

Head 292 - Department of Animal Production and Health

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Animal Production and Health for the year ended 31st December 2021 comprising the statement of financial position at 31st December 2021 and the statement of financial performance and cash flow statement for the year then ended, 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 Officers on 31st May 2022 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 31st May 2022 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 to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Animal Production and Health as at 31st December 2021, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the facts set out in paragraph 1.6 of this report. I conducted the audit in accordance with the Sri Lanka Auditing Standards (SLAuSs). My responsibility in the financial statements is explained further in the section of Auditor's responsibility. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

It is the responsibility of the accounting officer to determine internal control that necessary 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 the financial statements that are free from material misstatements, whether due to fraud or errors.

In terms of Section 16(1) of the National Audit Act No. 19 of 2018, the Department shall maintain proper books and records on its own income, expenditure, assets and liabilities so as to be able to prepare 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 on 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 on 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 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 skepticism throughout the audit. I further;

- Design and perform appropriate and responsive audit procedures so as to Identify and assess the risks of material misstatement of the financial statements, whether due to frauds or errors in order to provide a basis for audit opinion provided. 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 Department's internal control.
- Evaluate whether the financial statements represent the underlying transactions and events on the structure and content of the financial statements, including the disclosures in appropriate and fair manner.
- Evaluate the overall presentation of financial statements including the disclosures and whether the underlying transactions and events for structure and content of the financial statements had been included appropriate and fair manner.

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

1.5 Report on Other Legal and Regulatory Requirements

I declare the following matters in accordance with Section 6(1)(d) of National Audit Act, No.19 of 2018.

- (a) That the Financial statements are corresponding to preceding year
- (b) The recommendations made by me on the financial statements pertaining to the preceding year had been implemented.

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Recurrent Expenditure

| Audit Observations ----- | Comments of the Accounting Officer ----- | Recommendation ----- |
|--|---|---|
| As on December 31 st of the year under review, the value of bills in hand was shown as Rs.51,382,223 in the financial statements, but according to the sample audit, the liabilities had been understated by Rs.3,713,753 | That all vouchers received are included in the financial statements as liabilities. | All liabilities relevant to the period should be disclosed. |

(b) Capital Expenditure

| Audit Observations ----- | Comments of the Accounting Officer ----- | Recommendation ----- |
|---|--|--|
| The outstanding balance of the expenditure head 292-2-2-19-2507 in ACA form 2(ii) in the Statement of reasons for outstanding provisions for Development programs head 292-2 were Rs.2,026,000. But There was a difference of Rs.11,305,000 as the outstanding balance shown in the Expenditure Summary in Form SA10, was Rs.13,331,000 | That, a change arose in Computerization. | Department accounts should be reconciled with treasury accounts. |

(c) Reconciliation Statement on the Advances to Public Officers Account

| Audit Observations ----- | Comments of the Accounting Officer ----- | Recommendation ----- |
|---|---|--|
| The difference of Rs.100,125 between the balance as per the department books as on December 31 st of the year under review in the advance account of the government officers bearing subject number 29201 and the balance as per the treasury books which carried forward from the year 2015 was shown in the financial statements without settlement. | As there is no sufficient information to settle the loan balance, it will be written off from the books | Department accounts should be reconciled with treasury accounts. |

1.6.2 Failure to Maintain Documents and Books

| Audit Observations | Comments of the Accounting Officer | Recommendation |
|---|------------------------------------|--|
| According to the Financial Regulations 214, the liabilities should be recorded in a register so that the liabilities can be checked regularly, but the liabilities of Rs.51,382,223 related to the year under review were not recorded in a register. | No answers provided. | As per Financial Regulation 214, the Liabilities should be recorded in a Liability registry so that they can be checked regularly. |

2. Financial Review

2.1 Non-Compliance with Laws, Rules, and Regulations

The instances of non-compliance with the provisions of laws, rules and regulations during the sample audit are analyzed below.

| Reference to Laws, Rules and Regulations | Value | Non-Compliance | Comments of the Accounting Officer | Recommendation |
|--|------------|---|------------------------------------|---|
| (a) Code of Establishments of the Democratic Socialist Republic of Sri Lanka | Rs. | | | |
| Paragraph 4 of Chapter XV | 17,299,301 | Due to the fact that 09 officers who had gone abroad for study, training or official work and did not reported back to work, the fines due from those officers due to the violation of the agreement reached to serve a mandatory period of service were not collected. | That it is accepted | The relevant money should be collected as per the agreement |

(b)

| | | | | |
|---|----------|--|---------------------------------|---|
| <p>Rule 193 of Chapter xviii of the Code of Procedural Rules of the Public Service Commission published by Extraordinary Gazette No.1589/30 dated 20th February 2009</p> | <p>-</p> | <p>Every Government officers shall be subject to transfers on completion of 5 years of service but it was observed that there are 105 officers who have not been transferred even after serving 15 years at the same post. And 33 of them were officers who had been working at the same place for more than 25 years.</p> | <p>That it will be answered</p> | <p>The transfer policy of he departmet should be followed</p> |
|---|----------|--|---------------------------------|---|

