

**1. Financial Statements**

**1.1 Disclaimer of Opinion**

The audit of the financial statements of the Mahaweli Livestock Enterprises Limited for the year ended 31 March 2019 comprising the statement of financial position as at 31 March 2019 and the statement of profit or loss and the statement of other comprehensive income, statement 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 in Article 154(1) of the Constitutions of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of 2018. My comments and observations which I consider should report to Parliament appear this report.

I do not express an opinion on the financial statements of the Company. Due to the significance of the matters discussed in the Basis for Disclaimer of opinion section, I was unable to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**1.2 Basis for Disclaimer of Opinion**

I do not express an opinion based on the facts set out in paragraph 1.5 of this report.

**1.3 Responsibilities of Management and Those Charge 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

As per section 16(1) of the National Audit Act No.19 of 2018, the Company 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 company.

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

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

As part of an audit in accordance with Sri Lanka Auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit, I 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 Company'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 Company'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 conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company 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 Company, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resource of the Company 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 Non-compliance with Sri Lanka accounting Standards

<b>Non-compliance with reference to relevant standard</b>	<b>Comments of the management</b>	<b>Recommendation</b>
(a) According to Section 97 of Sri Lanka Accounting Standards 1, when items of income or expenses are quantifiable, an entity should present their nature and amount separately, but the company had included Rs.2, 542,447 worth of other income within operating income.	According to Accounting Standard No. 1, other incomes will present separately.	When items of income or expenditure are material, their nature and amount should be presented separately.
(b) According to note no. 7 of the financial statement, 10 balances with a value of Rs. 19,612,190 included in the trade receivables of Rs.69, 493,116 have existed since before the year 2018 and the information related to those balances such as time analysis, nature of transactions was not submitted to the audit and as at the audited date and the company had failed to collect the money. Value of this asset was overestimated due to the non-recognition of trade and other receivables based on the expected credit loss method in accordance with Section 5.5.15 of Sri Lanka Reporting Standard No. 9.	Those balances are coming from the year 2018 and our institution does not have the files related to those balances. The reason for that is these files may have been misplaced during the transfer of files from the head office in Colombo to the Tambuttegama farm. Those balances will also forward to the Board of Directors and make arrangements to release them to the income and expenditure account.	Trade receivables should be valued using the expected credit loss method.
(c) According to Section 4 of Sri Lanka Accounting Standards 41, farm animals such as chickens and pigs should be included in biological assets, but in the financial statements of the company, 11,489 chickens with a value of Rs.17,084,142 were listed as breeding stock.	A detailed plan of the mother animals related to the value of Rs.17,084,247 stated in the financial statement has been given.	Chickens and pigs specified as breeding stock should be included in biological assets.
(d) Biological assets were not presented as a separate item in the financial statement in accordance with Section 43 of Sri Lanka Accounting Standards 41 due to the fact that the ledger categories for pigs, chickens, mature coconut trees were not introduced as biological assets in the company's ledger for the financial year.	Introducing a ledger category as biological assets for pigs, coconut trees, etc. is difficult to do in practice, and hope to present biological assets according to Standard No. 41 as per the instructions of the National Livestock Development Board and the auditor.	Biological assets should be presented as a separate item in the financial statement.

## 1.5.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
(a) An allocation of Rs.10,630,937 was made as doubtful debts for trade and other receivables, but the basis on which it was calculated was not submitted to the audit.	The doubtful debt of Rs. 10,630,937 has been taken as an opening balance in the Quick Book system. We do not have any documents related to that. The reason for that may be that these files were misplaced during the transfer of files from the Dematagoda head office to our farm. It will submit the balances to the Board of Directors and proceed according to the instructions.	The basis for the calculation of doubtful debt provision for trade and other receivables should be submitted for audit.
(b) According to Note No. 14.1 of the financial statement, 03 balances with a value of Rs. 21,700,427 included in trade payables of Rs. 80,976,482 existed before the year 2018. The audit was not able to verify the existence and accuracy due to the non-availability of information related to those balances, such as age analysis and the nature of transactions. As at 30 June 2023, the balance was not settled.	These payable balances are continuously coming and are opening balances of Quick Book. Our company does not have any documents related to those balances. The reason for that is that these files may have been misplaced during the transfer of files from the Dematagoda head office to our farm.	Age analysis related to trade payables, nature of transactions should be submitted for audit.
(c) According to Note No. 14.2 of the financial statement, the outstanding credit balance of Rs.15, 497,840 existed even before the year 2018 and the said balance had not been settled and Information on how the balance was created was not submitted to the audit.	Credit balances of Rs.15, 497.840 in suspense account are opening balances in the Quick Book system. We do not have any documentation to correct it. It says that No official in our company knows the correct information about how it came.	The details of how the doubtful credit balance has arisen should be submitted to the audit and that balance should be settled.
(d) As at 31 March 2019, the date of purchase, existence, and accuracy of each asset could not be identified of amounting to Rs.16,729,353 in the financial statement, due to non-maintenance of a fixed asset register for property, plant, and equipment and so Thus it was not possible to identify the fully depreciated assets as at 31 March 2019.	Our company's accounting system has been transferred to the Quick Book system in 2016. It has added to the QB system as an opening balance on transfer. Therefore, there is no documentation for opening balances of fixed assets. Due to this situation it is not possible to maintain a fixed asset register. Action will be taken to prepare an asset register with revaluation and the approval of the board of directors in the future.	A fixed asset register should be maintained for property, plant and equipment.

