

## **Head - 292 - Department of Animal Production and Health - 2024**

### **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 2024 comprising the statement of financial position as at 31 December 2024 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 Chief Accounting Officers on 09 May 2025 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 was issued to the Chief Accounting Officer on 20 May 2025 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 Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the financial position of the Department of Animal Production and Health as at 31 December 2024 and its financial performance and cash flows and on all the materialities in accordance with the basis of preparation of the financial statements set out in Note. 1 related to the financial statements.

#### **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 Emphasis of Matter – Basis for preparing Financial Statements**

The attention is drawn to the Note 1 related to the Financial Statements which describes the basis of preparing these financial statements. The financial statements have been prepared as per the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 for the requirement of the Department of Animal Production and Health, General Treasury and the Parliament. Consequently, these financial statements may not be suitable for other objectives. My report is only for the use of the Department of Animal Production and Health, General Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

## **1.4 Responsibility of the 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 the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 and for such internal control as Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Department of Animal Production and Health 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.

As per Section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department of Animal Production and Health exists 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.

## **1.5 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 judgment 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

## 1.6 Comments on the Financial Statements

### 1.6.1 Accounting Deficiencies

#### (a) Property, Plant and Equipment

Audit Observation	Comment of the Accounting Officer	Recommendation
i. A total of 295 animals valued at Rs. 7,007,580 and 1,416 animals for which the value had not been submitted had not been accounted for under livestock in the statement of non-financial assets.	Arrangements will be made to account for the value relating to mother animals as assets in the future.	Livestock value should be accounted for in the statement of financial position.
ii. Although all assets belonging to the Department should be stated in the statement of non-financial assets (ACA-6), 12 plots of land and 126 official quarters had not been valued and accounted for.	Priority will be given to account for the 126 official quarters and 12 plots of land which have not yet been brought to accounts.	All non-financial assets owned by the Department should be account for by implementing a prompt course of action.
iii. Although errors occurring under an expenditure head should be rectified through the same expenditure head, by showing an adjustment of Rs. 264,635 made for rectifying an error as disposal of assets, an erroneous disclosure had been made in the financial statements.	Action will be taken to disclose such specific matters through notes in the future.	Errors under expenditure heads should be rectified through the same expenditure heads, and erroneous disclosures should not be made in the financial statements.

**(b) Lack of Evidence for Audit**

**Audit Observation**

- i. According to Sections 1.1.1 and 2.3 of the guidelines issued by the Office of the Comptroller General on 31 December 2018 regarding the valuation of non-financial assets, such assets should be valued by a professionally qualified valuer and accounted for in the statement of non-financial assets (ACA-6). Nevertheless, valuation reports for non-financial assets valued at Rs. 3,259,946,017 that had been accounted for were not submitted for audit.
- ii. Furthermore, according to Sections 1.3.1, 2.3, and 4.3 of the said guidelines, non-financial assets should be revalued once every five years. However, since such revaluation of assets had not been carried out, the fair value of assets had not been reflected in the financial statements.

**Comment of the Accounting Officer**

Subsequent to the preparation of fixed asset records by the Administrative Division, based on information obtained from each division in the prescribed formats regarding land, buildings, vehicles, furniture, and office equipment, the Finance Division takes action to update the CIGAS system.

**Recommendation**

According to the provisions of the relevant guidelines, formal valuations should be carried out and the correct assessed values of non-financial assets should be brought to account, and the valuation reports should be submitted for audit.

The Valuation Department has been notified to revalue all lands and buildings belonging to the Department.

An immediate course of action should be taken to comply with the provisions of the guidelines.

**2. Financial Review**

**2.1 Expenditure Management**

**Audit Observation**

**(a)** As the Department of Animal Production and Health had utilized only Rs. 1,294,262,278 out of the total net provision of Rs. 1,536,870,000 by the end of the year under review, a sum of Rs. 242,607,722, representing 15 percent of the total net provision remained underutilized.

**Comment of the Accounting Officer**

The underutilization was due to savings in fuel allowances resulting from existing vacancies, the reduction of expenses by conducting meetings online, and the minimization of repair requirements through proper maintenance of machinery and equipment.

**Recommendation**

**Measures** should be taken to prepare estimates in a more systematic manner and to ensure the full utilization of the provisions allocated based on their intended purposes in future years.

(b) According to Financial Regulation 50(ii), the Department should prepare the estimates as accurately as possible. Nevertheless, a sum of Rs. 60,181,000 had been overestimated for 12 objects, while a sum of Rs. 24,388,000 had been underestimated 08 objects during the year under review.

Although efforts are made to prepare estimates as close to the actual values as possible, certain variations occur due to specific reasons.

A procedure should be implemented to prepare estimates as completely and accurately as possible.

