National Livestock Development Board and its subsidiary - 2020

---

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Livestock Development Board (Board) and its subsidiary including group ("Group") for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and profit and loss statement , the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitutions of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of 2018 and provisions of the Finance Act, No.38 of 1979. My comments and observations which I consider should report to Parliament appear this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements of the Board and Group give a true and fair view of the financial position of the Board at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities' for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Management determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.
Those Charged with Governance are responsible for overseeing the Board's financial reporting process.

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

1.4 Audit Scope (Auditor's responsibilities for the Audit of financial statements)

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

As part of an audit in accordance with Sri Lanka Auditing standards, I exercise professional judgment and maintain professional 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 Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

1.5 Audit Observations on Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

	Audit Observation	Comments of the management	Recommendation
(a)	According to the paragraph 38 of Sri Lanka Accounting Standards 1, the corresponding values of the previous year should be presented for all current values in the financial statements, but the value of Rs.6,175,408,892, which was the loan balance obtained for the import of dairy cattle under long-term credit, was added to the consolidated capital of the year under review and in the year 2019, Corresponding Comparative value was not shown under long-term debt. Further, the comparable value of broiler chickens in the previous year was Rs.23,067,702, not shown under trading biological assets and shown under capital biological assets.	The value of Rs.6,175,408,892, which was the loan balance obtained under the import of dairy cattle, was converted into a public investment as per the decision of the Council of Ministers on 17.11.2020. The accounts of the year 2019 have been revised and shown as restated accounts as they apply to the 2019 period even though it is an event after the accounting period. In the future, The final stock of all broiler projects will represent as trade biological assets.	Corresponding previous year values should be presented for all current values and biological assets should be accurately presented.
(b)	In accordance with Sri Lanka Accounting Standards 12,paragraph 15 and 16, the Board should recognized and adjust the deferred tax assets or liabilities in the financial statements for the year under review, taking into account the temporary differences but the company had not been done so.	The Board will identify the chargeable temporary differences and adjust the deferred tax assets or liabilities to the financial statements from the year 2023.	Deferred tax assets or liabilities should be identified and adjusted to the financial statements.

(c)	According to paragraphs 50 and 51 of Sri Lanka Accounting Standards 16, the life of the assets used in property, plant and equipment should be reviewed annually and the effective life should be estimated and accounted as an error in the accounts, Even though Rs.267,080,960 worth of buildings, motor vehicles, the plant and machinery and structures in the fixed assets register has fully depreciated and are still in use by the Board and The accounting standard was not followed.	Since the board owns about 12,000 hectares of land and a large amount of physical assets, due to the financial difficulties of the board, no revaluation has been made as per the accounting standard.	The useful life of fully depreciated assets should be reviewed and accounted for.
(d)	According to paragraph 17 of Sri Lanka Accounting Standards 24, the total value of short-term employee benefits, post-employee benefits, other long-term benefits and terminal benefits payments to key management parties should be disclosed separately, but the board had not acted accordingly.	3.7 accounting note discloses the benefits made to key management parties in the financial statements of the Board and all these payments have been made as per circulars of the Treasury. Disclosures have been made on page 36 of the set of financial statements in respect of the jointly controlled and associated company.	Total amounts paid to management parties should be disclosed separately.
(e)	According to paragraphs 38 and 39 of Sri Lanka Accounting Standards 28, when a company has invested in an associated company and the accumulated losses of that company exceed the invested amount, further loss shares should be stopped and the investment should be recognized as zero and further losses should be recognized as a liability. The Board had invested Rs.600,000 in the Mahaweli Livestock Enterprises limited and at the end of the year under review, the group's share of accumulated losses of Rs.7,495,621 as a liability had not been adjusted in the group's financial statements. Accumulated	Agree with the audit report. Corrections will be made from the year 2021.	An associate's accumulated losses should be recognized as a liability when they exceed the amount invested.