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| <p>(e) As at 31 March 2019, Although Rs.995,230 loan balance received from the Livestock Development Board was stated in the financial statement, it was not included in the balance due in the financial statement of the Livestock Development Board. The reasons for it were not investigated and no other acceptable evidence was submitted to the audit to establish the loan balance.</p> | <p>The balance of Rs.995, 230 due to Livestock Development Board has come as opening balances in the Quick Book system. Our company does not have any documents related to those balances. Those balances will submit to the Board of Directors and action will be taken according to its decisions.</p> | <p>The loan balance obtained from the Livestock Development Board should be confirmed.</p>   |
| <p>(f) The balance Confirmation letter for the loan amount of Rs.352,528 received from Bank of Ceylon as at 31 March 2019, was not submitted for audit, so it was not possible to confirm the accuracy of that balance.</p>   | <p>Bank confirmation notice is hereby submitting for the balance of Rs.352,528 from Bank of Ceylon as at 31.03.2019.</p>   | <p>The balance confirmation letter for the loan balance as at 31 March 2019 has not been submitted for audit and it should be submitted immediately.</p> |
| <p>(g) Rs.124,946 worth mixed food stock and Rs.141,337 of other stocks included in the financial statements and were unusable stocks brought forward from 2016 and therefore there was an overvalued of the company's stocks. Physical verification reports for those stocks were also not submitted for the audit.</p>  | <p>Those balances are the opening stock balances that continue. Those balances will present to the board of directors and correct them in the future according to those decisions.</p>   | <p>Unusable stock should be removed from stock, and physical verification records should be submitted for audit.</p>                                     |
| <p>(h) The value of the general stock included in the financial statements is Rs.3,723,084, and according to the board of survey report, the value of the general stock is Rs.4,833,650. So it was observed that there was a stock undervaluation of Rs.1, 113,566.</p>   | <p>The difference between the value of this common stock and the value of the stocks as per board of survey report is a continuous difference. The balance will be submitted to the Board of Directors and action will be taken as per that decision.</p>  | <p>A stock shortage that has occurred should be found and collected from the responsible parties.</p>  |
| <p>(i) According to the company's board of survey reports, information on the valuation of 1633 inventory items that were damaged beyond reuse was not submitted to the audit. Therefore, it was not possible to ascertain whether the values of these assets were further included in fixed assets or written off.</p>   | <p>The unusable dilapidated inventory items will be identified in the future, the asset values will be confirmed, and these values will present to the board of directors and remove them from the value of the assets.</p>  | <p>Information relating to valuations of inventory items that are damaged beyond reuse should be submitted to the audit.</p>                             |