## 2.2 Liabilities and Commitments

### Audit Observation

Due to accounting for of a liability of Rs. 1,482,432 twice in the Statement of Liabilities and Commitments, the balance of liabilities at the end of the year under review had been overstated by that amount, and a liability valued at Rs. 2,590,827 had been omitted from the accounts.

### Comment of the Accounting Officer

Although liabilities should have been recorded separately in respect of two constructions in the Statement of Liabilities, the same value had been recorded for both due to an error, resulting in an understatement of Rs. 1,108,395 in the accounts.

### Recommendation

An internal control system should be established to ensure that all commitments and liabilities existing during the year are correctly identified and reported.

## 2.3 Non-compliance with laws, rules, and regulations

	Reference to Laws, Rules, and Regulations	Non-compliance	Comment of the Accounting Officer	Recommendation
(a)	Section 193 of Chapter xviii of the Procedural Rules of the Public Services Commission published in Extraordinary Gazette No. 1589/30 dated 20 February 2009.	Although every public officer should be subject to transfer upon completion of five years of service, 79 officers had not been transferred even after 6 to 21 years of service.	Not replied	Officers should be transferred after completing five years of service, and formal action should be taken regarding the non-implementation of the transfer policy.
(e)	State Finance Circular No. 03/2015 dated 14 July 2015	Although the maximum amount of ad hoc sub-imprest possible for a staff officers should be Rs. 100,000, three officers had been granted ad hoc sub-imprest totaling Rs. 2,405,450, ranging from Rs. 109,775 to Rs. 412,500 during 10 occasions.	Approval from the Treasury Operations Department for the ad hoc sub-imprest exceeding Rs. 100,000 is currently being obtained.	Ad hoc sub-imprest should not be granted exceeding the limits prescribed in the Circular, and formal action should be taken regarding officers who did not comply with the regulations.

(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulations 880 to 893	According to the provisions, 38 officers of the Department of Animal Production and Health who were required to furnish securities had not taken measures to furnish securities amounting to Rs. 377,500.	Not replied.	All officers required to furnish securities in accordance with the legal provisions should take steps to furnish securities accordingly.
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## 2.4 Failure to Provide Evidence for Audit

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
The audit could not verify whether the Registrar had properly fulfilled his responsibilities regarding the quality of animal feed, as required under Section 6(a)10(ii) of the Animal Feed Act No. 15 of 1986, due to the failure to provide relevant information and adequate cooperation concerning the impact of animal feed on the quality of eggs, meat, and milk products, as well as the restriction imposed on the audit's scope.	Not replied	Formal action should be taken against officers responsible for restricting the audit scope and not providing the necessary information and cooperation, and steps should be taken to ensure that the audit is provided with all required information and support.

## 3. Operational Review

### 3.1 Planning

	<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a)	According to the 2024 Annual Action Plan of the Engineering Division of the Department of Animal Production and Health, out of 68 planned constructions with an estimated total value of Rs. 112.68 million, 49 constructions valued at Rs. 74.22 million, or 72 percent, had not been carried out during the year.	Due to the lack of an engineer as well as significant shortages in the technical staff capacity, only a portion of the planned constructions and renovations for 2024 could be carried out.	Formal action should be taken against officers who failed to implement the planned work, and steps should be taken in the future to ensure that activities are carried out in accordance with the annual action plan.

### 3.2 Failure to achieve the expected level of Output

	<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
<b>(a)</b>	<b>Central Poultry Research Station, Kundasale</b>		
i.	The Center was established to improve and promote local chickens and conduct research, but no poultry research activities had been conducted since 2018. Furthermore, the number of chickens in coops with a maximum capacity of 5,420 had dropped to 1,976 by 36 per cent below the capacity	The purpose of the Center is to conserve local breeds in the field, and chickens are reared on farms for hatchery purposes according to demand.	A formal investigation should be conducted regarding the failure to take actions to achieve the basic objectives, and a programme should be developed to guide the project toward its intended goals.
ii.	Due to maintaining 130 chickens above the standard capacity in the poultry coops, an additional expenditure of Rs. 1,350,364 was incurred during the year.	It is not possible to operate a farm by maintaining only the technically required number of chickens, as factors such as the accuracy of sex determination, mortality rate, reproductive efficiency, and other technical aspects are taken into consideration.	Measures should be taken to act economically without spending government funds unnecessarily.
iii.	Due to weak management decisions regarding disposal of 753 chickens whose economic value period had expired, an unnecessary expenditure of Rs. 1,334,814 was incurred solely for chicken feed as of 07 March 2025.	A technical committee has been appointed to remove 484 chickens, and prices have been obtained, and the chickens will be removed promptly.	A formal investigation should be conducted regarding the failure to carry out disposal in a timely manner, and a plan should be implemented to prevent recurrence of this situation.
<b>(b)</b>	<b>Imbulandanda Livestock Research Institute</b>		
i.	In 2019, an amount of Rs. 37,341,430 was spent to import 100 Boer goats outside the health standards and World Health Organization guidelines, for the purpose of fielding 250 goats, establishing commercial farms, and producing Boer goat semen within the next 05 years.	Not Replied	Formal investigation should be carried out, and action should be taken against the officers concerned for non-compliance.