	loss amounting to Rs.7,495,621 was shown under the group as negative investments in associates, so the assets were understated by that value.		
(f)	Bopattalawa and Adigama farms have 02 food processing machines with a total cost of Rs.1,979,984 and Mawatta farms have one food processing machine repaired with a capital cost of Rs.3,853,490 in the year 2016 and Malsiripura and Rosita farms have 04 machines of unspecified value which is the year reviewed was not used by the board. These assets have not been adjusted for impairment as per paragraph 12(e) of Sri Lanka Accounting Standards 36.	The relevant machines are in usable condition and due to shortage of raw materials in the country; it was a problem to operate these machines. Therefore, the farm purchased finished materials from outside parties and the value of these machines has not decreased. Therefore, there is no need to make any adjustments related to impairment.	Impairment adjustments should be made for idle machinery.
(g)	According to Sri Lanka Accounting Standards 36, Section 9, at the end of each reporting period, when there is an indication of impairment of assets, an impairment assessment should be carried out for those assets and the impairment loss should be recognised. The animal grinding machine belonging to Sri Lanka Poultry Development (Private) Company, which was repaired at a cost of Rs.3,853,490 in the year 2016, was still idle by 31 January 2024, but instead of making provision for impairment, it was observed that Rs.578,024 has been written off as depreciation annually.	Due to scarcity of required raw materials in the market, high prices and cost of extra labor, the machine remained idle and thus it was advantageous to buy food from outside rather than producing it. But according to the current situation in the country, it will be decided in the future to provide this machine on rental basis or to produce food. Annual depreciation for this machine is only Rs.578,024/-	Impairment adjustments should be made for idle machinery.
(h)	According to Section 5A of Sri Lanka Accounting Standards 41, as at 31 December 2020, teak and mahogany plantations worth Rs.2,379,113 owned by the board were listed under host biological assets (Plantation) even though they should be classified as consumable biological assets.	Agree with the audit report. Corrections will be made from the year 2023.	Teak and mahogany plantations should be classified as consumable biological assets.

(i)	Coconut trees worth Rs.856,572,383, cashew plantations worth Rs.1,847,488 and rubber plantations worth Rs.33,517,273 were not recognized separately in the financial statements as mature and immature as per clause 45 of Sri Lanka Accounting Standards 41.	Agree with the audit report. Corrections will be made from the year 2023.	Rubber trees and cashew trees should be shown separately in the financial statements as mature and immature.
(j)	No evidence was submitted regarding the immature coconut plantation balance of Rs.1,347,099 included in the statement of financial position by Sri Lanka Poultry Development (Private) limited. In the year under review, an income of Rs.16,139,300 or a contribution of 28.07 percent of the income has been given from coconut and related products. However, in accordance with Section 45 of Sri Lanka Accounting Standard 41,the value of mature coconut trees had not been assessed at cost or fair value and accounted for as a mature plantation	Prices had been called for the census of coconut trees. It will be assess the value of those trees at cost or fair value and arrange to account in accordance with paragraph 45 of Sri Lanka Accounting Standard 41.	The value of mature coconut trees should be estimated and accounted for at cost or fair value and should recognized depreciation for the value of mature coconut trees.
(k)	According to Section 5 of Sri Lanka Reporting Standards 08, operating segments should be identified and according to paragraph 13, reporting segments should be identified and necessary disclosures should be made. According to note 3.6 of the accounting policies of the board's financial statements, an operating segment (Operating segment) was identified in each farm, but according to the 13th section of the standard, reportable segments (Reportable segments) were not identified and disclosed.	Agree with the audit report. Corrections will be made from the year 2023.	Reporting segments should be identified and required disclosures should be made.
(l)	According to the paragraph no 5.5.15 of Sri Lanka Financial Reporting Standards No. 09, the	Agree with the audit report. Corrections will be made from the year 2023.	The expected credit loss method should be used for subsequent

	expected credit loss method should be used for subsequent measurements of the trade and other debtors balance of Rs.218,057,867. As a result of not doing so, it was observed that trade and other debtors were over or under calculated in the year under review.		measurements of trade and other receivable balances.

