

1. Financial Statements
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 2022 comprising the statement of financial position as at 31 December 2022 and the profit and loss statements, statements of comprehensive income, statements 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 of the National Audit Act, No. 19 of 2018 and provisions of the Finance Act, No 38 of 1979 read in conjunction with the Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My comments and observations which I consider should be reported 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 financial statements give a true and fair view of the financial position of the fund as at 31 December 2022, 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 based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSSs). 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 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 Scope of Audit (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 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 Board'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 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 Board 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 resources 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 Financial Statements

1.5.1 National Livestock Development Board

1.5.1.1 Non-compliance with Sri Lanka Accounting Standards

	Non-compliance with reference to relevant standard	Comments of the Management	Recommendation
(a)	In accordance with paragraph 32 of Sri Lanka Accounting Standard No. 01, the assets, liabilities, income and expenses should not be presented in the financial statements by offsetting those unless required or permitted by the Standard. However, the Board had written off financial income of Rs. 23,918,827 against financial expenses of Rs. 11,672,548 and credited a sum of Rs. 12,246,279 to the Income and Expenditure Account as net finance expenditure.	The financial income has not been written off for the financial expenses in the financial statements of the Board, and Note No. 07 has been used on the face of the income statement showing the net value between financial expenses and financial income. Also, the financial income and financial expenses have been separately disclosed under the said note. As mentioned in the audit report, it will be presented from the year 2023.	According to Sri Lanka Accounting Standards, balances should not be offset against each other.
(b)	Although the Board was required to identify the deferred tax assets or liabilities for the year under review in accordance with paragraphs 15 and 16 of Sri Lanka Accounting Standards 12, considering the temporary taxable differences and adjust the financial statements accordingly, such thing had not been done.	The board will consider the tax assets that can be temporarily charged, identify the deferred tax assets or liabilities, and make relevant adjustments to the financial statements from the year 2025.	The tax differences should be adjusted according to Sri Lanka Accounting Standards.

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| (c) | The useful life of the assets in use should be reviewed annually and an estimated useful life should be estimated and accounted as an estimate difference in the accounts in accordance with the paragraphs 50 and 51 of Sri Lanka Accounting Standards No. 16. However, although the fully depreciated fixed assets amounting to a total of Rs. 428,821,164 were being used by the Board, relevant disclosure had not been done by reviewing their useful life. | A large cost is required for the revaluation of fixed assets and, a revaluation could not be carried out during this financial year due to the current financial difficulties. It is informed that the relevant revaluations will be carried out as soon as the financial situation improves. | The useful lives of the assets should be reviewed and disclosed in accordance with Sri Lanka Accounting Standards. |
| (d) | Even if the teak and mahogany plantations at a value of Rs. 2,379,113 owned by the Board as at the end of the year under review should be classified as consumable biological assets in accordance with paragraph 5(a) of Sri Lanka Accounting Standard No. 41, those had been shown under bearer biological assets. | Agreed with the audit report. The corrections will be done from the year 2025. | The assets should be classified correctly according to Sri Lanka Accounting Standards. |
| (e) | In accordance with paragraph 50 of Sri Lanka Accounting Standard No. 41, a comparative statement of the change in the value of biological assets between the beginning and the end of the year should be presented, and the gains and losses arising from changes in fair value, increases occurred due to purchases, decreases occurred due to the sale or disposal of assets should be presented separately. However, such particulars had not been presented separately. | The change in the value of biological assets is mentioned under the Note No. 11.2.1 of the set of the financial statement and it is hereby informed that the other relevant information as mentioned in the audit report will be included thereto and presented from the accounting year 2023. | A comparative statement of changes in the value of biological assets should be presented in accordance with Sri Lanka Accounting Standards. |
| (f) | The coconut plantations worth Rs. 1,016,126,771, cashew plantations worth Rs. 1,961,831 and rubber plantations worth Rs. 38,142,373 owned by the Board had not been separately identified as mature and immature as at 31 December 2022 as per paragraph 45 of Sri Lanka Accounting Standards 41, and relevant depreciation adjustments had not been made for the cashew and rubber plantations in accordance with the Sri Lanka Accounting Standards 16. | Agreed with the audit report. The corrections will be done from the year 2024. | The depreciation adjustments should be made for cashew and rubber plantations as per Sri Lanka Accounting Standards. |

