had been computed more by Rs.967,713.	Action will be taken to avoid this situation in future.	Tax computations should be accounted correctly and the financial statements should be prepared correctly.
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1.5.3 Inappropriate Valuation and Estimation

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
Assistance of an independent audit had been obtained to observe the verification of biological assets and other stocks. Therefore, it had not subjected to supervision by an independent party. On this ground, it could not be satisfied in audit about the existence and the valuation of the stock.	Action will be taken to inform the independent audit at the computation of stocks.	Action should be taken to get assistance of the external auditor to observe the stock verification.

1.5.4 Consistency

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
Although, the period of reporting and the loss relating to that period amounted to Rs.17, 180,418 ; it had been shown in the financial statements under Note 2.1.2 consistency as Rs.16,210,773 .Further ;it had been stated as per section 220 of the company Act No 07 of 2007 that there is a seriousloss of	Action will be taken to rectify the deficiencies in the financial statements.	Financial statements should be prepared correctly.

capital. But ,according to the statement of financial position of the company, the published capital was Rs.100,040,816 and net assets amounted to Rs.223,985,617.

1.5.5 Lack of Documentary Evidence for Audit

Subject	Audit Evidence Submitted	not	Comments of Management	of	the	Recommendation
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(a) Trade receivable balance	Invoices for Rs.1,560,456, received notes and confirmation balances.	for goods and of	The balance of Rs.1,560,456 trade payable is an amount carrying forward since the acquisition of the institution. The documents relating to these balances are not available with the company.	of	the	Documents and information should be maintained with regard to the assets shown in the balance sheet.
(b) Balances receivable from the National Livestock Development Board.	Confirmations Rs.5,071,910	for	Not replied	of	the	Necessary steps to be taken to submit the confirmation of balances to audit.

1.6 Accounts Receivable

Audit Observation	Comment of the Management	Recommendation
<p>This company had been acquired by the National Livestock Development Board in May 2014 and on request made on 08 July 2014 ,a sum of Rs.140,000,000 had been given to the parent company .The above money had been shown under current assets as an advance and according to the note to the financial statement it has been mentioned that action will be taken to recover this from the dividends.</p>	<p>Action will be taken to inform by a letter to the Financial Manager of the National Livestock Development Board about the advance of Rs.140, 000,000 paid.</p>	<p>As the company is lacking its working capital, steps should be taken to recover the debits.</p>

1.7 Non- disclosure of Parties interested and The Transactions of interested parties.

Audit Observation	Comment of the Management	Recommendation
<p>(a) The house at Barnes place which had been assessed at Rs.2.25 million in the year 2011 and had received a monthly income of a Rs.75,000 to Rs.80,000 had been given to the National Livestock Development Board with effect from 20 June 2015 .However this had not been disclosed in the financial statement.</p>	<p>Action will be taken in future to disclose this in the financial statements.</p>	<p>The transaction with the interested parties should be carried out in compliance with the circulars and they should be disclosed in the financial statements</p>
<p>(b) A total sum of Rs.4,765,472 due to the company in respect of sum of Rs 675,995 spent by the company to purchase assets for the National Livestock Development Board and other Expenses and in respect of animals valued at Rs.4,089,477 given to the board in the year 2015 had not been recovered by the company</p>	<p>Action will be taken to make aware the National Livestock Development Board again on this matter.</p>	<p>The transactions carried out with the interested parties should be disclosed in the financial statements.</p>

even as at 30 June 2019.

