

Coconut Cultivation Board - 2021

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Coconut Cultivation Board for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net assets 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 Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the Coconut Development Act No. 46 of 1971, National Audit Act No. 19 of 2018, and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Board. Because of the significance of the matters discussed in the basis for disclaimer of opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer Opinion

Based on the matters described in Paragraph 1.5 of this report , I do not express an opinion.

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 disclaimer 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 Public Sector 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 intends 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 Audit Scope (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 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 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 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 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 it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to Relevant Standard	Comments of the Management	Recommendation
(a) Although the entities should present financial statements showing budgeted figures and actual figures separately in terms of Paragraph 24(a) of Sri Lanka Public Sector Accounting Standards 1, the budgeted figures had not been shown in the financial statements of the year under review.	It will be presented in a way that reconciles with the budgeted figures in the financial statements as at 31.12.2022 .	Financial statements should be presented with budgeted figures and actual figures in terms of Sri Lanka Public Sector Accounting Standards.
(b) Fixed deposits of Rs.14,083,793 maturing in 06 months as at 31 December 2021 to be shown under current assets had been shown in the statement of financial position as long-term investments under non-current assets in terms of Paragraph 76 (c) of Sri Lanka Public Sector Accounting Standards 1.	Actions will be taken to accurately account for the short-term and long-term fixed deposits by classifying as per maturity dates in the next year.	Fixed deposits with maturity of 06 months should be shown under current assets in the financial statements.

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| (c) | The short term fixed deposits which had matured in 03 months on 31 December 2021 totalled to Rs.79,826,734 and savings account balances of Rs.1,119,430,841 in statement of financial position of Coconut Cultivation Board had been shown under non-current assets instead of showing it under cash and cash equivalents in contrary to Paragraph 9 of Sri Lanka Public Sector Accounting Standards 2 . | Actions will be taken to classify and accurately account for the short term and long term fixed deposits by maturity dates in the next year. | Short-term fixed deposits should be shown under cash and cash equivalents in the statement of financial position. |
| (d) | A prior year adjustment of Rs.28,859,978 included in the statement of changes in net assets had also been made within adjustments made to operational profit in the cash flows statement of the Board in contrary to Sri Lanka Public Sector Accounting Standards 2 . | In the preparation of the cash flow statement of the Coconut Cultivation Board for the year ended 31.12.2021, since the adjustments related to the previous year directly affect the assets and liabilities of the balance sheet, those adjustment should also be made to the cash flow statement. | The adjustments relating to previous year should be made in the statement of changes in equity. |
| (e) | Although the audit fee paid in the year 2021 was Rs.552,600, it had been shown as Rs.1,611,000 by overstating Rs.1,058,400. | The prior year adjustment of Rs.1,058,400 made to audit fee provision account as at 31.12.2021 has been recorded as audit fees paid during the year. | Adjustments relating to the previous year should be made in the statement of changes in equity. |
| (f) | Although the value of property, plant and equipment purchased in cash in the year under review was Rs.117,397,591, since that figure had been recorded as Rs. 111,506,381 in the cash flow statement, the cash flow received from investment activities had increased by Rs.5,891,210. | A sum of Rs. 117,397,591 has been spent to purchase property and capital goods related to the year 2021 and a total of correction of errors related to financial assets and the balances relating to the disposal of assets totalled to | Actions should be taken to show the accurate value of assets purchased in cash in the cash flow statement. |