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| (g) | Although the loans obtained by keeping assets as a collateral should be disclosed in the financial statements in accordance with paragraph (14) of Sri Lanka Financial Reporting Standards No. 07, the total amount of loans obtained during the year under review amounting to Rs.162,500,000 had not been disclosed. | The necessary disclosures will be made when the financial statements are presented from the year 2023. | The required disclosures should be made in accordance with Sri Lanka Accounting Standards. |
| (h) | Although the Expected Credit Loss Method should be used to measure subsequent impairment for the trade receivable balance of Rs. 193,335,673 in accordance with the paragraph 5.5.15 of Sri Lanka Financial Reporting Standards 09, the accuracy of the trade and other receivable balances for the year under review could not be verified during the audit as such calculation was not done. | Agreed with the audit report. and the actions will be taken to carry out the relevant calculations using the expected credit loss method from the accounting year 2025. | The impairments should be calculated accurately in accordance with Sri Lanka Financial Reporting Standards. |

1.5.1.2 Accounting Deficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	Although the debit balances of Rs.10,505,472 in the trade creditor balance, Rs. 1,766,891 in the trade and other payables balance, and a credit balance of Rs. 1,188,619 in the trade and other receivables balance were in the Board, the necessary adjustments had not been made by identifying the relevant balances. Consequently, the total trade creditor balance, trade and other payables balance, and the trade and other receivables balance had been understated by that amount.	Agreed with the audit report. This has occurred in presenting the financial statements of the Board as negative balances were included in the creditor and debtor balances when the accounts of the farms were prepared.	These debit and credit balances should be settled.
(b)	According to the board of survey reports of the year under review, the total stock shortage of Rs. 530,751 relating to 61 stock items in Mahaberiyaathenna, Miriswaththa, Horakele and Welisara had been adjusted to the cost of sales without being accounted separately.	After identifying this shortage of stock, the adjustments have been made for the relevant shortages of stocks subsequent to the calculation of the physical stock and including the said value into the financial reports.	Action should be taken to account the stock shortages separately.

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| (c) | The fixed deposits pledged against the bank overdraft balance of Rs.50,182,762 in the People's Bank Current Account of the Board as at 31 December 2022 had not been disclosed in the financial statements of the Board. | Agree with the audit report. The steps will be taken to make required disclosures in the year 2024 . | Action should be taken to make disclosures in the financial statements about providing securities for the bank overdraft balance. |
| (d) | Even if the cash inflows for the acquisition of capital and the cash inflows for the disposal of capital of the Livestock Development Board should be presented separately under the investment activities, a sum of Rs. 208,168,887 had been shown in the cash flow statement as the change in capital of the Livestock Development Board. | As the income from the sale of animals of the National Livestock Development Board is an income generated from the operational activities, it has been included in the profit before tax. | The cash inflows and outflows under investment activities should be presented separately. |
| (e) | Although the amount invested for the cultivation as mentioned in the cash flow statement of the Board was Rs.99,424,993, the expenditure incurred for cultivation under Note No. 11 was Rs.96,976,444. Consequently, there was a difference of Rs. 2,448,549. | This change has been caused due to the investment in coconut cultivation worth Rs. 2,235,784 and cinnamon cultivation worth Rs. 212,765 provided to the National Livestock Development Board by the Sri Lanka Poultry Development (Private) Limited in the year 2022. | Action should be taken to reflect the cash outflows accurately. |
| (f) | Although the annual gratuity allocation of the Board was Rs. 15,856,618, there was a difference of Rs. 1,252,825 due to adjustments of Rs. 17,109,443 made to the net profit before tax in the cash flow statement. | Agreed with the audit report. | The provision for gratuity should be properly adjusted in the cash flow statement. |
| (g) | Although the employees' gratuity allowances amounting to Rs. 22,816,374 paid by the Board in the year 2022 should have been shown under operational activities as per the schedule submitted, it had been shown as Rs.8,936,846 under operational activities in the cash flow statement. | Although Rs. 22,816,374 had been paid in cash as gratuity in the year 2022, a sum of Rs. 13,879,528 out of the said amount is the gratuity amount to be paid for the year 2021. As the gratuity amount payable has been shown under current liabilities, the payment made regarding that matter in the year 2022 has been shown under that. | Action should be taken to reflect cash flows accurately in the cash flow statement. |

