National Livestock Development Board and its subsidiary - 2023

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Livestock Development Board ("Board") and its subsidiary including group ("Group") for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 1971 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 accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material 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 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)	Accordance with paragraphs 55 and 78 of Sri Lanka Accounting Standards 01, Value Added Tax (VAT) and Social Security Contribution levy payable should be disclosed as a sub-item in the financial statements or separately in the notes, although the total value of Value Added Tax (VAT) and Social Security Contribution levy payable (SSCL) of Rs. 122,560,183 was included as a sub-item in the balance of "Trade and other payables" in the financial statements.	The amount of value added tax and social security levy added to the total of current and non-current liabilities is about 7 percent in percentage terms, since this was not a quantitative value, it has been presented under trade and other payables. However, instructions have been given to present it separately on the balance sheet from 2025 onwards.	According to the standard, value added tax and social security contribution levy payable should be disclosed as a sub-items in the financial statements or separately in the notes.
(b)	According to paragraphs 103, 104 and 105 of Sri Lanka Accounting Standards 01, the costs related to production activities should be recognized under cost of sales, although the total depreciation value of machinery and estate equipment used by the Board, amounting to Rs. 128,326,535, had been included under institutional and administrative expenses without proceeding accordingly.	The National Livestock Development Board does not use machinery to a large extent, and many of the machinery used is out-dated. Only an amount that has no quantitative value is included in institutional and administrative expenses.	According to the standard, costs related to manufacturing activities should be recognized under cost of sales.

(c)	Accordance with paragraphs 15 and 16 of Sri Lanka Accounting Standards 12, the Board was required to identify deferred tax assets or liabilities for the year under review and adjust the financial statements to take into account temporary tax changes, although this had not been done.	Commencing from the presentation of the financial statements for the year 2025, the Board will take into account the tax assets that can be temporarily charged, identify deferred tax assets or liabilities, and make relevant adjustments to the financial statements.	According to the standard, deferred assets and liabilities should be identified and adjusted in the financial statements.
(d)	Although the useful lives of assets in use should be reviewed annually and the useful lives estimated and accounted for as changes in estimates in the accounts as per paragraphs 50 and 51 of Sri Lanka Accounting Standards 16, the Board had not reviewed and accounted for the useful lives of fully depreciated fixed assets totalling Rs.423,612,567, even though they were being used by the Board.	Although the useful lives of assets in use should be reviewed annually and the useful lives estimated in accordance with Sri Lanka Accounting Standards 16, a large cost is incurred for the revaluation of fixed assets, and due to the prevailing financial difficulties, a revaluation could not be carried out during this year.	As per the standard the board requires to review and account for the useful lives of fully depreciated assets in use.
(e)	As at 31 December 2023, the Board had not made any depreciation adjustments in accordance with Sri Lanka Accounting Standards 16 for the cashew plantations worth Rs. 1,335,382, cinnamon plantation worth Rs.212,765 and rubber plantation worth Rs. 20,409,766 in the year under review.	Agree with the audit report and will take actions to identify and write off the depreciation expense applicable to rubber cultivation in the future.	Relevant depreciation adjustments should be made according to the standard.
(f)	According to paragraph 5.5.15 of Sri Lanka Financial Reporting Standards 09, Expected Credit Loss Method should be used to measure subsequent impairment losses on trade and other receivables, although the fair value of trade and other receivables as at 31 December 2024 was not confirmed due to the fact that a provision of Rs. 103,324,907 was made in the financial statements without calculating such a provision for trade and other receivables of Rs. 234,835,927.	Agree with the audit report and will proceed to make the relevant calculations using the expected credit loss method from the 2025 accounting year.	According to the Financial Reporting Standard, the Expected Credit Loss Method should be used to measure subsequent impairment recognition for trade and other receivable balances.