- Rs.5,891,209 have been adjusted to that account and the balance of Rs.111,506,381 has been recorded in the cash flow statement.
- (g) Although the difference in stock values whilst making adjustments to working capital in relation to cash flows from operational activities in the statement of cash flows was Rs. 503,251,200 it had been shown as Rs.502,090,934 by understating Rs.1,160,266 in the cash flow statement.
- The balance adjusted between the two coconut seedlings and other coconut-related values in the statement of financial position as at 31.12.2021 has been included in the cash flow statement.
- The difference in Inventory in adjustment in working capital in cash flow statement should be accurately recorded.
- (h) As a result of failure of annually review the residual value and useful life of a non-current asset in accordance with Paragraph 65 of Sri Lanka Public Sector Accounting Standards 7, although the assets for which the cost was fully depreciated at the end of the year under review amounted to Rs.424,474,271 were further being used, the estimated error had not been adjusted and accounted for in accordance with Sri Lanka Public Sector Accounting Standards 3 accordingly.
- All the buildings belonging to the Coconut Cultivation Board have been handed over to the Valuation Department for revaluation. As soon as the task is completed, actions will be taken to adjust this revaluated amount in the financial statement.
- The useful lives of the assets which are being used should be reviewed and the estimated value should be shown in the financial statements in accordance with Sri Lanka Public Sector Accounting Standards.
- (i) Although all income receive should be recognized as an income as per Paragraph 12 of Sri Lanka Public Sector Accounting Standards 11, capital grant of Rs.734,294,000 received from the Treasury for the year ended 31 December 2021 had been recognized as income of Rs.679,002,363 in the statement
- The Coconut Cultivation Board has received Rs.734,294,000 as Treasury provisions as at 31.12.2021. Out of that amount, a sum of Rs.55,291,637 has been spent for the purchase of fixed assets which were estimated under the
- The Treasury grants should be shown in the financial statement as stated in Sri Lanka Public Sector Accounting Standards .

of financial performance by understating Rs. 55,291,637 .

Treasury Provision. Accordingly, the remaining amount of Rs.679,002,363 as cash income for development projects and Rs.55,291,637 as capital investments have also been accounted for.

(j) Although the biological assets and agricultural products at the time of harvest can be identified as biological assets under the Standard in terms of Paragraph 2 of Sri Lanka Public Sector Accounting Standard 18, within the biological asset value of Rs.365,711,768 indicated under non-current assets in the statement of financial position of the Board as at 31 December 2021, the cost of Rs.300,374 related to Biogas Project which is entirely inactive and not related to it and the value of Rs.74,610,392 incurred for the Palai Land Development Programme had also been included.

The Biogas Project mentioned under biological value is currently entirely inactive and arrangements will be made to write off the value of Rs.300,374 related to it in the next year. Similarly, actions will be taken to show the value of Rs.74,610,392.00 which was the Palai land development cost and appeared as biological asset, under other development programmes by taking off from biological assets in the financial statements 2022 .

Only the items related to biological assets should be shown in the financial statements as biological assets in terms of Sri Lanka Public Sector Accounting Standards 18.

(k) Although the total number of 15,493 trees in the form of 8,916 trees with timber value of 51 species such as jackfruit, teak etc. in 12 model gardens and 6,577 trees with timber value of 64 species in 39 nurseries and a total number of 137,074 trees as 128,601 coconut trees in 12 model coconut gardens and 8,473 coconut trees in 39 nurseries which can be recognized as biological assets had been identified in physical verification, the value of those trees had not

It has been handed over to the National Plantation Management Institute by now to assess the value of all tree species of timber value identified as a biological asset in model coconut gardens by the Coconut Cultivation Board. After receiving that report, actions will be taken to adjust the assessed value of all tree species with that timber value in the financial statements in accordance

The assessed value of biological assets should be accounted for.

been assessed and accounted for in terms of Paragraph 13 of Sri Lanka Public Sector Accounting Standards 18.

with Paragraph 13 of Sri Lanka Accounting Standard 18 .

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) The balances which were not tally for many years in the inter-current accounts maintained for transactions occur between the Head Office of the Board and Model Coconut Gardens and accordingly, there were of debit balance totalled to Rs.31,348,289 in the 06 model coconut gardens and the credit balance totalled to Rs.50,374,300 in 06 coconut gardens at the end of the year under review and an amount of Rs.19,026,011 payable to model coconut gardens as a credit balance under current assets had been included in the financial statements after offsetting those debit and credit balances.</p>	<p>Arrangements will be made to identify the reasons for the difference in the current account balance of model coconut garden and correct in the future.</p>	<p>Actions should be taken to accurately tally the balances of inter current accounts.</p>
<p>(b) There were debit and credit balances brought forward in the nursery ledger account for many years due to the failure to enter the nursery ledger account after paying all the daily expenses of the nurseries with the money given monthly by the Head Office through the Regional Offices to 39 nurseries belonging to the Coconut Cultivation Board and</p>	<p>Actions will be taken in future to tally the nursery accounts and account for.</p>	<p>Actions should be taken to identify the reasons for the changes and to adjust accurately in the financial statements.</p>

returning the remaining money to the Head Office at the end of the year and the difference in those debit and credit balances amounted to Rs.4,675,275 had been shown under current assets in the statement of financial position by the end of the year 2021.