(h)	The cost of write off the economic service charge amounting to Rs. 13,434,424 had not been added to the net profit before tax in the cash flow statement of the Board.	The point mentioned in the audit query is accepted and it has been adjusted under trade and other receivables.	The write-off of economic service charges should be properly adjusted to the cash flow statement.
(i)	When rectifying the debiting of the rental amounting to Rs. 1,343,518; that had been spent on the excavators at the Polonnaruwa farm in the previous year, to an asset, the said amount had been accounted as an expense in the year under review without being adjusted to the profit of the previous year.	Agreed with the audit report. The relevant representations have been rectified in the financial report 2023.	The corrections of the errors in the previous year should be adjusted to the opening balance of the year under review.
(j)	Although an amount of Rs. 7,166,956 (Managers Bungalow No.12) under the Welisara Farm; capitalized in the year 2004 and included in the building balance of the fixed assets register, should be depreciated up to 18 years by the year under review, it was observed that it had been depreciated for only 11 years as at 31 December 2022. Accordingly, the building balance had been overstated by Rs. 2,275,184.	The value of the Managers Bungalow at Welisara Farm included in the building balance of the fixed assets register stood at Rs. 289,127.43 up to the year 2012, and the renovation cost of Rs. 6,877,828 carried out on 30 June 2012 has been capitalized in the fixed assets register as at 30 June 2012. Consequently, it is informed that the building balance has not been overstated by Rs. 2,275,184 as stated in the audit inquiry.	The depreciations should be accounted correctly.
(k)	As the property, plant and equipment were depreciated exceeding the cost in the year 2021, there were negative values amounting to Rs. 2,156,386 in the net balance of 05 items of property, plant and equipment as at 31 December 2021. Consequently, the annual depreciation for the year under review had been understated by Rs. 2,156,386.	Agreed with the audit report. The required rectifications have been done when presenting the accounts of the year 2023.	Action should be taken to calculate the depreciation of the year accurately.

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| (l) | As a report on the fair value (Plantation Valuation Report) for the plants valued at Rs. 2,379,113 under other crops had not been presented with the financial statements of the farm, the value of the consumable biological plants owned by each farm could not be verified. | Agreed with the audit report. The crops are accounted based on the cost by the National Livestock Development Board, and as a valuation is not done at fair value, it could not be given to the audit. | Action should be taken to present an asset valuation report to the audit. |
| (m) | As per the schedule related to the consumable biological assets, the initial value of the plants at the beginning of the year 2013 amounting to a total of Rs.133,818,590 was not shown separately for each farm, the plant value included in the said balance could not be ascertained. | Although the details of the trees values of each farm were not available before the year 2013, these records are prepared and maintained since the year 2014. | Action should be taken to conduct a survey and prepare an accurate record about the plants available in each farm. |
| (n) | According to the financial statements of the farm, there was a difference of Rs. 875,281 as the grass cultivation balance totalling Rs.2,203,360 relating to 04 farms owned by the Board was recognized as Rs.1,328,079 under other cultivations in the financial statements of the company. | It is accepted that there is a difference in the grass expenditure of Rs. 74,402 at the Mahaberiyathena farm, and the other balances are an error occurred in representing data of the farms during the preparation of financial statements of the board. | Action should be taken to present biological assets accurately in the financial statements |
| (o) | Although the amortization for coconut cultivation and grass cultivation was Rs.4,276,185 and Rs.3,937,547 respectively according to the Board's financial statements, the accuracy of the amortization value for each cultivation could not be verified since the useful lives of the plants owned by the Board were not submitted to the audit. | This problem has occurred as the lifespan of coconut plantations was not reported from the time of handing over the coconut estates to the board. | Action should be taken to calculate the lifespans and to calculate the depreciation for the year accurately. |
| (p) | It was disclosed in the financial statements that the receiving of benefits from a coconut plantation starts within 07 years. However, according to the schedule, the same amount of Rs. 4,276,185 allocated in the previous year had been allocated for the year under review also without recognizing amortization for the coconut plantation of Rs.3,484,071 identified as mature plants in the year 2015. | The documents regarding the amortization to be made for the coconut cultivation are being updated and accordingly this error will be corrected in the future. | Action should be taken to calculate and account depreciation correctly. |