(g)	Contrary to paragraph 81 of Sri Lanka Financial Reporting Standards 16, the total income of Rs.22,755,600 received in the year 2022 from the lease of 02 farms at Parasangaswewa and Oyamaduwa from 05 April 2022 to 05 April 2023 was recorded as income in the year 2022, resulting in an understatement of income of Rs. 5,860,346 for 94 days of the year under review.	Agree with the audit report. Relevant officials have been informed to include leases in the income statement on an accrual basis to prevent such deficiencies from recurring in the future.	Lease rentals for the year should be accurately calculated and accounted for in accordance with the standard.

1.5.1.2 Accounting Deficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	It was observed that due to depreciation of Rs.143,210,749 and Rs.48,964,645 of the equipment used for the same purpose on the Board's farms at the rates of 5 present and 10 present respectively, the assets and the relevant depreciation values were not presented correctly in the financial statements.	This change has occurred because the Board's property, plant and equipment are classified under two categories according to their respective purposes under Estate Equipment and Machinery.	Depreciation should be calculated and accounted for based on the correct depreciation rates for equipment used for the same purpose.
(b)	According to the ledger, although the closing balance of gratuity provisions as at 31 December 2022 was Rs.228,769,504, and the opening balance of 2023 was Rs.228,614,106, resulting in a decrease of Rs.155,398 in the gratuity provisions balance for the year under review.	Agree with the audit query. When consolidating the financial statements of Sri Lanka Poultry Development company Limited, the opening balance of Rs.155,398 paid by that company for the year 2023 has been reduced by the relevant value. The relevant error has been corrected in the presentation of the 2024 accounts.	Opening balances should be accounted for correctly.
(c)	Although the balance of the savings deposit account as per the Board's head office account as at 31 December 2023 was Rs.180,000, and as per the bank confirmation, the balance was Rs.480,000, resulting in an	Agree with the audit report. While entering the opening balance of the capital investment account into the QB accounting package, the same value was mistakenly	Action should be taken to accurately enter account balances into the accounting package.

	understatement of cash and cash equivalents by Rs.300,000.	transferred to the milk control account. The relevant error has been corrected in the submission of the 2024 financial statements.	
(d)	The total stock of Rs.26,492,243 under trade and other general stocks from the years 2018 and 2019 related to the Welisara Milk Project was not physically available.	Agree with the audit report. The unrealized inventory balance at Welisara Farm is physically non-existent as it is a difference between the accounting system and the physically counted inventory balance. Furthermore, the stock at the old Welisara farm has not been removed from the books and no physical stock verification has been carried out.	The reasons for the difference between the accounting system and the physically counted stock balance should be identified and necessary adjustments should be made.
(e)	Although the amount of Value Added Tax and Social Security Contribution Levy payable as per the Board's Statement of Financial Position as at 31 December 2023 was Rs.109,873,954, and as per the schedules and tax reports, the balance was Rs.79,828,695, resulting in a difference of Rs. 30,045,259.	It is accepted that the amount of value added tax and social security levy amounting to Rs.122,560,183 was reported as tax payable in the financial statements and this difference arises because the amount to be offset is shown under trade and other payables. Corrections related to this have been made and submitted in 2025.	Value added tax and social security contribution levy payable should be correctly accounted for.
(f)	The receivable from the Inland Revenue Department, which is shown in the balance of Rs. 3,672,177 as at 31 December 2023, was understated by the fact that there were two credit balances totalling Rs.344,031.	This balance is a balance that existed many years ago and will compare it with the balances available at the Department of Inland Revenue and correct it in the future.	Balances should be reconciled and corrected with the Department of Inland Revenue.
(g)	Although the lease income for the year under review from the lease of Kandakadu lands was Rs. 9,167,917	Agree with the audit report. The relevant lease money has been credited to the	Action should be taken to account for land lease income