1.5.2 Accounting Deficiencies

	Audit Observation	Comments of the management	Recommendation
(a)	According to the schedule, the doubtful debt balance was Rs.86,835,061 and according to the financial statements, it was Rs.82,082,126, there was a difference of Rs.4,742,935.	According to the board's accounting policy, only 20% of doubtful debts are reserved for the debtors who are in the process of legal proceedings. But this is due to the provision of 100% for these debtors during the audit.	Provision balance as per schedule and as per financial statements should be same.
(b)	As at 31 December 2020, there was the total debtor balance of the company is Rs.10,906,995 as a cash deficiency of Rs.619,484 due from the manager of Welikanda Farm and a deficiency of biological asset Rs.10,287,510. However, since the person is not alive and there is no possibility of recovering the amount, so no action was taken to settle the balance.	A complaint related to this is being investigated by the Financial Crimes Investigation Department and since the responsible parties have not been identified so far, it has not been possible to take further action. After the relevant role of the Financial Crimes Investigation Division is over, further action will be taken according to its terms.	The receivable balance should be correctly adjusted in the financial statements.
(c)	In the company's financial statements, under other current assets, the amount due from Sri Lanka Poultry Development Company Ltd and Mahaweli livestock Enterprise limited is Rs.3,155,318 and Rs.4,784,415 respectively, but according to the financial statements of those companies, the balance due is Rs.525,000 and 995,230 respectively. So a difference of Rs.2,630,318 and Rs.3,789,185 was observed.	This difference has arisen due to disagreements in the transactions of the two companies of Sri Lanka Poultry development Private Limited and Mahaweli Livestock Enterprises limited.	The receivable balances of the subsidiary and associated companies should be compared with the balances of those companies.

(d)	The board had established and operated a milk sales centre at Ceylon Private Hospital and by the year 2016, the premises had been vacated due to the expiry of the contract period. The balance of Rs.301,425 receivable from the cost incurred for the construction was shown in the financial statements as Lanka Hospital Investments under other assets, but no such asset was held by the Board as on 31 December 2020.	This value is the difference between the assessed value and the existing value of the milk shop that was built in Ceylon Private Hospital and it will remove this from the financial reports of the year 2023.	The receivable balance should be correctly matched in the financial statements.
(e)	In the financial statement of the board 2020, when showing the value of biological assets (animals), 10 percent or Rs.141,531,077 has deducted for the probability of non-realization the year-end value of those animals. When valuing these animals at a fair value at the end of the year, since it is a fair value after considering all the factors, again due to a 10 percent deduction, the value of the animals had shown less than that value.	According to Sri Lanka Accounting Standards No. 41, after valuing the animals at fair value as at the balance sheet date, there is a possibility that the total number of animals may not be realized after the accounting period. It has been disclosed in the accounting policies that it is 10% of the total value.	The 10 percent deduction should not be made after the determination of the fair value, taking into account the probability that the biological assets will not be realized in financial statements.
(f)	According to the Board of survey report of Martin Farm and Rosita Farm, it was stated that the stock of pigs (pig - fattener) at the end of the year was Rs.4,179,280 and Rs.1,576,960 respectively, and the sheep of Rosita Farm was Rs.52,000. Nevertheless, financial statements had been prepared including this capitalized biological asset balance in the general stock of the board and the farm.	The value of pigs fattened for meat at Rs.4,179,280 is shown under trade and other stocks in the board financial statements and farm financial statements.	Biological assets should be correctly identified in the financial statements.
(g)	According to the commodity survey report of the Welikanda farm, there should be 410 cattle at the end of the year, but during the physical inspection, there were 227 animals and a shortage of 183 cattle was observed. Accordingly, the actual value of the cows in the farm was Rs.10,287,510, and in the financial statements of the board and in the financial statements of	The cattle in the Welikanda farm are grazing animals and it is difficult to bring them back to the barn after they are sent from the cowshed for food in dry season. It takes several days to store these animals and therefore the possibility of verifying the entire number of animals in a	The reasons for the decrease in cattle should be investigated and proper adjustments should be made in the financial statements.