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| <p>(c) A debit balance of Rs.1,703,686 had been shown under current assets in the statement of financial position at the end of the year under review without being tallied the funds provided by the Head Office of the Board for carrying daily expenses such as transport of seed coconuts to the Negombo Seed Coconut Unit, fuel costs of the seed coconut unit, vehicle maintenance costs, etc. at the end of the financial year.</p> | <p>As there is no balance relating to fixed assets in the balance sheet, actions will be taken to adjust the prior year adjustment account as at 31.12.2022 .</p> | <p>Actions should be taken to identify the reasons for the differences to accurately adjust relevant balances in the financial statements.</p> |
| <p>(d) A 15 acre land in Matara Weligama owned by the Board had been leased out to the Coconut Research Institute to construct a “Resistant Seed Garden that is resistant to Leaf Wilt and Rot Disease”. For that, the total lease rent receivable from 2017 to 2021 amounted to Rs.1,125,000 had not been recovered even by the end of the year under review and it had not been accounted for as a balance receivable.</p> | <p>Actions have been taken to account for the amount of Rs.1,125,000 receivable from the Coconut Research Institute from the year 2017 to the year 2021 as the amount receivable as at 31.12.2022. Likewise, arrangements have been made to get the money to the Coconut Cultivation Board as well.</p> | <p>Actions should be taken to collect lease rent properly and show the balances receivable accurately in the financial statements.</p> |
| <p>(e) As a result of the recurrent expenditure of Rs.22,197,339 incurred in previous years</p> | <p>Since there are no identifiable fixed assets in Pasikuda Tourism Projects,</p> | <p>Actions should be taken to remove those costs from the</p> |

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| <p>related to Pasikuda Tourism Project had been accounted for as long-term investments under model coconut gardens, the value of long-term investment had been overstated by the same amount.</p> | <p>actions will be taken to adjust this value to the prior year as at 31.12.2022 .</p> | <p>investment value.</p> |
| <p>(f) Although the total interest income was Rs.2,542,923 in the form of fixed deposit interest received on Kapruka Project investments for the year 2021 amounted to Rs.1,996,293 and fixed deposit interest receivable amounted to Rs.546,630 as at 31 December 2021, since the interest income of the Kapruka Project was shown as Rs.2,988,370 in the financial statements, the interest income had been overstated by Rs.445,447 .</p> | <p>Although the over-receipt of fixed deposit interest income receivable of Kapruka Credit Scheme for the year ended 31 December 2021 amounted to Rs. 445,447 should be mentioned as prior year adjustments, it had been accounted for as interest income received during the year under review.</p> | <p>Annual interest income should be accurately computed and accounted for.</p> |
| <p>(g) The Pannala Divisional Secretary had handed over the land of Mahayaya Watta in extent 331 acres 01 rood to the Institute on 21 July 1993 and its value had been shown as Rs.7,813,048 in the financial statements of the year under review. Accordingly, although the value of 01 perch was as low as Rs.147, actions had not been taken to assess and account for the accurate value of the land up to the end of the year under review.</p> | <p>Arrangements will be made to adjust the revaluated amount in future financial statements after revaluation of lands belonging to Mahayaya Watta.</p> | <p>Land values should be accurately assessed and accounted for.</p> |
| <p>(h) Although Rs.156,928,599 should be paid to the Land Reforms Commission as usage fees of 3 coconut gardens</p> | <p>Actions will be taken to disclose the amount payable by the Coconut Cultivation Board to the Land Reform</p> | <p>Actions should be taken to make payments of usage charges payable and</p> |

namely Batticaloa, Pasikuda Estate, Kurunegala Hawanila Estate and Girtland Estate from 1974 to 2022 as per letter dated 20 May 2021 from Deputy Director (Revenue) of the Commission, the relevant payments had not been made by the end of the year under review and allocation or disclosure had not been made in this regard in the financial statements.