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| (q) | When the worth of biological assets (animals) were mentioned in the financial statements of the Board, those had been valued at fair value after considering all factors at the end of the year, and an amount of 10 percent, equivalent to Rs. 145,432,621, had been deducted again for the probability of non-realization from the year-end value of those animals. | According to Sri Lanka Accounting Standards No. 41, there is a possibility that the entire quantity of animals may not be realized after the accounting period subsequent to the valuation of animals at fair value as at date of the balance sheet. It has been disclosed in the accounting policies that it is 10% of the total value. | The biological assets should be accounted accurately according to Sri Lanka Accounting Standards. |
| (r) | During the valuation of 172 dairy cattle at the Bopaththalawa farm, the value of those animals had been calculated as Rs.16,643,502, assuming an average daily milk production as 10 liters, in contrast to the animal valuation methodology of the farm. As the use of such an average value instead of the actual milk production of the dairy cattle is erroneous, the values of the animals shown in the financial statements had been overstated or understated. | It is accepted that a mistake has happened, and that has been corrected from the next financial year. The relevant officers have been informed in this regard. | Action should be taken to calculate the value of animals accurately. |
| (s) | There were total assets amounting to Rs.5,946,213,874, total liabilities amounting to Rs.1,176,325,794 and a credit balance amounting to Rs. 4,769,888,080 owned by the Boards as at 31 December 2022, and although the financial statements, ledger accounts, schedules and trial balance of each farm had been submitted separately when submitting the financial statements for the audit, a consolidated trial balance for the group had not been submitted. | Action will be taken to present a consolidated balance check from the financial year 2025. | A consolidated trial balance should be presented for the group. |

1.5.1.3 Unreconciled Control Accounts or Records

Audit Observations	Comments of the Management	Recommendation
(a) Although the other receivable balance of the Bopaththalawa Farm was Rs. 13,633,311, a difference of Rs. 3,333,334 was observed between the balances since the balance according to the schedule presented for audit was Rs.16,966,645. However, the reasons for the relevant difference were not presented for the audit.	It is informed that there is no difference.	Action should be taken to maintain the schedules and financial statement balances accurately.
(b) Although the other current asset balance of the Board was Rs.67,985,683, the total of other current asset balances was Rs. 77,582,060 according to the financial statements presented separately for the head office and the farm. Consequently, a difference of Rs.9,596,377 was observed between the balances, and however, the reasons for the relevant difference were not presented to the audit.	This difference has occurred as the current account balance had been shown under other current assets, and as it had been shown under the farm current accounts when preparing the financial statements of the Board.	Action should be taken to maintain the current account balances of the farm and balances of the head office accurately.
(c) Although the value receivable from the Sri Lanka Poultry Development Company (Pvt) Ltd is Rs. 4,218,655 as per the financial statements of the Board, the balance payable according to the financial statements of the said company had been shown as Rs.1,466,557. Consequently, there was a difference of Rs. 2,752,098 between the balances, and however the reasons for the relevant difference were not presented to the audit.	This change has arisen due to the disagreements in the transactions prevailed between two companies.	The steps should be taken to identify and settle this difference.
(d) Although the balance of trade biological assets in the current assets of the statement of financial position of the Board is Rs.83,472,206, the total balance of trade biological assets was Rs. 109,656,480 according to the financial statements presented separately as head office and farm. Consequently, there was a difference of Rs. 26,184,274.	The value of the biological assets are shown under trade biological assets by some of the farms, while it is shown under capital biological assets by some farms.	Action should be taken to prepare corresponding reports accurately.