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| (j) | According to the company's board of survey reports, it was observed that 4473 inventory items, such as spare parts and engineering stocks, are not mentioned in the company's books and 02 water tanks of 500 and 1000 liters were also included in this. The values of these assets were not submitted to the audit and it was observed that the fixed assets were undervalued from the value of those assets in the financial statement. Also, proper corrections were not made to find out the reasons for the changes revealed by the board of survey reports. | Action will be taken to correct   | Physically available spare parts and engineering stock that are not mentioned in the books should be adjusted to the inventory value, and those values should be submitted for audit. The reasons for the changes revealed by the board of survey reports should also be corrected. |
| (k) | Verification reports of Rs. 22,597 stock of medicines in B warehouse, Rs.330,361 in cultivation project stock and Rs.1,454,672 worth food stock in B warehouse included in the financial statements were not submitted to the audit, so it was not possible to confirm their existence and accuracy.   | The files related to those balances hope to submit.   | Stock verification reports of drug stock and food stock should be submitted to audit.   |
| (l) | Value of employee benefit obligation of Rs.8,960,779 could not be ascertained due to non-availability of calculation report or actuarial valuation report for the balance included in the financial statements.  | Correct document regarding employee benefits, hope to prepare and submit.   | An employee benefit Obligation calculation report or Actuarial Valuation report should submit to audit.   |
| (m) | Calculations for deferred tax assets amounting to Rs.1,086,831 and deferred tax liabilities amounting to Rs.3,470,646 were not submitted to the audit, so the accuracy could not be confirmed.   | Regarding Deferred taxes will look into and provide answers in the future.  | Documents for calculation of Deferred tax liability should be submitted for audit.  |
| (n) | For the assessment years 2017/2018 and 2018/2019, fines of Rs.99,511 and Rs.73,426, respectively, for economic service charges were asked to be paid by the inland revenue department, but these fines were not accounted for.   | All files in this regard have been sent to the external auditor for audit, and after receiving them at our institution; I will look into them and correct them in the future. | Penalties for Economic service charges should be accounted for.   |
| (o) | An amount of Rs.219,546 as penalty for Value Added Tax in respect of the 3 months from 1/1/2019 to 31/3/2019 and an amount of Rs.5,402,900 as taxes to be  | All files in this regard have been sent to the external auditor for audit, and after receiving them at our institution; I will look into them and                             | Value added tax payable and related penalties should be accounted for.  |

paid on the value added and Rs.5,403,955 as penalty for the 3 months of 1/1/2018 to 31/3/2018 was informed by the Inland revenue Department through an assessment notice, but this amount was not accounted as taxes to be paid. correct them in the future.

- (p) According to the company's board of survey reports, it was observed that there was stock surplus of Rs.21,008 in the 09 items included in the general stock. It will correct according to the board of survey report. General stock surpluses should be looked into and corrections made.
- (q) Surcharges amount of Rs.10,485,000 had not been paid for nine years from 2010 to 2018 for Kalankuttia farm land. Therefore, the Mahaweli Authority's Residential Business Manager (Zone H) informed them regarding the cancellation of said lease right through the letter number RPM/T/L/CLO/Gal/74 dated 10 October 2017. However, the tax was not paid or provision was not made for it. Further no agreement was signed for the leased property. The Mahaweli Livestock Enterprise limited has not made these tax payments for a long time and company is facing severe financial crisis and the farm is maintaining with great difficulty. Because of this, tax payments or surcharge payments cannot be made, so the problem has been directed to the higher management to be resolved. The National Livestock Development Board and Sri Lanka Mahaweli Authority are discussing this matter. A lease agreement must be signed for the farm land, and the lease payment or provision should be made.
- (r) Although the trade payables and other payables are mentioned in Note No. 14 as Rs.22, 878,915 and Rs.77, 450,295 of the financial statements, respectively, those are stated in the related notes No. 14.1 and 14.2 as Rs.80,976,482 and Rs.19,352,728. Differences of Rs.58, 097,567 were observed between those balances. These creditor balances are continuously coming. Our company does not have sufficient documentary evidence regarding these balances. The accounts will be prepared with the approval of the board of directors in future. Trade payables and other payables should be accurately reflected in the notes of the financial statements.

## 1.6 Accounts Receivables and Accounts Payables

### 1.6.1 Accounts Receivables

Audit Observation	Comments of the management	Recommendation
Calculations schedules for economic service charges receivable of Rs.1,716,706 and recoverable withholding tax of Rs.207,741 accounted under trade and other receivables were not submitted to the audit.	In this regard, all the files have been sent to the external auditor for audit, and once these files are received by our organization, those things will look into them and correct in the future.	Schedules for calculation of economic service charges receivable and recoverable withholding tax should be submitted for audit.