Commission in the financial statements in future as per the decisions receive after consultation with Ministry of Plantation Industry, Treasury and Land Reforms Commission in respect of usage charges of 3 coconut gardens.

to make related provisions in the financial statements as per agreement with Land Reforms Commission .

(i) The coconut sales income of the year under review of the Coconut Cultivation Board for the year had been understated by Rs.2,095,743 and the amount of Rs.134,313 which was the coconut auction income to be received from the Lenawa Model Coconut Garden had been added to the revenue twice.

The balance of Rs.2,095,743 for which understated in the receivable from the sale of coconuts as at 31 December 2021, has been accounted for as coconut income in the year 2022 by a mistake and the arrangements have been made to be corrected through the financial statements of the year 2022. Further, actions have been taken to correct the addition of the amount of Rs.134,313 for which the coconut auction income receivable from Lenawa Model Coconut Garden to the income twice by financial statements 31.12.2022 .

The income should be accurately calculated and shown in the financial statements.

(j) Although the profit of the model coconut gardens was Rs.242,987,320, because that value was recorded as Rs.242,835,000 in the statement of financial performance, the income for

This is a mathematical error and the balance of the schedule has been shown accurately.

Profits of model coconut gardens should be accurately indicated in the statement of income.

the year had been understated
by Rs.152,320 .

1.5.3 Documentary Evidences not made available for Audit

Item	Amount	Audit Evidence Unavailable	Comments of the Management	Recommendation
(a) Although the value of survey charges of 121 acres 01 rood 07 perches of Randeniya Estate and Lenawa Estate belonging to the Land Reforms Commission, which were transferred to the Board through a lease deed belonging to Paththini Devalaya, Kandy valued at Rs.1,255,020, the plan of the land required to prove that value was not submitted for audit.	1,255,020	Plan of the Land.	Necessary arrangements will be made to find out the information about the confirmation of ownership for Randeniya Estate and Lenawa Estate and to make the related adjustments according to the Sri Lanka Accounting Standard.	The plans of the respective lands should be submitted for audit.
(b) Balance confirmations for balances of Rs.55,783,581 relating to 17 debtor accounts shown in the financial statements had not been submitted to audit.	55,783,581	Balance confirmations	Although the letters have been sent in respect of the debtor balances in respect of the year 2021, replies were not received.	The physical existence of debtor balances should be verified by the balance confirmations.
(c) The Coconut Cultivation Board had submitted	146,437,679	Sales invoices	The 100% of the value paid by buyers for each	The respective buyers should issue invoices

2,588,795 coconuts from 8 coconut plantations to the Coconut Development Authority's coconut sales auction on 33 occasions from 13 May to 23 December 2021 and coconuts valued at Rs.146,437,679 were sold to 6 buyers. There, an invoice shall be issued informing the purchaser of lot numbers, serial numbers, unit price, total value, penalties or other deductions, invoices had not been issued to the respective buyers during the year under review.

stock and the cash receipts have been issued. Coconut release notices have been issued by the model coconut gardens and Nursery Development Division. Further, after the removal of coconuts under the auction rules, vouchers have been prepared for each stock and all fines have been recovered and actions have been taken to inform the respective broker company about it in writing.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
(a) The total of salaries overpaid to former General Manager in 2020 and 2021 totalled to Rs.113,216 had not been recovered even by the end of the year under review.	A conflict has arisen between the institutions due to a transaction that took place while transferring to another institution in November 2021. Accordingly, this money has not been overpaid to the General	Arrangements should be made to recover this amount immediately.

Manager and is an amount due to the Coconut Cultivation Board from the said institution.