	the farm, the value of the 410 cows was Rs.16,570,630, and a difference of Rs.6,283,120 was observed.	board of survey in a short period of time is very low.	
(h)	Unreconciled stock balance of Rs.25,690,247 of Welisara milk project which did not exist physically was included in the general stock balance of the board.	The value of the outstanding stock balance of the Welisara Milk Project is Rs. 25,690,246	Unreconciled stock balances should be reconciled.
(i)	Although, according to the board of survey report of Dayagama farm, the value of imported cattle at the end of the year was Rs.81,902,083 and value of imported cattle was presented as Rs.80,694,875 in the financial statements of the board and in the financial statements of the farm. So it was observed a difference of Rs.1,207,208 .	The balance included in the financial statements is correct and this difference is due to typographical errors in the annual board of survey report. Correct soft copy of Annual Board of Survey handed over to Audit.	Board of survey reports should be prepared correctly
(j)	According to the Board of survey report related to Bopattalawa and Siringapatha farms and the Welisara milk project, the year-end stock balances are Rs.7,440,958. 674,516 and Rs.4,282,233. In the financial statements of the board and the financial statements of those farms, the stock was Rs.11,454,301, 1,213,895 and Rs.7,975,702 respectively. So it was observed a difference of Rs.4,013,343,Rs.539,379 and Rs.3,693,469.	The correct amount of Rs.11,454,301 which is the stock of Bopattalawa farm has been taken to the financial statements and this difference has arisen due to under-recording of stocks in the Board of survey report and omission to record certain stock balances.	Board of survey reports should be prepared correctly.
(k)	Although the debtor balance to be collected from the Poultry Development Private limited is stated as 1,305,036 and that amount has stated as 3,155,318 under note number 16 of the financial statements of the National Livestock Development Board. So observed a difference of 1,850,262.	Amounts due from Mahaweli livestock enterprise limited and Poultry Development Company limited are shown under Notes No. 16 in the financial statements of the Board.	The receivable balance should be confirmed in the financial statements.

(l)	In the balance of accrued expenses of Rs.1,455,215 in Ridiyagama farm, It was observed that an unrealized profit balance of 120,360 and Rs.146,469 payable to the welfare societies is included in the trade and other creditor balance of the board.	The amount of Rs.120,360 stated under the accrued expenses of the Ridiyagama farm is an unidentifiable amount and by mistake the amount of Rs.146,469 which should be included in the employee creditor balance has been presented under trade and other creditors. This has been corrected during the preparation of accounts for the year 2021.	Unrealized profits and payable balances should be accurately presented in the financial statements.
(m)	Although the tax expense in the financial statements should be shown as the current tax expense and the deferred tax expense, the board had also stated the value of Rs.12,188,900 the write off balance of economic service charge in the tax expense of the year under review of the financial statements.	Economic service charge is a tax that treated as an advance of income tax and accordingly this had been debited to the statement of comprehensive income as a tax expense.	Economic service charge write-off adjustment should be corrected
(n)	The sale of biological assets in the cash flow statement was Rs.183,111,248 while the amount received was Rs.118,676,422.So the difference of Rs.64,434,826 was observed	This is not a cash flow from the sale of the biological asset and is the change in the capital biological asset during the year.	Changes in biological assets should be monitored and corrected.
(o)	According to the audited financial statements of 2019, although the opening balance of trade and other payables was Rs.1, 560,210,422, as per Note 5.1, the opening balance was Rs.1, 545,967,185, so according to the financial statements, the balance of trade and other payables had decreased by Rs.14, 243,237. As per note 5.1, the closing trade and other payables balance should be Rs.1,001,281,018 but it was shown as Rs.1,000,981,295 in the financial statements, so a difference of Rs.299,723 was observed.	This is due to a typing error. This has not affected the final financial statements.	The opening balances should be the same as per the respective note In financial statements