## 1.6.2 Accounts Payables

Audit Observation	Comments of the management	Recommendation
Nation building tax of Rs.2,997,447, income tax payable of Rs.27,263,365, value added tax payable of Rs.618,771, other tax payable of Rs.213,611 are negative balance shown under trade and other payables ,detailed schedules, remittances and tax returns were not submitted for audit.	In this regard, all the files have been sent to the external auditor for audit and after receiving these files at our institution, those balances will look in to and correct in the future.	Detailed schedules, remittances and tax returns for nation building tax, income tax payable, value added tax payable should submitted for audit.

## 1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to the rules, regulation and	Non compliance	Comments of the management	Recommendation
(a)Public Enterprise Circular dated 02 June 2003 No PED/12			
(i) Section 5.1.3	After approval by the board of directors, the corporate plan prepared 15 days before the beginning of the financial year should be submitted to the line ministry, the department of public entrepreneurship, the treasury and the auditor general. But the 2019-2023 corporate plan had not been submitted for audit by the date of audit, 5 June 2023.	Comments had not been given	15 days before the commencement of the financial year, the corporate plan should be submitted to the line ministry, the department of public entrepreneurship, the treasury and the auditor general after approval by the board of directors.
(ii) Section 5.2.4	Although the draft budget should be submitted to the Board of Directors for approval three months before the beginning of the financial year, the budget document for the year 2018/2019 was not approved by the Board of Directors until the audit date, 30 June 2023.	Comments had not been given	The draft budget should be submitted to the Board of Directors for approval three months before the commencement of the financial year.
(iii) Section 5.2.5	The Board of Directors should have approved the budget and submitted it to the line ministry, the Department of Public	Comments had not been given.	The Board of Directors shall approve the budget

Enterprise, the Treasury and the Auditor General within 15 days before the start of the relevant financial year, but this was not done.

and submit it to the line ministry, the Department of Public Enterprise, the Treasury and the Auditor General within 15 days of the commencement of the relevant financial year.

(iv)

Section 6.5.1

Although draft annual reports and annual accounts should be submitted to the Auditor General within 60 days of the end of the accounting year, the financial statements for the 2018/2019 financial year were submitted to the Auditor General on 28 February 2023 and a delay of 45 months was observed.

Comments had not been given.

Draft annual reports and annual accounts must be submitted to the Auditor General within 60 days of the end of the accounting year.

(b)Public Finance  
Circular No. 01/2014  
dated 17 February  
2014

Paragraph 5(II)

Based on the project plan, an action plan should be prepared for the financial year from 01 April 2018 to 31 March 2019, but the action plan submitted for audit was prepared for the period from 01 January 2019 to 31 December 2019. Furthermore, the Board of Directors' approval was not obtained for this action plan submitted to the audit and the following points that should be included in the action plan were not included.

Comments had not been given.

An action plan for the financial years should be prepared and approved by the board of directors including the matters to be included.

(i) Statement of Financial Position, Cash Flow Statement to be included in the Annual Budget;

(ii) Human Resource Development Plan

(iii) Internal Audit Plan

(iv) Updated organization structure, approved carder and information about existing staff.

(c)Government Procurement Guideline Paragraph 4.2.1	The company should prepare the master procurement plan for a period of at least three years and then prepare the procurement activities for the coming year in detail. However, the company had not prepared a procurement plan for the year 2019.	Comments had not been given.	The procurement plan should be prepared for a period of at least three years.
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**2. Financial Review**

**2.1 Financial Result**

The operating result of the year under review amounted to a loss of Rs.8, 348,549 and the corresponding profit in the preceding year amounted to Rs.7, 447,304. Therefore an deterioration amounting to Rs.15, 795,853 of the financial result was observed. The reasons for the deterioration were mainly due to the significant increase in cost of sales by 14 percent compared to the previous year.

**2.2 Analytical Financial Review**

It was observed that the net assets of the company are less than half of the declared capital of the company and thus the severe loss situation of the company's capital has not been avoided till now. The current assets ratio, quick assets ratio, and gross profit ratio of the year under review were 1.01, 0.74, and 11 respectively, and the ratios were 1.05, 0.77, and 19 respectively, in the previous year. Accordingly, a decline in these ratios was observed, and it was observed that the current asset ratio and quick asset ratio are at a weak level, so it is facing a working capital problem. Also, the decrease in the gross profit ratio was due to the decrease in the sales revenue and the increase in the cost of sales disproportionately.