1.8 Non – compliance with laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules Regulation etc.	Non – compliance	Comments of the Management	Recommendation
(a) Paragraph 22(1)(b) of the company's Articles	According to company's article, in the selecting the board of directors of the company ,if 100% of shares of company vested with ; the board of directors of the National Livestock Development Board itself should be appointed as the board of directors of the company .	This should be corrected as pre the Company's Article.	Company's Articles should be complied with in selecting the board of Directors.
(b) Financial Regulations of the Democratic socialist Republic of Sri Lanka.			
I. Financial Regulations 110 ,454(1) and 454(2)	A Register of Losses and Damages ,Audit query register ,Register of Electrical Equipment had not been maintained even up to 12 June 2019.	Action will be taken to maintain registers according to financial regulations.	Action should be taken to maintain registers in terms of financial regulations.
I. Financial Regulation 756 and 757	A physical verification had not been carried out in respect of the vehicles of the company for the year 2018	Action will be taken to prepare a register of vehicle as pre the schedule (vi) of part (ii) of the financial Regulations.	Action should be taken to maintain registers in terms of financial regulations.
I. Financial regulation. 1645(a)	Vehicle log book had not been maintained according to file format 267	Action will be taken to maintain vehicle log books according to file format 267 as per the requirements of financial regulations.1645(a)	Action should be taken in terms of financial regulations.
(c) Treasury circular No	The register of fixed assets	Action will be taken	Action should be taken

842 dated 19 December 1978	had not been updated.	to maintain a register of fixed assets.	in terms of the circular in respect of fixed assets.
(d) Treasury circular No IAI/2002/02 dated 28 November 2002	A register of fixed assets had not been maintained in respect of computers, accessories and software.	Action will be taken to maintain a register of fixed assets in respect of computers accessories and software, in future	Action should be taken in terms of the circular in respect of fixed assets.
(e) Section 2.2 of the public enterprises circular No.PED3/2015 dated 17 June 2015.	Allowances amounting to Rs.440,000 had been paid to 03 chairmen in several times during the year deciding the allowance contrary to the circular.	The National Livestock Development Board is the parent company of this particular company. The decisions of the parent company should be agreed with action will be taken to rectify this in future.	Payments should be made as per the circular
(f) Section 3.1 of the public enterprises circular No PED 1 / 2015 dated 25 May 2015	The approval of the Department of management services should be obtained to pay allowances for a posts not entitle for official vehicles. .However, without obtaining such approval, it had been agreed to pay a fuel allowance for K.M.500 to the farm manager for private consumption later ,this limit had been increased to K.M.900 with effect from 14 May 2018.	Action will be taken according to the decision of the parent company	Action should be taken as per the circular.

1.9 Financial Management

Audit Observation	Comment of the Management	Recommendation
The approved bank overdraft balance of the account no 309-1001-00004944 at the peoples bank was Rs.20 million But ,it	The products could not be marketed in November and December 2018 due to the decrease of market prices.	The management should take action to maintain the working capital at an optimum level.

was observed that transaction had been done up to Rs.2,681,072 in excess of the said balance within November and December . Therefore, the revenue of the institution also decreased and it has to exceed the Rs.20 million limit to meet the necessary expenses.

1.10 Non- compliance with Tax Regulations.

Audit Observation	Comments of the Management	Recommendation
The Tax liability of Rs.409,562 relating to year of assessment 2017/2018 should be paid prior to or on 30 September 2018 .But, this had not been paid even up to 13 June 2019 .Therefore , it was observed that the company may have liable to pay penalties.	The management do not allow to pay income tax at times the income levels of the company goes down .Action will be taken in future to avoid this situation and to hand over the tax reports on due dates.	Inland revenue act No 24 of 2017 should be complied with

1.11 General control systems of Information Technology

Audit Observation	Comment of the Management	Recommendation
The company uses “Excel” computer software to prepare salaries and wages. However the access to this computer has not been limited to the officers.	Action will be taken to use confidential pass words.	Access of unpermitted officers to the system should be avoided by using confidential pass words.

2 Financial Reviews

2.1 Financial results

The operating result for the year under review was a loss of Rs.16,212,705 as compared with the loss of Rs. 15,284,383 for the preceding year. Accordingly, there was a deterioration of financial result by Rs. 928,322 . The main reasons for this deterioration was the decrease of income.