1.5.1.4 Lack of evidences for Audit

Audit Observations	Comments of the Management	Recommendation
(a) In order to verify the savings bank account balance of Rs. 885,470 held by the Board in relation to the Kanthale Farm as at 31December 2022, the relevant bank passbook or bank balance confirmations were not submitted for audit.	A written request has been made to Kanthale Bank regarding this	The relevant bank passbook or bank balance confirmations should be submitted to the audit in order to verify the savings bank account balance.
(b) Although the balance confirmations for 31 trade and other creditors balances totalling Rs.33,573,949 at the head office, Welisara Milk Project and farms had been sent by the audit, those balance confirmations were not presented to the audit.	Agreed. Even if the Head Office and the Welisara Milk Project had sent the balance confirmation letters to confirm the creditor balances of previous years, the responses have not been received thereto.	Action should be taken to obtain balance confirmations.
(c) A balance schedule and time analysis for the trade and other payables balance of Rs. 2,411,823 at the Dayagama Farm and the creditors balance of Rs.17,087,169 at the Welisara Farm as at 31 December 2022 were not presented for the audit.	The relevant details are presented herewith.	The balance confirmations and age analysis should be submitted to the audit.
(d) The schedules or relevant evidence for the tender deposits of 03 farms amounting to a total of Rs.8,332,629 included in the trade and other payables balance were not presented to the audit.	The documents related to the tender deposit balance are presented herewith.	The schedules or the evidence relevant thereto should be presented to the audit.
(e) The external balance confirmations for 19 trade and other debtor balances totalling Rs.10,857,281 relating to the Welisara Milk Project and farms were not presented to the audit.	Actions will be taken from the year 2024 to issue the balance confirmation letters for all debtor balances.	The schedules or the evidences related thereto should be presented to the audit.

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| (f) | Any evidence regarding the deferred expenditure balance of Rs.16,566,783 shown under the other current assets in the financial statements since before the year 2013 was presented to the audit. | Actions will be taken to investigate this expenditure and to write off from the books. | Actions should be taken to know the details and settle. |
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1.5.2. Sri Lanka Poultry Development Company (Pvt) Ltd

	Audit Observations	Comments of the Management	Recommendation
(a)	In accordance with paragraph 25 of Sri Lanka Accounting Standards 01, the Company is required to make an assessment on the going concern when its financial statements are presented and to make disclosures in the financial statements any events or circumstances; if any, indicating that the Company does not continue as a going concern. However, while the Company had taken a decision to continue as a farm of the National Livestock Development Board as per the Cabinet Decision No. CP/20/0890/217/052 dated 10 June 2020, and in a background where the liquidation activities have been started, the said matter had not been disclosed in the financial statements as at 31 December 2022. Further, when the financial statements are prepared, those should be prepared on a liquidation basis. However, the financial statements had been presented under the going concern.	Actions are taken to correct the paragraph under Note No. 2.1.2 of the financial statements of Sri Lanka Poultry Development Company (Pvt) Ltd stating that the company has a going concern, and the steps are taken to prepare the financial statements on liquidation basis and make disclosures about that matter from the year 2023.	In accordance with Sri Lanka Accounting Standards, an assessment about the going concern should be carried out by the management when the financial statements are presented by the company
(b)	Although the date of approval for presenting the financial statements should be disclosed in the financial statements as per the paragraph 17 of Sri Lanka Accounting Standards 10, the Company had not disclosed the date of granting approval for the financial statements by the Board of Directors.	As a board of directors had not been appointed for the company to prepare the financial statements, obtaining approval thereto and submit, the account statements had been presented under the approval of the Secretary to the Ministry of Agriculture, Livestock, Lands and Irrigation.	The financial statements should be presented in accordance with Sri Lanka Accounting Standards.

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| (c) | <p>Since the useful lives of non-current assets were not reviewed by the management on annual basis and the adjustments were not made in the financial statements as per the paragraph 51 of Sri Lanka Accounting Standards 16, the required adjustments had not been made in accordance with Sri Lanka Accounting Standards 08 regarding the relevant assets, even if the fully depreciated property, plant and equipment amounting to Rs. 40,241,059 were still in use.</p> | <p>Since the proceedings of liquidating the company have commenced, the assets will be revaluated in the future and the necessary adjustments will be made in accordance with Sri Lanka Accounting Standards 08.</p> | <p>The necessary adjustments should be made in accordance with Sri Lanka Accounting Standards.</p> |
| (d) | <p>Although the cost of the building located at Barnes Place, Colombo, valued at Rs.22,500,000, had been accounted under non-current assets, the annual depreciation amounting to Rs.1,125,000 related thereto had not been accounted.</p> | <p>A revaluation will be conducted in future to determine the value of the said house and the necessary adjustments will be made as per the Sri Lanka Accounting Standards 08.</p> | <p>The annual depreciation for the assets should be accounted accurately.</p> |
| (e) | <p>The balance of trade and other receivables as at 31 December 2022 was Rs. 6,610,335. According to the debtor age analysis presented to the audit, the balances that exceeded 5 years were amounted to Rs. 5,274,879 and the balances that exceeded 10 years were amounted to Rs.1,335,456. Although the recovery of the balances totalling Rs.7,945,791 remained uncertain even as at the end of the year under review, the impairment adjustments had not been made for those balances in accordance with paragraph 5.5.15 of Sri Lanka Financial Reporting Standards 09.</p> | <p>The steps will be taken to make impairment adjustments for these balances in accordance with paragraph 5.5.15 of Sri Lanka Financial Reporting Standards 09 in the future, on the instructions of the liquidator of the company.</p> | <p>The impairment adjustments should be made for the doubtful accounts as per the Sri Lanka Financial Reporting Standards.</p> |
| (f) | <p>Although a balance of Rs. 4,218,655 was shown as receivable from Sri Lanka Poultry Development Company (Pvt) Ltd according to the financial statements of the National Livestock Development Board as at 31 December 2022, the company's financial statements showed only Rs. 3,108,595</p> | <p>Sri Lanka Poultry Development Company (Pvt) Ltd has been operating as a farm of the Board since the year 2022, and the transactions arising from it are being done through a current</p> | <p>The differences between balances should be identified and necessary adjustments should be made.</p> |