**3 Operational Review**

**3.1 Management Inefficiencies**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The Hurulugaswewa farm land belonging to the Mahaweli Authority had not been taken over by the Mahaweli Livestock Enterprises Limited. And there was no lease agreement for it. The land size of this land has not been definitely identified so far and the idle area also could not be definitely identified.	When the Mahaweli Livestock Enterprises Limited was established in 1989, this company also operated under the Mahaweli Authority. At that time, some buildings that did not take advantage of Mahaweliya were referred to processes with utility. As a result, our company's animal feed manufacturing plant was also established in a building in Mahaweli land. At that time, the management of the Mahaweli Authority and the management of our company were the same. (Governed under the same chairman) The Mahaweli Authority has specific information about the size of the land.	The area of the land should be identified precisely and a lease agreement should be entered into or taken over.

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| <p>(b) Anuradhapura Tambuttegama 26-acre farm land where the office of Mahaweli Livestock Enterprise Limited is situated belongs to Mahaweli Authority and a thirty-year lease agreement was entered into on 03 October 1989 regarding the land. According to its terms, the tax period had ended on 02 October 2019. Further, action had not been taken to update the covenants relating to this land, which has a total of 31,099 square feet of buildings and 46,924 square feet of structures under construction (no value).</p> | <p>Comments had not been given.</p>   | <p>Actions should be taken to update the lease agreement related to the land.</p>  |
| <p>(c) Although the accounting year of the company was from 01 April 2018 to 31 March of the following year, the performance report submitted for the audit was prepared with reference to 01 January 2018 to 31 December 2018. Therefore, the performance related to the financial year could not be properly examined.</p>   | <p>It was a mistake on our part while preparing the performance report. When preparing the performance report, action will be taken to prepare a performance report showing the financial and physical progress of the entire organization in the future.</p>     | <p>Arrangements should be made to properly prepare the performance related to the financial year.</p>                                  |
| <p>(d) The company has prepared and presented the only the physical progress related to the poultry project. A performance report was not prepared showing the physical and financial progress of the company as a whole, including the progress of the company's pig breeding project, agriculture and other crops and construction etc.</p>  | <p>It was a mistake on our part while preparing the performance report. When preparing the performance report, action will be taken to prepare a performance report showing the financial and physical progress of the entire organization in the future.</p>     | <p>A performance report showing the physical and financial progress of the entire company should be prepared.</p>                      |
| <p>(e) According to the observation of the Minister of Finance in the letter No. BD/RDS/124/CM/07 dated 08 July 2015 related to the decision of the Cabinet dated 16 July 2015 No.</p>   | <p>54% of our company's shares are held by the Mahaweli Authority. The transfer process was slow for some time because our company does not have a Board of Directors. Currently, a Board of Directors has been appointed and the process of transferring our</p> | <p>According to the Cabinet decision, all resources, assets, shares and management should be transferred to the National Livestock</p> |

AMP/15/0940/631/018-I, the company to the National Livestock Development Board. The operational efficiency of the company under the relevant legal procedures For confirmation, all resources, assets, shares and management should be acquired by the National Livestock Development Board and in the year 2017, the board had only 27 percent of the company's share ownership. However, until now, the acquisition activities had not been started according to the decision of the Cabinet.

### 3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) 5 Lorries belonging to the Mahaweli Animal Trading Company were given to a company belonging to the Mahaweli Authority for use, but the vehicles were not handed over until 12 June 2023.	These 05 lorries are belonging to the Mahaweli Authority. These vehicles are currently parked in a dilapidated condition. The valuation was done in November 2021 and the lorries that have been so valued are currently being transferred to the National Livestock Board.	Action should be taken to transfer the ownership of lorries properly.
(b) According to the performance report, the actual sales revenue of eggs was Rs.8.65 million and according to the budget, the expected egg sales revenue was Rs.10.86 million and a difference of Rs.2.21 million was observed between actual and expected egg sales revenue. When it is taken as a percentage, it is observed that the expected income is a negative variation of 20 percent.	We did not get the opportunity to sell at the prices we expected and had to spend a higher percentage than we expected to invest. Animal feed prices and drug prices were frequently raised in the market. Due to these reasons, the expected income could not be achieved in the sale of eggs.	The reasons for not achieving the expected egg sales income should be investigated and necessary measures should be taken.
(c) According to the performance report, the actual broiler chicken sales revenue is Rs.72.19 million and according to the budget, the expected broiler chicken sales revenue is Rs.173.78 million and there was a difference of Rs.101.59 million between the	We did not get the opportunity to sell at the prices we expected and had to spend a higher percentage than we expected to invest. Animal feed prices and drug prices were frequently raised in the market. Due to these reasons expected income could not be achieved in the sale of broiler meat.	The reasons for not achieving the expected chicken sales income should be investigated and necessary measures should be taken.

actual and expected broiler chicken meat sales revenue. Taking it as a percentage, it was observed that the expected income has decreased by 59 percent.