	ii.	As of 31 December 2024, only 141 diseased goats remained at the Center, and the project objectives were not fully achieved.	Not Replied	Formal investigation should be held against the officers responsible for the removal of diseased animals and for the failure to accomplish the project objectives.
	iii.	Due to the decision to remove diseased goats (CEA diseased) not being implemented for over a year, by the end of the review year, a total expenditure of Rs. 112,678,374, including Rs. 75,336,944 spent on maintaining these diseased goats and their import costs, had been rendered unproductive for the government.	Since the goats were infected with CEA from the quarantine period, the objectives could not be achieved.	- Do -
(c)	<b>Telhara Goat Breeding Center</b>			
	i.	The Telhara Goat Breeding Center was initiated in 2000 to facilitate the distribution of Jamunapari goats. Nevertheless, during the past five years, the number of goats provided to the target community under the objective of the project fell sharply from 213 to 31.	The COVID-19 pandemic in 2020-2022, fuel crisis, and economic crisis were reasons for this reduction.	A formal investigation should be conducted against officers who did not implement project objectives, and a new plan should be introduced to make the project successful.
	ii.	Without taking necessary measures to identify animals carrying the Blue Tongue disease in the centre, a total of Rs. 34,331,552 was unproductively spent from 2020 up to the end of the review year on maintaining these diseased goats.	As BT-infected animals cannot transmit the disease to another healthy animal, this expenditure cannot be considered productive.	A systematic process should be implemented to ensure the economical utilization of government funds.
(d)	<b>Artificial Insemination Center at Polonnaruwa</b>			
	i.	Due to the illness of 39 out of 48 cows from a 100-acre farm intended for dry-season hybrid bull semen production and daily artificial insemination training, the Center remained completely inactive for over 02 years.	Since controlling the widespread disease is difficult and to achieve cost management objectives, this work is conducted solely through the Kundasale Central Artificial Insemination Center.	Formal action should be taken against officers who did not take timely decisions, and a new plan should be introduced to keep the center operational.

ii. Failure of the Department of Animal Production and Health to intervene promptly in the disposal of diseased animals resulted in 55,270 units of bull semen, valued at Rs. 3,067,797, being unused for more than a year.	Semen collection, production, and distribution are carried out solely by the Kundasale Central Artificial Insemination Center.	- Do -
iii. A total expenditure of Rs. 9,449,053 was incurred for the completely inactive center during the year under review, which is an unproductive cost to the government.	Polonnaruwa Artificial Insemination Center is the only institution in Sri Lanka that trains private and government Artificial Insemination technicians.	- Do -

### 3.3 Procurements

#### Audit Observation

(a) It was observed that although Rs. 24,000,000 had been estimated for the purchase of laboratory equipment under the Artificial Insemination Centers Development Project – 2023, an expenditure of Rs. 72,346,750 was incurred. This indicates actions were taken outside the procurement plan, and proper planning based on identified requirements had not been made.

#### Comment of the Accounting Officer

Although the procurement for animal importation was conducted through the procurement process, no supplier submitted a quotation. Consequently, action was taken to purchase laboratory equipment under a revised procurement plan.

#### Recommendation

Action should be taken against the officials concerned for failing to prepare the procurement plan properly.

### 3.4 Assets Management

#### Audit Observation

(a) A total of 28 items of assets belonging to 06 government-owned properties under 04 institutions of the Department of Animal Production and Health remained idle for more than a year without any utilization.

#### Comment of the Accounting Officer

Funds have currently been requested for the repair of the animal shed structures; measures are being taken to maintain the farm land productively; there is no requirement for occupancy in official residences; the expected number of animals were not available on the farms; there were no officers currently available to use the motorcycles; silage production was deemed unnecessary; the Semen Collection Yard section is used for artificial insemination training

#### Recommendation

A plan should be prepared to ensure the productive utilization of assets that prevent them from remaining idle.

activities; and the canteen was expected to be utilized as a full-time lecture hall once the audiovisual facilities were fully completed.

