

Head 292 - Department of Animal Production and Health

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head-292, Department of Animal Production and Health for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 these financial statements of the Department of Animal Production and Health in terms of Section 11(1) of the National Audit Act, No.19 of 2018 was issued to the Accounting Officer on 24 May 2023. The Annual Detailed Management Audit Report of the Department was issued to the Accounting Officer on 24 May 2023 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in 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 31 December 2022, and 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 matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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

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

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.5 Report on Other Legal Requirements

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

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

1.6 Comments of the Financial Statements

Accounting Deficiencies

(a) Recurrent Expenditure

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) Although the expenditure of 06 Objects as of 31 December 2022 totalled Rs. 258,306,686 as per the expenditure summary Form SA-10, it was Rs. 88,218,525 according to the expenditure ledger of the Department, resulting in a difference of Rs. 170,294,265.	Necessary action will be taken to maintain the expenditure ledger properly.	Departmental books should be correctly prepared.
(ii) Although savings of 06 Objects as of 31 December 2022 totalled Rs.23,193,310 as per the expenditure summary Form SA-10, it was Rs.38,281,471 according to the expenditure ledger of the Department, resulting in a difference of Rs. 15,294,267.	Necessary action will be taken to maintain the expenditure ledger properly.	Departmental books should be correctly prepared.
(iii) Although the bills in hand amounting to Rs. 2,911,513 had been stated in the financial statements as at 31 December of the year under review, according to the audit test check, the liabilities of Rs. 6,034,453 were not stated in the financial statements.	Due to the lack of adequate provisions as at 31 December 2022 and the deficiencies in the vouchers, liabilities could not be recorded in the CIGAS system.	Financial statements should be prepared correctly.

(b) Property, Plant and Equipment

Audit Observation	Comment of the Accounting Officer	Recommendation
Four canopies fixed at a cost of Rs. 1,400,000 to 04 cabs received from the Department of State Accounts last year had not been brought to account.	Not commented.	Assets should be accounted for accurately.

(c) Non-maintenance of Registers and Books

Audit Observation	Comment of the Accounting Officer	Recommendation
According to Financial Regulation 214, liabilities should be recorded in a record of liability to regularly examine such liabilities. However, liabilities of Rs.2,911,513 pertaining to the year under review had not been recorded in a record of liability.	The appropriation expenditure ledger will be balanced by recording the savings of provisions and expenditure related to the Objects.	Action should be taken in accordance with the Financial Regulations.

2. Financial Review

2.1. Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Observation Value Rs.	Non-compliance	Comment of the Accounting Officer	Recommendation
Section 4 of Chapter XV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	16,066,323	Eight officers who proceeded abroad for academic, training or duty purposes, had not been reported for service.	Possible efforts have been made to recover the dues and such efforts are further in progress.	Provisions in the Establishments Code should be followed.

3. Operating Review

3.1 Planning

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) It was observed during the examination of Action Plan and the progress as at 31 December 2022 that the progress of 07 planned activities was less than 50 per cent.	Not commented.	Action should be taken to achieve the targets outlined in the Annual Action Plan.
(b) It was observed during the examination of annual targets of the Kundasale Veterinary Investigation Center and the progress as at 31 December that the progress of 18 activities was as low as 0 percent to 55 percent.	Not commented.	Action should be taken to achieve the targets outlined in the Annual Action Plan.

3.2 Failure to Achieve the Expected Outcome

Audit Observation	Comment of the Accounting Officer	Recommendation
The local production of vaccine for foot and mouth disease was as low as 359,760 dosages or 25 per cent of the local requirement from 2018 to 2020 and the importation of those period was as high as 2,299,900 dosages ranging from 51 per cent to 91 per cent. Expenditure of Rs. 89,344,215 had been incurred for that purpose. Accordingly, there observed a tendency to increase the importation without resorting to increase the local production.	Due to the shortage of necessary chemicals for vaccine production, importation was increased.	Action should be taken to increase the local production and control importation.