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| <p>(d) In 2018, the net profit before tax was Rs.7,447,304 and in 2019 it had declined to a net loss before tax of Rs.8,343,549. It was observed that it was a decrease in profit of 212 percent.</p>   | <p>By this time, the income of broiler meat as well as the price of broiler litter dropped rapidly due to instability in the country due to the Easter attack. Based on these reasons, everything did not go as we expected and the profit decreased rapidly.</p>   | <p>The reasons for the decrease in profit before tax should be investigated and necessary measures should be taken.</p>                     |
| <p>(e) According to the budget, the total income expected to be earned by the company in the year 2018 was Rs.285.53 million and in the year 2019 it was planned as Rs.207.88 million and according to the performance reports the total income earned by the company was Rs.181.32 million and Rs.102.37 million. Accordingly, it was observed that the total income expected to be earned by the company and the total income actually earned decreased by Rs.104.21 million in the year 2018 and by Rs.105.51 million in the year 2019. The decrease as a percentage of the total revenue expected to be earned was 36 percent in 2018 and 51 percent in 2019.</p> | <p>We did not get the opportunity to sell at the prices we expected and had to spend a higher percentage than we expected to invest. Animal feed prices and drug prices were frequently raised in the market. Likewise, with the Easter attack, the market was further destabilized. Due to these reasons, the planned expected income could not be achieved.</p> | <p>The reasons for not achieving the total revenue expected to be earned should be investigated and necessary measures should be taken.</p> |
| <p>(f) According to the budget, the total profit expected to be earned in the years 2018 and 2019 is Rs.96.79 million and Rs.6.24 million respectively, and according to the performance report, the total profit earned by the company in the year 2018 is Rs.2.39 million and the total loss for the year</p>   | <p>Comments had not been given.</p>   | <p>The reasons for not achieving the expected total profit should be investigated and necessary measures should be taken.</p>               |

2019 is Rs.9.4 million. . Accordingly, the total profit expected to be earned by the company in the year 2018 and the total profit actually earned had decreased by Rs.94.41 million and the decrease was 98 percent as a percentage. A decrease of Rs.15.84 million was also observed when comparing the total profit expected to be earned by the company and the total loss actually earned in the year 2019, which is a percentage decline of 248 percent.

### 3.3 Procurement Management

Audit Observation	Comments of the Management	Recommendation
(a) During the year under review, on 13 occasions, the procurement files were not submitted for audit to check animal feed purchases worth Rs.24,208,171 from a private company located in Colombo.	These purchases have been made since 2015. By 2015, the Mahaweli Livestock Enterprises Limited. Had fallen to a very unfortunate level. At that difficult moment, animal feed was not purchased according to the procurement process. The only challenge was to feed the animals. Since a Board of Directors had been appointed by now, these purchases were made with the approval of the Board of Directors. Approvals for the purchase of animal feed were taken at every Board meeting.	Procurement files related to purchase of animal feed should be submitted for audit.
(b) Quotations and recommendations of the procurement committee and technical evaluation committee had not been presented to the audit relating to the purchase of animal medicines and vaccines worth Rs.174,949 from a private company located in Homagama and worth of Rs.172,349 from a private company located in Colombo in 03 occasions, with a total value of Rs.347,298 during the year under review.	In the purchase of these drugs, it was difficult to get drugs from other companies as mentioned in (a) above. The quality of certain vaccines was also considered. It was unable to obtain all the drugs and vaccines by the procurement process. Therefore purchases were made from from companies like Browns and Chemi Pharm.	The recommendations of procurement committees and technical evaluation committees related to the purchase of veterinary drugs and vaccines should be submitted for audit.

- (c) Rs.277,314 chick boxes were purchased from a private company located in Gampaha and Waturugama during the year under review, in 04 occasions. In this regard, Invitations for quotations submitted by bidders, recommendations of the procurement committee and technical evaluation committee were not submitted to the audit.
- This happened without the procurement process due to the situation prevailing through the crisis situation of the company.
- Procurement process should be followed in relation to purchase of Chick boxes.