	and the investment income was shown as Rs. 11,580,000 in the financial statements, which was higher than the investment income by Rs. 2,412,083.	bank account of the head office through the online money transfer system and this has occurred because the period to which the money relates was not recorded when the money was paid. Action has been taken to correct the relevant error when submitting the 2024 accounts by considering the period relevant to the lease agreements.	correctly.
(h)	Although the financial statements of Welikanda Farm as at 31 December 2023 stated the biological asset value of 211 animals as Rs.14,907,600, according to the Board of Survey report, the number of physical animals was 108. As a result, the value of 103 animals that were not physically present, amounting to Rs. 7,065,050, was included in the financial statements, resulting in an overstatement of the biological asset balance by that amount.	These animals cannot be fully physically counted as the physical inspection of the goods by the stock survey officers takes place over several days. There may be a shortfall in the physical count as the animals on this farm are not fully housed. It is impossible to write off the loss of animals from the books without a formal investigation. Since these animals have been transferred to another farm due to this issue, if there is a decrease in these animals, It will make the relevant adjustment in the books.	Biological assets should be accounted for correctly.
(i)	The Anuradhapura District Secretariat had constructed a warehouse capable of storing 150 metric tons of additional food crops on the land belonging to the Oyamaduwa Farm and it was handed over to the Oyamaduwa Farm Manager on 07 July 2022. Although more than 3 years had passed since the building was taken over, it had not been used for any economic activity during that period. Furthermore, no steps had been taken to include the value of the	Agree with the audit query, the development activities were temporarily halted with the restructuring of the Board in the 2023/2024 period and were not used for operational purposes on this farm. Since it is planned to increase the production of these farms in the future, these buildings will also be used for the	The value of the relevant building should be included in the fixed assets register and accounted for.

relevant building in the fixed assets register.	needs of the farm at that time.	

1.5.1.3 Lack of evidences for Audit

Audit Observation	Comments of the Management	Recommendation
The accuracy could not be verified as evidence was not submitted for audit regarding the balance of Rs.16,566,783 as deferred expenses from before 2013.	This amount of Rs. 16,566,783 has been accounted for as a deferred expense since 2013, but no deferred income has been generated since 2013. Therefore, this expense will be investigated and written off from the books.	Action should be taken to identify and clarify the information.

1.5.2. Sri Lanka Poultry Development Company limited

	Audit Observation	Comments of the Management	Recommendation
(a)	Although the decision was taken to operate the company as a farm of the National Livestock Development Board in the Cabinet meeting No. Amap/20/0890/217/052 dated 18 June 2020 and liquidation proceedings had been initiated, no disclosures were made in the financial statements as at 31 December 2023 in accordance with paragraph 25 of Sri Lanka Accounting Standards 01 and were shown separately as current liabilities and non-current liabilities.	Relevant disclosures have been made under 3.1.2.1. Of the financial statements.	Disclosures in financial statements regarding liquidation activities should be made in accordance with the standard as per the decision of the Cabinet of Ministers.
(b)	Although the date of approval for issue of financial statements is required to be disclosed in the financial statements in accordance with paragraph 17 of Sri Lanka Accounting Standard 10, the date of approval of the financial statements by the Board of Directors had not been disclosed.	Sri Lanka Poultry Development Company Limited is a company 100 percent owned by the National Livestock Development Board, and the approval given by the Board of Directors regarding the financial statements of the National Livestock Development Board is disclosed under 2.2 of the Financial Statements.	The date of approval of financial statements should be disclosed in accordance with accounting standards.

(c)	Although impairment adjustments should be made as per paragraph 5.5.15 of Sri Lanka Financial Reporting Standards 09, impairment adjustments had not been made for the receivable balances between 5 and 10 years and over 10 years totaling Rs. 6,610,335.	The relevant impairment adjustments are planned to be made from 2025.	According to accounting standard, impairment adjustments should be accounted for correctly.
(d)	Due to the fact that the building owned by the company at Barnes Place, Colombo, which cost Rs. 22,500,000, had not been depreciated from 01 July 2014 to 31 December 2023, the loss for the year under review had been understated by Rs. 1,125,000, the retained earnings had been understated by Rs. 10,687,500 and the carrying value of property, plant and equipment had been overstated by the same amount.	Agree with the audit query and will take actions to carry out depreciation related to the building and correctly account for it in the 2024 accounts.	Annual depreciation for assets should be accurately accounted for.
(e)	Although the increase in current assets and decrease in current liabilities were Rs.929,810 and Rs. 534,409 respectively, the balances were stated as Rs. 671,310 and Rs. 515,912 when preparing the cash flow statement.	Errors of Cash flow statement has been corrected	The cash flow statement should be prepared correctly.