as payable to the Board. Consequently, there was a difference of Rs. 1,110,060. However, this had not been looked into and settled.

account. It is informed that the steps will be taken to make the corrections subsequent to making required reconciliations in the process of liquidating the Sri Lanka Poultry Development Company (Pvt) Ltd.

- (g) Although a total of Rs. 3,356,129 had been shown in the financial statements of the company as the balance due from the National Livestock Development Board, any amount had not been shown as payable to the company according to the financial statements of the board. However, no step had been taken to settle that matter.

This amount has not been received yet and will be able to resolve with the liquidation process of the company.

The actions should be taken to settle the balances due from the Board.

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

Audit Observations	Comments of the Management	Recommendation
(a) According to the financial statements, the balances of Rs. 1,541,111 exceeding 05 years included in the employee debtor balance of Rs. 28,288,290, had not been recovered even as at the end of the year under review.	The necessary actions are being taken to recover these debtor balances or to write them off from the books of accounts in case of the inability of finding the details.	Actions should be taken to recover outstanding loan balances.
(b) According to the financial statements, the balances amounting to Rs.75,189,109, that exceeded 05 years included in the trade and other debtor balance of Rs.193,335,673, had not been recovered even by the end of the year under review. Further, the balance of Rs.47,383,352 over 05 years old included in the trade and other debtor balance of the head office amounting to Rs. 50,592,451 had not been recovered by the end of the year 2024. Even if the particulars had been referred for legal actions in respect of	No comment has been made.	Action should be taken to recover the debtor balances.

5 debtor balances totalling Rs.17,768,743 as at 31 December 2022, any debtor balance had been recovered eve by 31 December 2024.

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| (c) | As per the financial statements, any action had not been taken by the end of the year under review regarding the total income tax and withholding tax receivable from the Department of Inland Revenue amounting to Rs. 2,257,460 and the receivable value added tax amounting to Rs. 9,020,139. | This balance is existing from many years ago and will be compared with the balances available at the Department of Inland Revenue and corrections will be done in the future. | Actions should be taken to settle this balance. |
| (d) | The fuel bills amounting to Rs. 1,460,561 due from the Ministry of Agriculture since the year 2014, as stated in the financial statements of Roshita Farm, had not been recovered even to date. | The investigation prescribed by the Audit and Management Committee of the Ministry has been carried out in this regard and the further actions are to be taken in accordance with the recommendations received from that committee. | The overdue amounts should be recovered. |

1.6.2 Accounts Payable

Audit Observations		Comments of the Management	Recommendation
(a)	According to the time analysis of trade creditor balances under trade and other payable balances in the current liabilities of the Statement of Financial Position of the Board, there were total outstanding balances amounting to Rs. 132,942,034 between 01 and 05 years and the total outstanding balances totalling Rs. 57,227,417 existing since more than 05 years.	The payments have been made to these creditors in instalments.	Actions should be taken to settle the balances payable.