2.2 Ratio Analyses

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The current assets of the company as at end of the year under review amounted to Rs.218,821,712 .But ,after deducting the fixed deposits amounting to Rs.55,569,537 ; the advance of Rs.140,000,000 given on the National Livestock Development Board during the year 2014 ; a sum of Rs.5,071,910 spent during 2015 and the sum of Rs.1,560,450 irrecoverable due to non-availability of information , the value of current assets amounted to Rs.16,619,809 .The value of current liabilities of the company amounted to Rs. 70,498,011 and the current assets ratio was 0.23 and the liquidity assets ratio was 0.05 .As such it was observed that the company is lacking working capital .Accordingly ,the value of the preceding year was Rs.16,125,125 current assets ratio was 0.84 and the liquidity assets ratio was 0.24 .The gross profit ratio for year 2017 was 23% and it was 16% for the year 2018.

3. Operating Review

3.1 Identified Losses

Audit Observation	Comments of the Management	Recommendation
A van had met with an accident in November 2016 and lowest bid received for the repairs was Rs.335,000 and the cost of spare parts was Rs 215,000 .But the van had not been repaired from 16 November 2016 to 18 April 2018 and it was in a decayed condition. On the above grounds it had been decided on 09 March 2019 to sell the van for Rs. 2,773,800 after calling for tenders as it was favorable to sell it .The cost relevant to the van or the value of it before the accident had not been valued and estimated ,and as such the loss on the van could not be ascertained.	Not replied	Action should be taken immediately in respect of losses and damages in terms of financial regulation 104(1)

3.2 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) According to Paragraph 6.5.1 of the Public Enter prises circular No 12 dated 02 June 2003,The Company should	Action will be taken to submit the financial statements and the performance report in terms of the	Financial statements should be submitted correctly in terms of the circulars.

submit a draft report to the Auditor general within 60 days after the closure of the financial year. But this report had not been submitted .

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| (b) A performance Reports had not been prepared and as such, it could not ascertain whether all the activities planned in the action plan were carried out and a background had not been made available to evaluate the performance | Not Replied | The management should prepare performance reports and take action to achieve the goals. |
| (c) The coconut project had gained a profit of Rs.9,178,272 during the year 2017 and a profit of Rs.4,688,099 had been gained in 2018. .Therefore, the profit for the year 2018 shows a decrease of Rs.4,490,173 compared to the year 2017 . Similarly, the gross profit ratio for the year 2017 was 84% whereas it has decreased to 55% in the year 2018. | The entire labor force was deployed to relevant projects since year 2018 and therefore it was able to obtain the labor needed for the coconut project .The labor force was not shown in the relevant project during the year 2017 and it was included under the business administration expenses. | The management should operate the business activities efficiently and take steps to achieve the business goals. |
| (d) This farm owns land to the extent of 330 Acres and in addition to the main cultivation of coconut, mango, King coconut, teak cultivation had been done .However registers had not been maintained for the additional .Plantations and also a census had not been carried out. | It is true that there was no census report on coconut, teak etc. for the year 2018 .It is expected to include a census of coconut trees for the Action Plan for year 2019. | Action should be taken to carry out a census, update the reports and prepare the financial statements accordingly. |

3.3 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>It was observed at the physical examination that there was no under planting in addition to the main cultivation of coconuts in the 330 acre land and therefore the company deprived of income which could have been earned from under planting in certain areas, the land had not been cleaned and unable to reach the coconut trees for fertilization .Therefore it was observed in the physical examination that the assets owned by the company had not been administered so as to earn maximum revenue.</p>	<p>Although coconut cultivation is spread over 330 Acres, only 02 tractors are available with us to clear the land; The existing labor force is also not adequate for breeder project and as such, the existing laborers cannot be used to clear the land .</p>	<p>Systems and controls should be introduced in order to gain the maximum productivity from the assets of the company.</p>