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

	Audit Observations	Comments of the Management	Recommendation
(a)	The employee debtor balance of the Head Office amounted to Rs. 757,743, of which Rs. 379,262 had remained outstanding for more than 05 years. Furthermore, an amount of Rs.636,326, representing employee debtor balance, remained recoverable from 12 employees who had left the organization.	Agreed with the audit report.	Action should be taken to recover the debtor balance.
(b)	According to the financial statements, the debtor balance amounted to Rs. 234,257,786, of which debtor balances amounting to Rs. 79,650,700 had	Agreed with the audit report. Necessary action is being taken to write off the debtor balances exceeding 05 years	Action should be taken to recover the debtor balances.

	remained exceeding 05 years and had not been recovered even by the end of the year under review. Furthermore, no recovery had been made, as at 31 December 2025, from the debtor balance amounting to Rs. 5,821,542 in respect of which legal action had already been initiated.	that remain at a level where recovery is not possible from the books of accounts.	
(c)	Although the expenditure amounting to Rs. 5,044,043 incurred in the year 2016 for the rehabilitation activities of the Polonnaruwa Farm under the "Pibidemu Polonnaruwa" Project had been shown as receivable balances, action had not been taken to recover the said balance even by the end of the year under review.	Although the relevant bills relating to the expenditure incurred under the "Pibidemu Polonnaruwa" Project had been forwarded for reimbursement, the payment of this amount had been discontinued as the relevant funds had been returned to the General Treasury due to the expiry of the period for utilizing the provisions.	The amounts receivable in respect of the "Pibidemu Polonnaruwa" Project should be recovered from the relevant parties.
(d)	Although an amount of Rs. 150,000 paid to a private company approximately 10 years ago for the cleaning of the lakes at the Bopaththalawa Farm had been shown as prepayments in the financial statements of the Board for the year under review, the said amount had not been recovered as at 31 December 2025 due to the non-availability of source documents confirming that the relevant work had been performed or that the payment had been made.	Since no source documents could be found to confirm that the payment had been made by the Bopaththalawa Farm to the relevant company, the said amount remains unrecoverable.	Action should be taken to find the relevant source documents and to recover the amount from the relevant parties.

1.6.2 Accounts Payable

	Audit Observations	Comments of the Management	Recommendation
(a)	According to the age analysis of trade creditor balances included under trade and other payables within the current liabilities of the Board's Statement of Financial Position, creditor balances amounting to Rs. 132,942,034 had remained outstanding for a period	Due to the financial difficulties faced by the Board, the settlement of the debts had been delayed, and arrangements are currently being made to settle these amounts in	Action should be taken to settle the payable balances.

	between 1 and 5 years, and creditor balances amounting to Rs. 57,227,417 had remained outstanding for a period exceeding 5 years.	instalments.	
(b)	Although the financial statements of the Poultry Development Company (Private) Limited showed a total outstanding balance of Rs. 3,345,629 receivable from the National Livestock Development Board, the Board's financial statements did not reflect any amount payable to the company.	In the year 2015, buffaloes and cattle valued at Rs. 4,089,480 and household furniture valued at Rs. 982,440, totalling Rs. 5,071,920, had been provided to the National Livestock Development Board and farms. In order to deduct this amount, buffaloes valued at Rs. 1,245,785 had been provided by the Board to the Company during the years 2019 and 2020. In addition, as ordinary transactions between the two institutions during the years 2020 and 2021 had been deducted from the amount receivable, a remaining balance of Rs. 3,345,629 had been shown in the Company's accounts as receivable. It is informed that this remaining balance could be settled upon completion of the liquidation process.	The differences between the balance receivable from the Company in the financial statements of the Board and the amount payable to the Board in the financial statements of the Company should be reconciled, and necessary adjustments should be made to the financial statements.
(c)	Although the Board had decided, in accordance with the accounting guideline followed since the year 1993, to pay a commission of 0.75 per cent of the cash handled to the officers engaged in activities relating to the handling of cash at farms, the approval obtained for the said accounting guideline had not been submitted for audit. It was observed that the Staff Creditors balance amounting to Rs. 48,891,243 showed under Trade and Other Payables in the financial	The accounting guidelines have been in operation at the Board since 1993, and it has not been possible to ascertain whether approval had been obtained for this purpose, as the matter had occurred 32 years ago.	If a commission payment is made to the officers engaged in activities relating to the handling of cash, approval should be obtained for such payment.