3. Operational Review

3.1 Planning

| Audit Observations ----- | Comments of the Accounting Officer ----- | Recommendation ----- |
|---|---|---|
| <p>Although 67 students were registered for the 2019/2021 academic year of the Higher National Diploma in Livestock Production Technology course at the Karandagolla Animal Husbandry College for the NVQ 05, 06 level, 34 students or 51 percent dropped out during the academic year. It was observed that due to students dropping out in the middle of the course, the opportunity for someone else to study the course is missed, and the expenditure incurred for the students who dropped out is an idle expenditure, and due to this, it can adversely affect the development of the animal husbandry sector.</p> | <p>The students left due to the extension of the course period as the Animal Husbandry Colleges was closed down due to the Covid-19 epidemic situation,</p> | <p>The course should be designed in order to retain the students.</p> |

3.2 Non- performance of Functions

Audit Observations

Even though it was stated as per the decision of the commission, in accordance with the letter No.PSC/EST/7/4/2/2012 and dated June 28th, 2017 of the Additional Secretary (Administrative and Finance) of the Public Service Commission, a separate transfer procedure should be prepared for the officers of the Research Assistant Special Grade and the approval of the Public Service Commission should be obtained Even by December 31st 2021, the work was not done.

Comments of the Accounting Officer

Answers will be presented later.

Recommendation

Actions should be taken according to the decision of the Commission.

3.3 Projects abandoned without completing

Audit Observations

A contractor selected on August 24th 2018 for the improvement and renovation of the Polgolla Animal Toxin Laboratory was awarded the contract at a value of Rs.3,273,873 for completion by December 29th 2018. The contract agreement was canceled on August 11th, 2020 when the contractor abandoned the contract without completing the contract repairs. However, it was observed that due to the lack of proper repairs in the laboratory, it was not possible to carry out a proper disinfection process, and the research work and vaccine production work in the laboratory were being done with great difficulty, and the repairs were not started again in the year under review

Comments of the Accounting Officer

Although almost 02 years have passed since the signing of the agreement, the agreement was terminated on August 11th 2020 due to non-completion of the work and actions will be taken to complete the unfinished work in the future.

Recommendation

Necessary maintenance work should be carried out as per the plans of the animal toxin laboratory.

3.4 Annual Performance Report

| Audit Observations | Comments of the Accounting Officer | Recommendation |
|--|---|--|
| ----- | ----- | ----- |
| <p>According to paragraph 10.2 of Public Finance Circular No.02/2021 dated August 28th 2021, the annual performance report should have been prepared as stated in Guideline No.14 issued by the Public Finance Department, and According to Section 16(2) of the National Audit Act No.19 of 2018 it must be submitted for audit with the annual financial statements. But the annual performance report was not submitted along with the financial statements for the year under review.</p> | <p>In the future, it will be submitted before the due date.</p> | <p>Actions should be taken in accordance with Audit Act and related circulars.</p> |

3.5 Procurements

Following observations are made.

| Audit Observations | Comments of the Accounting Officer | Recommendation |
|--|---|--|
| ----- | ----- | ----- |
| <p>(a) Rs.3,281,175 was paid for the purchase of 27 computers and 27 UPS, by the voucher No: 924 on December 30th 2020 and 367 on April 21st 2021, and the following facts were revealed in this regard.</p> | | |
| <p>(i) The requirement for 27 computers and UPS was identified earlier, the value of which was Rs.3,281,175. Although it should be procured the Major Contract Goods and Services below the Procurement Committee Authority Limit of Rs.25 million under the recommendations of the Departmental Procurement Committee as per Guideline 2.14.1 of the Government Procurement Guidelines Code, The purchase had been made on 02 occasions under the Departmental Minor Procurement Committee Recommendation below the Procurement Committee Authority Limit of Rs.03 million.</p> | <p>The first order for 20 computers were made by the Kundasale College of Animal Husbandry for the use of the course participants, and the computers obtained through additional orders have been acquired for office use. That the need for computers purchased through additional orders was not identified at the time of the first order, and that it was later identified.</p> | <p>According to the Code of Procurement Guidelines, decisions should be made by the procurement committees related to the prescribed values.</p> |

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|------|--|---|--|
| (ii) | According to 8.9.3(b) of the Government Procurement Guidelines, although formal contract agreements should be entered into for goods or services exceeding Rs.500,000, such written agreements were not entered into for the purchase of computers and UPS worth Rs.3,281,175. | That It will be acted accordingly in future procurement activities | Provisions of the procurement guideline should be followed. |
| (b) | 100 goats were imported from Australia in April 2019 for breeding purposes, out of which 21 goats including 05 males and 16 females had died on 31 st December 2021 and the value of the dead goats was Rs.8,036,275. It was observed that this value is 21 percent of the initial investment, and the import and maintenance costs incurred for these animals until then are not effective due to death before the desired objectives are achieved. Although the Procurement Board had approved the import of goats in the year 2017, Since it was imported in the year 2019, Rs.2,311,760 had to be paid additionally due to the change in the exchange rate. | That, Imported animals should be adapted to new environmental conditions, and the death of animals that are not adapted is expected. The importation was delayed due to the inability to reach a final agreement between the Australian Quarantine Institution and the Sri Lankan Quarantine Division regarding the Animal Health Protocol. | Action should be taken so as to import animals suited to the climate of Sri Lanka and to minimize losses |

3.6 Assets Management

The following observations are made.