3.4 Transaction of contentious Nature

Audit Observation	Comments of the Management	Recommendation
<p>(a) According to the cabinet decision on 16 June 2005, the approval of the cabinet should be obtained on the specific assignment and the period in giving appointments to advisers. However, without /taking action accordingly and contrary to selections 4.3 and 4.4 of the guidelines issued in November 2017 in respect of procurement of advisory services , 02 Advisers had been appointed for over one year .A sum of Rs. 840,000 at Rs.20,000 per month had been paid to the Engineering Advisor for 03 years and 06 months with effect from 01 June 2015 without obtaining any assurance whether</p>	<p>National Livestock Development Board is the parent company of the Sri Lanka Poultry Development Company Private Limited. The Advisors of the above board had been appointed as Advisors of our company too.</p>	<p>Action should be taken in terms of the cabinet decision No CP/05/Mis /(026) dated 16 June 2005.</p>

this Advisor had completed the assignments entrusted to him by the letter of appointment.

- (b) Only 50 king coconut trees were observed at the physical examination of Farm and the income received from king coconut during the year amounted to Rs.5,070. Accordingly, the annual income per one tree was Rs.101. Therefore, the correctness of the income from king coconut could not be assured.
- Although there are about 50 king coconut trees in the Farm, there was no production due to non-fertilization for over a long period. At present, fertilization was completely done.
- The assets owned by the company should be maintained in order to get maximum productivity.

3.5 Procurement Management

Audit Observation	Comments of the Management	Recommendation
Procurement methodology and time periods had not been clearly mentioned in the procurement plan forwarded for the year under review.	Specific time periods cannot be shown for capital purchase, work contracts and purchase of goods of the institution. Priority is given to essential purchases based on the financial position of the institution.	Procurement plan should be prepared in compliance with the government Procurement requirements.

3.6 Resources Released to Other Organization

Audit Observation	Comments of the Management	Recommendation
Two cabs and a car owned by the company had been released to the National Livestock Development Board since year 2015 and 2017 respectively. But action had not been taken to legally vest these vehicles.	Action will be taken in future in respect of these vehicles.	Resources should be handed over to outside institutions with proper authority.

3.7 Utilization of resources of other organizations

Audit Observation	Comments of the Management	Recommendation
<p>A double cab registered in 2010 under the projects Director, Emergency Northern Recovery project (ENREP) is being used by the company. Nevertheless, and action had not been taken to vest the vehicles with the company.</p>	<p>Action will be taken to acquire the ownership</p>	<p>Action should be taken to use the resources with proper authority.</p>

3.8 Human Resources Management

Audit Observation	Comment of the Management	Recommendation
<p>(a) An examination of personal files of 20 permanent employees revealed that correctness of the educational and vocational certificates forwarded by the employees had not been get confirmed by the relevant institutions in respect of any personal file.</p>	<p>Not replied</p>	<p>The correctness of the certificates forwarded by the officers at their recruitments should be get confirmed from the relevant institution</p>
<p>(b) The recruitment procedure and the cadre had not been approved.</p>	<p>The documents relevant to approval of the recruitment procedure and the cadre and the Board Paper was submitted to the Board Meeting on 26 August 2019 .</p>	<p>Recruitment should be proceeded after obtaining the approval for recruitment procedure and the cadre.</p>
<p>(c) During the period from 01 January 2015 to 31 July 2019 ; 21 officers had been recruited without having an approved Recruitment Procedure and an approved cadre. A comparison with the government approved salary steps revealed that the salary steps of these officers are low and the salary increments are also unusually less.</p>	<p>Not replied</p>	<p>Approval should be obtained for the recruitment procedure and the cadre and the employees should be recruited on suitable salary steps.</p>

3.9 Management of Vehicles Reserve

Audit Observation	Comments of the Management	Recommendation
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(a) A register had not been maintained in respect of spare parts equipment and tools removed at vehicles repairs. Also, action had not been taken to store these removed spare parts safely.	Action will be taken in future to maintain a register	Action should be taken to establish a proper management in terms of the financial regulations.
(b) According to paragraph 2.11 of the public administration circular No 41 / 90 dated 10 October 1990 ; the full consumption of the vehicles should be checked once in 06 months ,However it was observed that action had not been taken in respect of the vehicles of the company.	Action will be taken in future to check the full consumption of the vehicles once in 06 months.	Action should be taken in terms of the provisions of the circular.