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) Section 2 of the State Agricultural Corporations Act, No. 11 of 1972 and the Gazette No.157	The Board had entered into a contract and leased out a land of 517 perches located in Mahaberiathenna and a	As per the Cabinet Decision No. AMP/1192/145 (5), 517 acres of land from the	When the lands owned by the Board are leased out, such lands should be leased for the purposes related to the

dated 14 February 1975	land of 31 perches located in Welisara for two private companies for an amount of Rs. 29,418,300 for 99 years and an amount of Rs..31,600,800 for 30 years respectively on behalf of the activities not related to the tasks to be performed as specified in the Gazette.	Mahaberiathenna farm have been released on lease basis for the private institution from the year 1996 for 99 years. Further, at the meeting of the Cabinet Sub-Committee appointed to provide investment facilities under the Board of Investment (BOI), a decision had been taken by the then president to give 03 acres 0.31 perches (1.2152 hectares) of land from the Welisara farm to a private company to run a fashion display centre. Accordingly, as per the 374th Board of Directors decision dated 05.09.2006, it has been released on lease basis to that institution for 30 years under an agreement.	functions to be performed by the Board, as per the amendments made by the Act and the Gazette.
(b) Section 5 (1) of the Gratuities Act No.12 of 1983	Although the payment of gratuities should be completed within 30 days up on leaving the service, Rs. 1,020,938 and Rs. 5,246,568 were to be paid to 17 and 32 employees who left service in the year 2021 and the year 2022 respectively.	The gratuities of the employees who left the service at the end of the year 2022 are shown under the payables.	The gratuities should be paid on the due dates as per the Act.
(c)	Although the financial statements and draft	Although the preparation of the	The financial statements should be

annual report should be submitted to the Auditor General within 60 days up on the end of the accounting year, the financial statements for the year 2022 had been submitted on 12 March 2025

financial statements had been completed within the stipulated timeframe, there was no possibility to submit those to the audit since the financial statements of several previous years had not been audited. This delay was the main reason for that.

submitted to the audit on due dates as stipulated by the circular provisions.

2. Financial Review

2.1 Financial Result

The operating result of the National Livestock Development Board and its subsidiary in the year under review amounted to a profit of Rs. 125,982,339 and the corresponding profit in the preceding year amounted to Rs. 173,420,993. Consequently, a decline amounting to Rs. 47,438,654 of the financial result was observed. The increase of the administrative, distribution and other expenditure was the main reason for this decline.

2.2 Trend Analysis of main income and expenditure items

The revenue of the sales had been increased by 13 percent, and the cost of sales had been increased by 33 percent during the year under review. The increase of the fair value of the biological assets compared to the previous year was 3770 percent. The gross profit margin of the company had decreased by 3 percent, and the other income had increased by 98 percent. Further, it was also observed that the distribution expenses of the board had increased by 36 percent, administrative expenses by 14 percent, and other expenses by 42 percent.

3 Operational Review

3.1 Management Inefficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	Although there was a cash deficit of Rs. 619,485 and a biological asset deficit of Rs. 10,287,510, totalling Rs. 10,906,995, to be recovered from the manager of the Welikanda farm, there is no possibility of recovering the said amount as that person is no longer alive, and the appropriate measures had not been taken in this connection.	A complaint in this regard is being examined by the Fraud Investigation Division, and as the persons who are responsible have not yet been identified, it has been impossible to take further actions. Further actions are to be taken once the related proceeding of the Fraud Investigation Division is completed in	The responsible parties should be identified and actions should be taken to recover the outstanding amounts.

- accordance with its conditions.
- (b) The money related to the resource shortage of Rs.5,351,366 caused by misplacing 1,726 breeding chickens at the Miriswaththa Farm on 07 and 08 September 2022 had not yet been recovered. Further, the shortage of sales amounting to Rs.751,243 at the Nikaweratiya outlet had not been investigated and the necessary actions had not been taken.
- (c) The deposit balances totalling Rs. 14,203,784 relating to 525 sales advances and tender deposits obtained for the chickens up to the year 2020 from the deposit balance totalling Rs. 30,191,157 relating to the Marawila and Miriswatta farms and Head Office had not been settled as at 31 December 2022.
- An investigation into this matter was conducted by the Board, and a complaint is being investigated at the police. The steps will be taken to recover the money from the relevant persons immediately after the necessary proceedings are completed.
- The customers who have given security deposits at the Marawila and Miriswatta farms transact the value of their security deposits that have been given at present.
- The responsible officers should be identified by conducting formal investigations, and the actions should be taken to promptly recover the losses.
- Actions should be taken to identify and settle the security deposits not being transacted.