Audit Observations

Comments of the Accounting Officer

Recommendation

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|-----|---|--|--|
| (a) | The equipment had been purchased on October 16 th 2020 by paying Rs.675,800 for the installation of fire extinguishing equipment under the requirements to be completed to upgrade the diploma course of Karandagolla Animal Husbandry College to NVQ 05, 06 levels. 07 Complete Hose Reels of 30 meters (100 feet) length which required installing that equipment belonging to the system worth of Rs.213,500 remained idle in the warehouse without installation. | That Complete Hose Reel could not be installed in 2020 and 2021 as there was no provision. | The tasks included in the annual action plan should be carried out as scheduled. |
|-----|---|--|--|

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|-----|---|--|---|
| (b) | 10 acres out of the 37 acres of land where the Imbulandanda Goat Breeding Center is located and 06 acres out of the 25 acres of land where the Karandagolla Poultry Research Center is located were not utilized. | That, the 10 acres were planted with grass, but it has dried up due to dry weather and 6 acres are planned to be used for Poultry Research Centre. | The land should be utilized to achieve the objectives of the institution. |
| (c) | Although the existing duck farm of the Karandagolla Poultry Research Center was converted into a cattle shed at a cost of Rs.1,562,000 in the year 2015, it was still not in use by 31 st December 2021. | That, this situation was resulted because it was not possible to get enough staff approved | Resources should be utilized maximally. |

3.7 Security of Public Officers

Audit Observations

The security amount of Rs.1,380,528, which was approved for 95 officials of the Department of Animal Production and Health who were required to post security in accordance with the 612 th authority, the Government Officers' Security Ordinance, had not been collected.

Comments of the Accounting Officer

That the relevant security amount will be collected from the monthly salary as installments from the officers who have not deposited the security so far.

Recommendation

Prescribed security should be obtained as per relevant regulations.

3.8 Losses and Damage

Audit Observations

As of December 31st of the year under review, there were losses of Rs.518,776 related to 03 cases that were to be further recovered or written off or abandoned, and the loss of Rs.430,000 related to one of these cases had occurred 32 years ago.

Comments of the Accounting Officer

That, the above facts are accepted.

Recommendation

Action should be taken to minimize the losses and deal with the losses as per the regulations.

3.9 Management Weaknesses

| Audit Observations | Comments of the Accounting Officer | Recommendation |
|--|---|---|
| ----- | ----- | ----- |
| (a) In 1998, 1,500,000 doses of fowl pox vaccine were imported, out of which only 637,300 doses were used in the field. Accordingly, 862,700 doses of vaccines were unused and expired in the year 2000, and their value was Rs.948,970. This loss was written off in the year 2021. | That, this expiration was due to the decrease in demand from the field and henceforth supply will be made considering the need. | Arrangements should be made for procurement and optimal utilization of purchased materials by considering the need. |
| (b) An official of the Public Management Assistant Service was allocated for residence in a scheduled house from June 2019 and as of December 31 st 2021; the house rent was collected less than Rs.201,305. | That, Action will be taken to recover the arrears. | Prescribed rent should be charged as per the code of Establishment. |

4. Achievement of Sustainable Development Goals

| Audit Observations | Comments of the Accounting Officer | Recommendation |
|--|---|--|
| ----- | ----- | ----- |
| The department was aware of the United Nations 2030 "Agenda" on sustainable development and identified the sustainable development goals and targets related to the department's work as well as the indicators to measure the achievement of those goals, but an appropriate database was not designed to measure the achievement of the sustainable development goals. | That, it is included in the plans related to the year 2022. | An appropriate data base should be designed to measure the achievement of goals. |

5. Human Resource Management

 The following observations are made.

| Audit Observations | Comments of the Accounting Officer | Recommendation |
|---|---------------------------------------|---|
| ----- | ----- | ----- |
| (a) There were 61 vacancies in 28 senior management level posts in the department and Out of those vacancies there were an Additional Director General post, 06 Director posts, 06 Chief Scientist posts and 07 Veterinary inspector posts. | No answers provided | Vacancies should be filled according to the requirements related to the projects of the department. |
| (b) As there were 103 vacancies at the primary level, difficulties had arisen in carrying out the field work. | No answers provided | - Do - |