(p)	Details of approvals related to the sale of trees worth Rs.12, 913,649 were not submitted to the audit.	As the tenders for the sale of trees are called by the head office, approvals have been obtained for the sale of these trees. Separate files are maintained for each farm.	If the relevant approvals have been obtained, they should be submitted to the audit immediately.
(q)	According to the financial statements of Martin Farm, sundry income were Rs.14,730,939, but according to the schedule submitted to the audit, the balance was Rs.15,515,188 and it was observed a difference of Rs.784,249 .	In submitting the audit report, reasons for the difference were the yoghurt sales income of Rs.927,005 produced by buying milk from outside the Martin Farm was not included under miscellaneous income and the firewood income of Rs.70,980 and rice income of Rs.71,776 were included under miscellaneous income.	The sundry incomes as per the financial statements should be the same as in the relevant schedule.
(r)	As the security deposit of Rs.302,275 in Miriswatta farm was stated under sundry income(sundries) of the board, the income had increased and the current assets had decreased in the reviewed year.	This has happened due to wrong typing of security deposit instead of tender deposit in the typewriting of Miriswatta farm.	Security deposits should be properly adjusted in the accounts
(s)	The farm unreconciled current account balance was accounted under current liabilities and the year-end unsettled balance was Rs.68,268,161	The current account balance shown under Note No. 19.2 of the Board's financial statements is prepared not only from farm current accounts. Balances in farm current accounts are zero in consolidating financial statements. This balance consists with inter-farm account credit balance of 137,650,577 and inter-farm account debit balance (185,615,077). And money exchange accounts (1,993,755) and control accounts (18,309,905.)	Unreconciled account balances should be reconciled and settled.

(t)	Written evidence had not been submitted to the audit for the Kantale bank balance amounting to Rs.858,470 and the head office bank balance amounting to Rs.181,110.	Agreed with the audit report. Action will be taken to arrange to provide balance confirmation from the year 2021.	A written evidence for bank balances should be submitted for audit.
(u)	During the sample inspection of the farms owned by the Board, during the animal census of Ridiyagama, Menikpalama, and Bopattalawa farms, the daily average milk production of those animals was considered to be 11.5 liters, 12.8 liters, and 15 liters, respectively, and Values were added as Rs.9,320,520, Rs.2,982,144 and Rs.2,346,300 respectively. The use of such an average value instead of the actual milk production of each dairy cow was flawed, so the value of the animals shown in the financial statement was over or under estimated.	It is accepted that a mistake is happened and it will be rectified from the next financial year onwards.	Value addition should be done based on the actual milk production of each dairy cow.
(v)	The loan balance of Rs.525,000 from the Sri Lanka Poultry Development Company Ltd was shown under long-term debt of the group in the financial statements. While preparing the consolidated accounts these intercompany balances were not offset and the balance was not shown under National Livestock Development Board.	This amount was given to the Sri Lanka Poultry Development Company Ltd as an advance amount to be recovered. Therefore, the amount was not offset from the balance of the inter-company.	These intercompany balances should be offset while preparing consolidated accounts.
(w)	Due to fact that fixed asset register of Sri Lanka Poultry Development Company Ltd was not kept up-to-date, the accuracy of the balances of Rs.2,613,904 depreciation and the written-down value of property, plant and equipment of Rs.77,458,999 stated in the financial statements could not be confirmed during the audit. Also, it is unable confirm whether the value of Mawatta farm building is included in the building value of Rs.21,000,000 by the audit.	In the letter issued by the Valuation Department dated 07-12-2011, under buildings and other constructions value had been mentioned as Rs.21,000,000/-. Since all the buildings were assessed on that day, it can be thought that the value of Mawatta farm building is included in that value.	Fixed asset register should be maintained up to date.