	statements of the Board as at 31 December 2023 included cash commissions amounting to Rs. 12,051,665 payable to farm employees.		
(d)	The accrued loan interest amounting to Rs. 98,023,448 up to the year 2012, in respect of the loan amounting to Rs. 102,662,700 obtained from the Farmers' Trust Fund for the purchase of maize harvests during the Maha seasons of the years 2004 and 2005, had been showed under provisions within current liabilities. However, action had not been taken to settle the said interest even as at 31 December 2023.	As no agreement has been reached so far regarding the payment of interest relating to the loan obtained from the Farmers' Trust Fund, the said amount has been recorded under the loan interest payable account. Due to the financial difficulties faced by the Board, only the principal amount of the loan obtained is being settled by making monthly instalments of Rs. 500,000.	An agreement should be reached regarding the accrued loan interest and action should be taken accordingly.
(e)	In the year 2012, Sri Lanka Poultry Development Company Private Limited, a subsidiary of the Board, was established by acquiring the entire share ownership of Libyan Agricultural and Livestock Private Company. An amount of Rs. 4,201,333 was payable to the shareholders and the Board of Directors of Libyan Agricultural and Livestock Private Company in respect of attendance expenses for Director Board meetings, air travel expenses and subsistence allowances. Action had not been taken to settle the said payable balance even as at 31 December 2023..	This amount represents a payment made by the National Livestock Development Board to the Libyan Foreign Investment Company, on behalf of Libyan Agricultural and Livestock Private Company, through a bank draft. As the relevant Libyan Foreign Investment Company had not encashed the said bank draft, the Bank of Ceylon had credited the value of the bank draft to the account of the National Livestock Development Board.	It is informed that action could be taken either to settle or recognize as income the said balance after examining, through a committee, the possibility and necessity of making such payment.
(f)	Although a balance of Rs. 4,218,655 receivable from the Sri Lanka Poultry Development Private Limited Company was shown in the Board's financial statements as at 31 December	This difference has arisen due to discrepancies in transactions between the two companies, namely the Sri Lanka Poultry	The differences between the schedules and the financial statements should be identified, and action

2023, only an amount of Rs. 2,591,558 was shown as the payable balance in the financial statements of the said Company. Accordingly, action had not been taken to reconcile the long-outstanding difference amounting to Rs. 1,627,097.	Development Company Limited and the Mahaweli Livestock Enterpises limited. Action is being taken to transfer these companies to the National Livestock Development Board in accordance with a decision of the Cabinet of Ministers, and the errors existing in these accounts will be rectified accordingly.	should be taken to correct the balances.

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 dated 14 February 1975	The Board had leased land comprising 517 acres and 14 perches situated at Mahaberiyatenna to a private company for a period of 99 years at a consideration of Rs. 29,418,300, and land comprising 3 acres and 0.31 perches situated at Welisara to another private company for a period of 30 years at a consideration of Rs. 31,600,800, for activities not related to the functions to be performed by the Board.	According to a Cabinet decision reached at the Cabinet meeting held on 28 October 1992, 517 acres of land from the Mahaberiyatenna Farm had been released on a lease basis to Rajawella Holdings from the year 1996 for a period of 99 years, in accordance with Cabinet Memorandum No. Amp/1192/145 (5) dated 05.10.1992 titled “Allocation of Lands for the Victoria Golf and Resort Project”, submitted by the Prime Minister in his capacity as the Chairman of the Cabinet Sub-Committee on Foreign Investments.	When leasing lands owned by the Board, such lands should only be provided for activities related to the functions required to be performed by the Board as identified by the Act and the Gazette Notification.
(b)	Section 5(1) of the Gratuities Act, No. 12 of 1983	Although gratuity payments should have been completed within 30 days from the date of cessation of	The gratuity payable relating only to the year 2023 amounts to Rs. 13,878,089, while an amount of Rs. 1,020,939	Action should be taken to pay gratuity benefits within the stipulated period in accordance with the