3.2 Operational Inefficiencies

Audit Observations	Comments of the Management	Recommendation
(a) As per the annual reports of the Department of Census and Statistics and the Central Bank, the total milk production of the country in the year 2022 and 2023 was 506,449,602 liters and 504,153,360 liters respectively, and the coconut production was 3,391 million nuts and 3,170 million nuts. Out of this, the milk production of the National Livestock Development Board for the year 2022 and 2023 was 7,062,151 liters and 5,552,862 liters respectively, and the coconut production was 18 million nuts and 14 million nuts. Accordingly, the contribution of the Board for the milk production in the year 2022 and 2023 was 1.39 percent and 1.10 percent respectively, and the contribution for the coconut production was very low such as 0.52 percent and 0.44 percent. Further, there was a high demand in the market for packed liquid milk and even if other competitive institutions	Increasing the milk production of the Board as a large percentage of the country's production is not practical. That is, even if the milk production is doubled, it will represent about 3.5 percent of the country's production. However, the steps will be taken to further increase production as much as possible utilizing the available resources to the maximum extent possible, with limited financial capabilities. Due to the damage caused by mites and whiteflies as well as the shortage of chemical fertilizers that affected coconut cultivation, the coconut production decreased in the years 2022-2023. Since the importation of the packaging materials required for packed liquid milk was restricted due to the import restrictions in the	The necessary measures should be taken to further develop the products.

- have identified and proceeded in respect of those market needs, the National Livestock Development Board; though the country's leading milk producer, has not paid attention to take advantage from such opportunities and increase its market share by proceeding as appropriate to the present time.
- country, the production remained limited.
- (b) Out of the total land area of 11,379 hectares owned by the 32 farms belonging to the National Livestock Development Board, an extent of 9,159 hectares are being utilized, and it was observed that 2,220 hectares are not utilized. Although the unused land area includes marshy lands, internal forest lands and environmentally sensitive areas, mountainous and rocky areas, it was observed that an extent of 1,606 hectares of land usable for further development and however has not been utilized for development remains unutilized.
- A land areas about 1,606 hectares from the unused land is at the stage of being invested and developed. These lands were unable to be developed for several decades due to the reasons such as the lack of financial capacity to for investments, ownership being retained by the Land Commissioner, the issue of wild elephants, problem of water, economic recession, and the announcement not to undertake new projects as per the Cabinet Decision to merge the National Livestock Development Board and Milko in the year 2022 to establish a private institution. There was no opportunity to date to develop these lands and farms.
- The required measures should be taken to utilize the unutilized lands subsequent to making developments therein.
- (c) 13 farms out of the 32 farms owned by the Board had incurred losses totalling Rs. 496,420,776 during the year 2022. Further, 05 farms namely Menikpalama, Ridiyagama, Polonnaruwa, Martin and M.L.D.C which had incurred losses during the year had incurred losses totalling Rs. 1,585,584,049 continuously for a period of nearly 05 years. The above 05 farms had utilized a total area of 2,481 hectares of land. It is observed that the long-term losses of the farms had been resulted from the poor operations and management inefficiencies
- Due to the high cost of inputs used for animal feed in Ridiyagama, Menikpalama and Polonnaruwa farms, and the large supply of concentrated feed instead of giving only grass, the production cost has been high. The milk being produced on the farms should not be sold in bulk and should be released to the market as value-added milk in order to make these projects profitable. However, as 10 percent of the board's milk is sold as value-added products, large-scale farms have had to be
- The available resources should be utilized effectively and operational activities should be carried out efficiently in order to make loss-making farms profitable.

maintained at a loss. Due to the conditions prevailed in the country during 2018-2022 period, the productions in the farms and the physical condition of the animals have deteriorated rapidly. Even if the lands have been handed over to the Polonnaruwa farm, the steps will be taken in future to clearly determine the quantity of lands handed over to the board due to the release of lands for various projects. Martin Farm is a farm wherein the profit and loss status are constantly changing according to market demand. The project was subjected to a crisis due to animal deaths, reduced productivity, termination of the breeding process, and decline of the consumer demand.

The M.L.D.C farm is a training center. Although the said farm had to be maintained at the expense of the board as a large number of training programs was cancelled due to the COVID-19 pandemic and travel restrictions, it is being operated under profitable circumstances.