(x)	Depreciation of Rs.1,125,000 had not been accounted for the building at Barnes Place owned by Sri Lanka Poultry Development Company Limited worth Rs.22,500,000 and the value of this house had not been taken in to financial statements at fair value. Although an officer currently resides in this house, the rent income related to it was not recognized.	The value of the house had been shown under the property, plant, and equipment in the balance sheet. The land is not owned by the company. In the letter issued by the Valuation Department on 31-10-2011, the value of this house has been mentioned as Rs.22,500,000/-. But amortization had not been accounted and the reason for that cannot be found.	Assets owned by the company should be recognized at fair value and rental income in the financial statements.
(y)	According to the board of survey reports in the year under review, of the head office, sales centre of the head office, and 04 farms, there were shortages of 187 units of goods, including a tractor-tailor, gas cylinder, television set, and three bottle refrigerators, but the deficiencies had not been settled and accounted.	Action will be taken to report this to the management and take further action.	Deficiencies in assets should be investigated and adjustments made to accounts

1.5.3 Documentary Evidences not made available for Audit

	Audit Observation	Comments of the management	Recommendation
(a)	The scope of the audit had been limited due to non-presence of written evidence to the audit, regarding the farm workers' creditor balance amounting to Rs.955,329, the deposits of the head office amounting to Rs.8,071,102, the Value Added Tax of the head office amounting to Rs.7,920,822, and the insurance compensation of the head office amounting to Rs.2,165,021.	Most of the balances included in the employee creditor balance are more than 05 years old. The general deposits at the head office are Rs.348,417.64 and the refundable tender deposits are Rs.7,722,683.92. Negotiations will be carried out in the future with the Inland Revenue Department to remove Value Added Tax from the books, if there is no tax liability. Insurance claim of head office represent the payable insurance claims payable to the farms.	Written evidence regarding ccreditors of farm workers and head office deposits, Value Added Tax and insurance compensation should be submitted to the audit.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Observation	Comments of the management	Recommendation
(a)	In 21 farms belonging to the company, the total amount of one year loan (One year loan) which was given for 01 year was Rs.2,144,854 and action had not been taken to recover the balance. Also, the festival advance balance of Rs.9,550 which exceeded 05 years was not recovered.	The one year loan is given on the basis of recovering it in 05 years. It is being charged systematically from the monthly salary of the employees of all those farms. In the year 2021, the amount of Rs.600 has been recovered from Polontalawa Farm, which is included in the festival advance of Rs. 9,550 over 05 years.	Action should be taken to recover loans due.
(b)	Out of the company's total debtor balance of Rs.218,057,867, Rs.74,093,275 or 34 percent, and Rs.1,904,522 or 24 percent of the farm employee debtor balance of Rs.7,785,110 included in employee debtor balances were balances that exceeded 5 years and the recovery of those balances was in uncertainty.	From these debtors, staff debtors found to be irrecoverable at all amounting to Rs.247,730.38 and trade and other debtors amounting to Rs.5,361,517.75, have been written off from the books. Legal actions have already been taken for some of the remaining debtors. Action will be taken to take further action based on those decisions.	Action should be taken to recover uncollected debtor values promptly and provide provision for doubtful debtors for uncertain balances.
(c)	There was a balance of Rs.2,092,750 to be recovered from Kantale Bank of Ceylon in the loan balance that exceeded 05 years and the proceedings had not been filed in accordance with the decision of the Council of Ministers regarding that balance. As at 31 December 2020, no action had been taken on the balance and the balance of Rs.11,947,220 due from another borrower had not been recovered. Also, in the head office debtor balance, a lawsuit was filed regarding the amount of Rs. 5,821,542 due from individuals and institutions, but it was not recovered by the end of the year under review. Therefore the recovery of these balances was uncertain.	When the Attorney General's Department inquired whether there is a possibility of filing a lawsuit regarding the recovery of Rs.2,092,750 due from Kantale Bank of Ceylon, which is over 5 years old, it was informed by the letter dated 24/08/2022 that the dispute has arisen between two government agencies. That dispute should be dealt with in accordance with Article 75(1) of the Cabinet Decision dated 31/05/2018. It states that the ministry has been directed to act in terms of clause (c) to avoid taking legal action against government institutions.	Proper recovery of uncollected debtors should be done and provision should be done for the uncertain outstanding balances.