		employment, an amount totalling Rs. 14,899,028 remained payable as at the end of the year under review, including Rs. 2,226,774 payable to 25 employees who had ceased employment during the period from 2004 to 2022 and Rs. 12,672,254 payable to 61 employees who had ceased employment during the year 2023.	relating to 15 cheque-roll employees who had left employment during the period from 1993 to 2007 has been disclosed separately in separate accounts. Further, it is informed that action is being taken to pay gratuity within 30 days from the date of cessation of employment of employees; however, delays of a few days may occur due to deficiencies existing in certain documents.	provisions of the Act.
(c)	Section 6.6 of the Operations Manual and Guidelines issued under Public Enterprises Circular No. 1/2021 dated 16 November 2021.	Although the financial statements and the draft annual report should be submitted to the Auditor General within 60 days from the end of the financial year, the financial statements for the year 2023 had been submitted for audit by the Board on 27 October 2025 with a delay of 607 days, and by Sri Lanka Poultry Development Private Limited Company on 12 December 2025 with a delay of 652 days.	It is acknowledged that there was a delay in submitting the financial statements for audit, and action is currently being taken to minimize such delays. This delay will be eliminated upon the submission of the financial reports for the years 2024 and 2025 during the year 2026.	The financial statements should be submitted for audit within the stipulated time period in accordance with the provisions of the Circular.
(d)	Section 26(i) of the Value Added Tax Act, No. 14 of 2002 (as amended by the Value Added Tax (Amendment) Act, No. 08 of 2006).	Although the tax relating to a particular taxable period should be paid on or before the twentieth day of the month immediately succeeding such period, the Board's tax	It is acknowledged that the Board was unable to pay the said tax amounts due to the severe financial crisis faced by the Board. Approval of the Cabinet of Ministers has been obtained to provide funds from the	Action should be taken in respect of the outstanding tax liability in accordance with the approval of the Cabinet of Ministers, and the tax payments should

		liability amounting to Rs. 63,751,460 relating to the period from January to December 2023 had not been settled even as at 30 April 2025.	General Treasury to settle the outstanding tax liability, and it is informed that the relevant tax amounts will be paid on the due dates without any arrears from August 2025 onwards.	be made on the due dates without any arrears.
(e)	Sections 1 and 17(i) of the Social Security Contribution Levy Act, No. 25 of 2022.	Action had not been taken to settle the Social Security Contribution Levy amounting to Rs. 7,462,429 payable for the months of October and November 2022, and Rs. 8,614,805 payable for the months of November and December 2023.	It is acknowledged that the Board was unable to settle the said tax amounts due to the severe financial crisis faced by the Board. Approval of the Cabinet of Ministers has been obtained to provide funds from the General Treasury to settle the outstanding tax liability, and it is informed that the relevant tax amounts will be paid on the due dates without any arrears from August 2025 onwards.	Action should be taken in respect of the outstanding tax amounts in accordance with the approval of the Cabinet of Ministers, and arrangements should be made to pay the tax amounts on the due dates without any arrears.

2. Financial Review

2.1 Financial Result

The operating result of the National Livestock Development Board and its subsidiary during the year under review was a loss of Rs. 126,380,488, whereas the corresponding result in the preceding year was a profit of Rs. 148,554,214. Accordingly, a deterioration of Rs. 274,934,702 in the financial performance was observed. The decrease in the gain arising from the change in the value of biological assets by Rs. 266,875,590 compared to the preceding year, together with the increase in administrative, distribution and other expenses, had mainly contributed to this deterioration.