4. Accountability and good governance

4.1 Submission of financial Statements

Audit Observation	Comment of the Management	Recommendation
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According to paragraph 6.5.1 of the Public Enterprises circular No PED / 12 dated 02 June 2003 ; the financial statement should be submitted within 60 days of the closure of the year of accounts .However ,the financial statements of the year under review had been submitted to audit on 29 May 2019 after a delay of 90 days.	The minutes of the first board meeting for the year 2019 was signed at the board meeting held on 27 may 2019.	The financial statements should be submitted in terms of the provisions of the circulars.

4.2 Corporate Plan

Audit Observation	Comment of the Management	Recommendation
The corporate plan should be prepared 15 days prior to the commencement of the financial year in terms of section 5.1.3 of the Public Enterprises circular No PED / 12 dated 02 June 2003. ,However , the corporate plan for the year 2018 had not been prepared yet.	Only the report on estimates (budget) was submitted.	The corporate plan should be prepared and submitted as per the provisions of the relevant circular.

4.3 Annual Action Plan

Audit Observation	Comment of the Management	Recommendation
The Annual Action Plan for 2018 should be submitted prior to 13 days of the commencement of the financial year in terms of section 5:1:3 of the Public Enterprises circular on good governance of June 2003 and it had to be Prepared based on the paragraph 5(2) of the Public Finance circular No 01/2014 dated 11 February 2014 .But the action plan for 2018 had been approved by the Board of Directors on 23 February 2018 ,The Loan Repayment Plan ,the updated organization chart of the institution ,approved cadre , and particular of the existing cadre , Human Resources Development plan and the Internal Audit Plan that should be included in the Action Plan had not been included in that.	Action will be taken in future to prepare and submit the plan prior to 15th January .	Action should be taken in terms of paragraph 5(2) of the public financial circular No 01/2014 dated 11 February 2014 and section 5.1.3 of the Public Enterprise circulars on Good Governance of June 2003.

4.4 Internal Audit

Audit Observation	Comment of the Management	Recommendation
Internal audit functions are carried out by the Internal Audit of the mother company	National Livestock Development Board is the mother company of our company and as such the	The management should take the responsibility of carrying out an adequate internal audit

.Although one audit query had been issued for the year 2018 ,an adequate audit had not been carried out. internal Audit division of that Board is carrying out the audit of our company too. through the Internal Audit Division.

4.5 Audit Committee

Audit Observation	Comment of the Management	Recommendation
According to section 7.4.1. of the Public Enterprise Circular No.PED/12 dated 02 June 2003 a minimum of one Audit committee meeting should be held within a quarter .But action had not been taken accordingly.	Audit committee meeting was not held up to now.	Audit committee meeting should be held in terms of the provisions of the circular.

4.6 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
(a) Although it had been planned to earn an income of Rs 9,350,250 from 267,150 coconuts through the coconut project of the company during the year 2018 ; an incomes of Rs 6,834,299 had been earned from 206,393 coconuts produced during the year. ,It was 27% less than the expected incomes .	The over- all coconut production in Sri Lanka had relatively decreased due to the drought prevailed through the year 2018.	Action should be taken to reduce the variances by a realistic budget.
(b) The budgeted expenditure of the coconut project for the year under review amounted to Rs.6,225,541 But ,only a sum of Rs.3,769,890 had been spent during the year under review due to the reason	The overall coconut production in Sri Lanka had been relatively decreased due to the drought prevailed thought the year 2018	Action should be taken reduce the variances by a realistic budgets.

such as non – fertilization
by the company etc .It was
39% less than the budgeted
expenditure.