1.6.2 Payables

Audit Observation	Comments of the management	Recommendation
In the trade and other payable balance of the board, there was a balance of Rs.191,224,252 which had existed for more than a year but had not been settled.	From this loan balance, the loan will be paid monthly in instalments and due to the financial difficulties of the Board; I inform that it is not possible to pay the entire loan amount.	Action should be taken to settle the balance of trade and other payables.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the management	Recommendation
(a) Public Enterprise Circular No. PED/12 dated 02 June 2003			
Section 6.5.1	Although the financial statements and draft annual report should be submitted to the Auditor General within 60 days of the end of the accounting year, the financial statements for the year 2020 were submitted on 15 December 2023.	The preparation of the financial statements had been completed within the prescribed period, but the financial reports of the previous few years had not been audited, so it was not possible to submit them for audit. This delay was the main reason for that.	The financial statements and draft annual report should be submitted to the Auditor General within 60 days of the end of the accounting year.
(b) Public Finance Circular No. 2014/01 dated 17 February 2014.			
Paragraph 5.2	The operations of Welisara farm, Delight project, Franchise Outlets, which should be included in the action plan and the cash flow statement, the loan repayment plan, the	In preparing the 2021-2025 corporate plans, the matters to be included in the corporate plan will be included according to section 5.1.2 of the Public Enterprise Circular. A cash flow statement is included in the annual budget of the Board and	The elements to be included in the action plan should be included and prepared correctly

updated organization structure, the approved staff and the actual staff details to be included in the annual budget, had not been included.	the loan repayment plan is included in that cash flow statement.	

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs.10,070,059 and the corresponding loss in the preceding year amounted to Rs.324,859,794. Therefore an deterioration amounting to Rs. 314,789,735 of the financial result was observed. The reasons for the deterioration were mainly due to the increase in the main revenue sources of the company, decrease in finance cost and increase in the fair value of biological assets.

2.2 Ratio Analysis

Current assets ratio, quick assets ratio, gross profit ratio in the year under review were 0.85, 0.54 and 31.9 percent respectively while in the previous year those ratios were 0.72, 0.43 and 17.6 percent respectively. Accordingly, a growth in these ratios was observed and it was observed that the current assets ratio, the quick assets ratio is at a weak level, so it is facing a working capital problem. And the increase in the gross profit ratio was mainly due to the increase in the fair value of the biological assets.

3 Operational Review

3.1 Operational Inefficiencies

Audit Observation	Comments of the management	Recommendation
(a) Consideration was made with a private company for a land of 517 perches located at Mahaberiyathenna worth Rs.24,418,300 for 99 years and another consideration was made with a private garment company for a land of 31 perches in Welisara worth Rs.31,600,800 for 30 years. According to Section 2 of the State Agriculture Act No. 11 of 1972 and the amendment made by the Gazette No. 157 dated 14 February 1975, the tasks to be performed by the Board were specified, and it was observed that the leasing of this land was not related to those tasks.	According to the Cabinet Memorandum bearing Cabinet No. AMP/1192/145 (5), 517 acres of the Mahaberiyathanna Farm has been released to Rajawella Holdings on lease basis from 1996 to 99 years. On 10.04.2016, in the meeting of the cabinet sub-committee appointed to provide investment facilities belonging to the Board of Investment (BOI), then president decided to give 0.31 perches (1.2152 hectares) of land from the Welisara farm in Ragama to Brandix Apparel Company for running a showroom.	The Board shall perform the functions mentioned in the Act and the Gazette.