2.2 Trend analysis of major income and expenditure items

Although the sales revenue of the National Livestock Development Board and its subsidiary had increased by 2 per cent during the year under review, the gross profit of the Board and its subsidiary had deteriorated by 13 per cent due to a 63 per cent decrease in the gain arising from changes in the fair value of biological assets compared to the preceding year. Further, distribution expenses had increased by 56 per cent, administrative expenses by 7 per cent, and other expenses by 54 percent..

2.3 Ratio Analysis

During the year under review, the current ratio, quick ratio and gross profit ratio of the National Livestock Development Board and its subsidiary were 1:1.24, 0.72 and 25.5 per cent respectively, whereas the corresponding ratios in the preceding year were 1:1.35, 0.74 and 28.23 per cent respectively. Accordingly, a slight deterioration in the current ratio and quick ratio was observed, indicating that the Board was facing working capital issues. Further, the gross profit ratio had decreased by 13 per cent compared to the preceding year. Although sales had increased by 2 per cent during the year under review, the decrease in the gain arising from changes in the fair value of biological assets by 63 per cent compared to the preceding year had mainly contributed to this decline.

3 Operational Review

3.1 Management Inefficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	Although 890.71 hectares of land belonging to the Oyamaduwa Farm, with a cost of Rs. 11,746,756, were disclosed in the Statement of Financial Position as at 31 December 2023, it was observed that such lands had not been utilized for any productive economic activity other than maintaining 209 cattle at the farm. Although 826 acres of land belonging to the farm had been leased to a private company in 2022, such lands had not been re-leased or utilized for any other economic activity after the expiry of the relevant lease period on 05 April 2023.	The National Livestock Development Board does not have sufficient working capital to develop this farm, and plans have been made to develop the farm in collaboration with the private sector in the future. It is expected that this initiative would make a significant contribution to the national economy.	Action should be taken to effectively utilize the lands belonging to the farm for achieving the objectives of the Board..
(b)	Due to the delay in identifying the responsible parties relating to the amount of Rs. 5,536,409 recoverable as at 31 December 2023, including the loss of resources amounting to Rs. 5,351,366 caused by the disappearance of 1,726 breeding chickens at the Miriswatta Farm on 07 and 08 September 2022, the relevant amount remained unrecovered even as at 31 December 2025, the date of audit.	An investigation has been conducted by the Board in this regard, and a complaint lodged with the Police is currently being investigated. Action will be taken to recover the relevant amount from the responsible persons upon completion of the necessary procedures.	Formal investigations should be conducted to identify the officers responsible, and action should be taken to recover the loss without delay.
(c)	Based on Cabinet Decision No. Amp/20/0890/217/052 dated 18 June 2020, approval had been granted to transfer Sri Lanka Poultry Development	When the relevant documents for the dissolution of the company with the consent of the	Action should be taken to transfer Sri Lanka Poultry Development Private Limited to the

	Private Limited to the National Livestock Development Board. In accordance with the Companies Act, No. 07 of 2007, a liquidator had been appointed on 16 July 2021 for the voluntary winding up of the company by shareholders. Although an advance payment of Rs. 117,400 had been made on 26 April 2023, the expenditure had become uneconomical due to the winding-up process not being completed. Subsequently, a decision was taken to liquidate the company with the consent of creditors. Although the National Livestock Development Board had agreed with the creditor company to settle the amount of Rs. 13,869,511 payable to the major creditor as at 30 June 2024 and proceed with the liquidation process due to the significant increase in the cost of the liquidator proposed by the major creditor of the company, the liquidation process had not been completed even as at 05 January 2026.	Board of Directors were submitted to the Department of the Registrar of Companies, the process was changed to a creditors' voluntary winding-up due to a technical error made by the company secretaries. Accordingly, the process was delayed due to the objection raised by Gold Coin (Private) Limited, a major creditor, against the dissolution. A request had been made by letter dated 19 September 2025 to Gold Coin Feed Mills Lanka Limited, the major creditor, for a 10 per cent concession on the amount of Rs. 13,169,511 payable, and the creditor has agreed to the request. The liquidation process can be commenced after settlement of the said debt.	Board in accordance with the Cabinet Decision without further delay.
(d)	According to the Board of Survey report submitted for the year under review in respect of the Welikanda Farm belonging to the Board, shortages amounting to 120 units relating to 57 categories of fixed asset items were observed. According to the Board of Survey report for 2022, shortages relating to these asset items had also existed. However, the balances had been carried forward without taking necessary action in this regard.	Instructions have already been issued to conduct an investigation in this regard, identify the officers responsible, and take further appropriate action.	An investigation should be conducted into the asset shortages, the officers responsible should be identified, and further necessary action should be taken.
(e)	According to the financial statements of the Board, the bank overdraft amounting to Rs. 52,521,680 as at 31 December 2022 had increased to Rs. 60,203,743 as at the end of the year under review, representing a 14 per cent increase.	The Board has not increased the bank overdraft facility granted by a state bank, and the overdraft facility has not been exceeded. However,	Action should be taken to maintain the bank overdraft at a minimum level.