3.3 Abandonment of Project Without Completion

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) An agreement worth Rs. 3,273,873 was signed with a selected contractor on 24 August 2018 for the improvement and renovation of Polgolla Animal Virus Laboratory. The work was scheduled to be completed before 29 December 2018 and a sum of Rs. 1,382,766 was paid as at the end of the year under review. However, without completion of the repairs, contract had been abandoned and consequently the contract agreement was cancelled on 11 August 2020. It was observed that the sterilization process had become stand still due to not properly completing the repairs and vaccine production was being done amidst innumerable difficulties. The repair activities had not been resumed even in the year under review.	Action will be taken to prepare estimates taking into account the current needs.	Repairs should be completed under a formal supervision.
(b) For the renovation of the government quarters located in front of the Veterinary Research Center, a contract worth Rs. 3,334,567 was awarded to complete the work on 20 February 2019 commencing from 22 September 2018. The contractor had abandoned the contract when about 35 per cent of the contract works remained unfinished. No action had been taken to complete the renovation works of the government quarters by the end of the year under review.	The observation is accepted. Action will be taken to prepare estimates taking into account the current needs.	Quarters should be used by completing the renovations under a formal supervision.

3.4 Annual Performance Report

Audit Observation	Comment of the Accounting Officer	Recommendation
In terms of Section 60 (2) of the National Audit Act, No.19 of 2018, the annual performance report had not been submitted along with the annual financial statements	Action will be taken to submit the annual performance report along with the financial statements in the future.	Action should be taken in accordance with the provisions of the Act.

3.5 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
As at the end of the year under review, there were seven machines and equipment worth Rs. 467,236 and another two machines and equipment of which value could not be identified, remaining idle and underutilized over a period ranging from 02 to 10 years.	Action will be taken to dispose of the two Electronic Treadmills since they are beyond repairs and the remaining machines will be repaired in the future when adequate provisions are received.	Action should be taken to dispose of the assets that are no longer needed and to use the other machinery after undergoing repairs.

3.6 Losses and Damages

Audit Observation	Comment of the Accounting Officer	Recommendation
Although 13 goats and she-goats worth Rs. 1,483,020 had died at the Imbulandanda Goat Breeding Center during the period from 07 January 2022 to 29 September 2022, a full report was not submitted as per Financial Regulation 104(4).	Particulars of some deceased animals have not been reported to the Establishments Division as yet.	Necessary steps should be taken after conducting relevant inquiries in terms of Financial Regulations.

3.7 Uneconomic Transactions

Audit Observation	Comment of the Accounting Officer	Recommendation
Although the canteen building of the Continuous Education Centre had been constructed at a cost of Rs. 15,072,388 while expanding it under two phases during the period from 2018 to 2022, the building remained idle without	It was not possible to purchase furniture for the building even in the year 2022 and in certain cases, it was used for the internship oral tests.	The building should be used effectively.

being used even by the end of the year under review. Consequently, the warranty period of the equipment and accessories worth Rs. 1,613,051 installed in the building had expired without using and the air conditioners had become inoperative.

3.8 Management Weaknesses

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>With the objective of breeding goats of high quality and provide them to farmers and farms, 10 male goats and 90 female goats belonging to Boyer type had been imported from Australia in April 2019 at a cost of Rs. 34,983,630. Due to not adopting to the environment of the country, total of 31 imported animals, including 06 male goats and 25 female goats worth Rs. 11,532,938 had died by 13 October 2022. Since the animals had been imported without assessing the suitable traditional sensitive survival level of such animals and kept in farms, imported 04 female goats have been exposed to lingering diseases, while another 33 animals afflicted with various viral illnesses have encountered unexpected vectors. Similarly, only 29 animals could be released to the field by the end of the year under review from the year 2019. Accordingly, the objectives of this project had not been achieved.</p>	<p>The death of the animals in adapting to the environmental conditions of the imported country is an expected occurrence.</p>	<p>Animals should be imported after assessing their suitable traditional sensitive survival level.</p>

4. Human Resource Management

Audit Observation

Comment of the Accounting Officer

Recommendation

There were 206 vacancies when comparing the approved cadre and the actual cadre and it included 65 vacancies of 23 senior management level posts. The approved cadre for the post of Development Officers was 120, whereas 133 Development Officers had been attached. Due to the presence of 112 vacancies of the primary level, it had resulted in various difficulties when carrying out field activities.

Officers have been appointed to act in the posts at present and requests have been made to grant approval for the relevant officers.

Action should be taken to fill vacancies within the approved cadre based on the requirement.