### 3.5 Transactions of a Financial Irregularity Nature

	<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a)	The full investigation report under F.R. 104(4) regarding the financial irregularity of Rs. 14,749,160 committed by the Financial Officer (Shroff) of the Gannoruwa Animal Research Institute had not been issued by the end of the review year.	Not replied	Action should be taken in accordance with financial regulations to promptly issue the relevant investigation report.
(b)	Although legal action had been taken against the Financial Officer (Shroff) directly responsible for the financial irregularity, no action had been taken against other parties also accountable for this irregularity.	Not replied	By conducting a formal investigation, legal action should be taken against other officers involved in the irregularity.

### 3.6 Losses and Damages

	<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a)	Although action should have been taken immediately under Financial Regulation 104 to identify and recover losses/damages incurred to the Government, no action had been taken to recover the losses totaling Rs. 32,033,833 related to 392 cases occurring between 1 and 5 years.	Measures have been taken to avoid the deficiencies highlighted regarding losses/damages.	Formal action should be taken against officers who failed to take recovery action, and steps should be taken to promptly recover the losses and damages.
(b)	Although full reports on losses and damages were required to be prepared within three months under F.R. 104(4), 289 reports relating to loss and damages incidents, with a total value of Rs. 6,711,879 and occurring over a period of 1 to 5 years, had not been finalized.	Measures have been taken to avoid the deficiencies highlighted regarding losses/damages.	Formal action should be taken against officers who did not complete the investigations, and immediate steps should be taken to conduct investigations into losses and damages.

(c)	<p>Although 1 to 2 years had elapsed since the death of 30 animals, valued at Rs. 255,534, the relevant post-mortem examinations had not been conducted, and the corresponding reports had not been submitted.</p>	<p>Measures have been taken to avoid the deficiencies highlighted regarding losses/damages.</p>	<p>Steps must be taken to carry out a proper inquiry into the failure to submit the relevant reports and to expedite the investigation of the losses.</p>
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### 3.7 Uneconomic Transactions

#### Audit Observation

(a) According to the decisions of the procurement committee, 100,000 units of foot-and-mouth disease vaccines were purchased at a unit price of Rs. 82 on 01 August 2020, resulting in a loss of Rs. 3.9 million to the government. Although an inquiry in this regard was conducted based on the recommendations of the Committee on Public Accounts, no government officer outside the institution had participated. While the investigation report concluded that no losses had occurred, no appropriate intervention by the Chief Accounting Officer was observed in this matter.

#### Comment of the Accounting Officer

A government officer from the Rural Economic Division of the Ministry of Agriculture has been appointed as an external member of the investigation panel, and a copy of the investigation report has been submitted to the Secretary of the Ministry.

#### Recommendation

Action should be taken under the intervention of the Chief Accounting Officer through an independent investigation panel, in accordance with the recommendations of the Committee on Public Accounts.

### 3.8 Management Weaknesses

#### Audit Observation

(a) An Automatic 20 L & 200 L Bioreactor was purchased for the Polgolla Animal Vaccine Laboratory on 29 July 2022 at a cost of Rs. 96,548,000. To meet the country's normal vaccine requirement of 300,000 doses, a new machine with an annual capacity of 500,000 to 1,200,000 doses was purchased at a cost of Rs. 96 million. Consequently, producing the normal requirement of 300,000 doses using this machine

#### Comment of the Accounting Officer

The new equipment cannot produce 12 lakhs of doses annually; its maximum capacity is only 5 lakhs of doses. The production of 12 lakhs of doses was planned over a 5-year period.

#### Recommendation

Action should be taken against the officials responsible for this uneconomical decision, and procedures should be introduced to ensure that maximum efficiency is achieved in the use of government funds.

resulted in unnecessary expenditure for the government, and the machine remained underutilized.

#### **4. Good Governance**

##### **4.1 Rendering services to the general public**

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
<p>At the Gannoruwa Central Animal Investigation Center, laboratory tests are conducted on fish to examine fish diseases, and reports are provided accordingly. Fish farmers register for fish import and export activities. However, the inspection and approval of fish batches for export are not carried out; instead, farms are inspected and certified once every 06 months. Accordingly, it was observed that there could be discrepancies in quality between the fish batches and the certificates issued by the institution.</p>	<p>In the future, if sufficient staff and laboratory facilities are provided, each export-related fish batch can be inspected accordingly.</p>	<p>A systematic procedure should be introduced to ensure the effective performance of operational activities.</p>

#### **5. Human Resource Management**

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
<p>Comparing the approved cadre with the actual cadre during the review year, there were 216 vacancies, and there were 23 excess employees in 2 positions.</p>	<p>Action will be taken to provide the answer in due course.</p>	<p>The staff should be reviewed to fill the necessary vacancies, and action should be taken to conduct a formal investigation regarding the deployment of excess staff.</p>