		since the cash book balance includes cheques issued but not presented for payment, the cash book balance has exceeded the overdraft facility limit.	
(f)	An investigation of a complaint lodged with the Fraud Investigation Unit regarding the recovery of a total amount of Rs. 10,906,995, comprising a cash shortage of Rs. 619,485 and a shortage of biological assets amounting to Rs. 10,287,510 at the Welikanda Farm, was in progress, and the relevant proceedings had not been completed even as at 31 January 2026.	A complaint lodged with the Fraud Investigation Unit in this regard is currently under investigation, and further action could not be taken as the responsible parties have not yet been specifically identified. Upon completion of the relevant functions of the Fraud Investigation Unit, further action will be taken in accordance with its findings.	An investigation should be conducted into the cash and biological asset shortages, and the relevant amount should be recovered from the parties responsible.

3.2 Operational Inefficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	Although the number of dairy cattle and buffaloes maintained in the farms belonging to the Board had decreased to 11,760, 10,503 and 9,854 in 2021, 2022 and 2023 respectively, the expenditure incurred on feed provided to those animals had increased to Rs. 862,707,615, Rs. 949,560,850 and Rs. 960,698,128 respectively. Further, the quantity of milk produced during the relevant period had gradually decreased to 10,331,358 litres, 7,062,151 litres and 5,552,868 litres respectively.	The main reasons for the decrease in milk production were the significant decline in milk production at the Ridiyagama Farm and the continuous increase in animal feed prices during these years. The sharp increase in concentrate feed prices during these years was the main reason for the increase in animal feed prices.	Action should be taken to increase milk production by effectively utilizing the resources available to the institution, producing quality animal feed, and providing such feed to the animals.
(b)	In 2023, the main projects implemented by the Board’s farms, namely cattle and buffalo farming, pig farming, sheep farming, goat farming, non-traditional animal husbandry and potato cultivation, generated a total income of Rs. 1,919,670,505. However, as the total cost of sales incurred for these projects	The total income, cost of sales, and gross loss relating to the cattle and buffalo, pig, sheep, goat, and potato projects mentioned in the Audit Report are correct.	Action should be taken to implement projects in a manner that achieves the objectives of the institution and to obtain maximum benefits in relation to the investments made.

	amounted to Rs. 1,932,546,548, a loss of Rs. 12,876,043 had been incurred from these projects.		
(c)	The financial statements for the year 2023 had been submitted for audit on 27 October 2025. However, due to the adverse impact caused by Cyclone Ditwah, which affected Sri Lanka during the period from 26 to 30 November 2025, damages had been caused to 418 animals in 24 farms belonging to the Board, 1,490 coconut trees and other types of trees in 12 farms, short-term crops such as banana and maize, and fixed assets including buildings and roads.	The damages caused by Cyclone Ditwah in 2025 are expected to be adjusted through the relevant write-offs in the financial statements for the year 2025.	A disaster management plan relating to the institution and farms should be prepared and implemented, and the damages identified should be adjusted in the financial statements.