- (b) A total of Rs.7,248,397 as Rs.6,573,572 due from the Ministry of Coconut Development and Janatha Estates Development, Rs.302,288 receivable from the sale of coconuts to Lanka Sathosa in 2014 and Rs.372,537 receivable from the Department of Buildings for the Weligama Disease Spread Programme and Organic Fertilizer Programme held in 2013 and 2014 had not been recovered for more than 07 years.
- As there is currently no possibility to get Rs.5,979,174 and Rs.594,398 receivable to the Coconut Cultivation Board for the Weligama Disease Control Project as decided in the Debt Balance Settlement Committee held at the Ministry of Plantations on 17.03.2023, the Board of Directors has given instructions to refer this to the Audit and Management Committee before sending it to the Ministry of Plantation Industries to be written off in future financial statements subject to the approval of the Board of Directors.
- A formal procedure should be applied to recover the money to be received from the Ministry, Lanka Sathosa and Department of Buildings.
- (c) A loan amount of Rs.1,654,349 receivable from 100 employees who had left the service was in arrears between 02 and 11 years and proper actions had not been taken to recover the above debts.
- After obtaining the approval of the Board of Directors, the recoverable balances of the employees who have left the service will be recovered and irrecoverable balances older than 2 years will be written off in the financial statements as per the Establishments Code and Financial Regulations.
- Appropriate actions should be taken to recover the receivables to the Board.
- (d) Even though the cases had been filed to recover
- This Company has conducted its business
- The Board should take appropriate actions to

Rs.3,808,156 receivable from two private companies that bought coconuts from the Board in the years 1997 and 1999, as those proceedings were not handling properly, it had been impossible to collect the money for 23 and 24 years. Even though the case had been closed by the Attorney General's Department in 2017 informing that an amount of Rs.2,631,781 out of this for which should be charged to W.T. Vaaz & Company were reported to be untraceable, it was also observed that the Company had registered with the Coconut Development Authority as a brokerage company in the year 2020 and participate in coconut auctions.

activities through the Coconut Development Authority up to the end of 2021 and this Company has been blacklisted by the Coconut Development Authority in the year 2022. Accordingly, it is requested to take necessary steps to blacklist this Company so that this Company cannot carry out such fraudulent activities in the future.

recover receivables by conducting legal proceedings properly.

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
(a) The retention money related to 42 construction works which had remained unresolved from 02 to 07 years aggregating to Rs.6,565,730 had been shown under trade creditors without being evaluated the related tasks and settled.	Actions will be taken to settle outstanding construction work balances for more than two years against the previous year's income.	Measures should be taken to pay the retention money pertaining to the construction works or to account for as revenue.
(b) Even though a period of 29 years to 42 years had elapsed for deposit balances collected during the period from 1979	Arrangements will be made with the approval of Board of Directors in respect of deposit	Proper actions should be taken to settle the matters related to the officers who have

to 1992 from 08 retired employees who had worked as storekeepers and cashiers totalled to Rs.603,818, actions had not been taken to settle up to now. balances totalled to Rs.603,818 obtained during the period 1979 to 1992 from 08 employees who have currently left the service. left the service, promptly.

- (c) The payments of the unpaid salaries of the year 2020 related to 11 officers under sundry creditors totalled to Rs.671,228, had not been made even as at the end of the year under review. Actions will be taken to write off the unpaid salaries related to 11 officers mentioned under creditors for the year 2020 from the financial statements adjusting to income. Actions should be taken to investigate unpaid wages and settle related transactions.

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) Orders issued by the Chairman of the Board in accordance with Section 4 of the series of orders made by the Minister under Sub-section 12 (2) of the Plant Protection Act No. 35 of 1999 and published by Extraordinary Gazette No. 1623/11 dated	Although such trees shall be cut and removed within 14 days from the date of marking as diseased trees and such action should be carried out as directed, and also the Board had identified as affected by Weligama coconut wilt and rot disease trees, the number of coconut trees which were not cut down by the landowners or the Board was 13,484 by the end of the year under review.	A number of 13,484 diseased trees have remained in the field as at 31.12.2021 due to the difficulty of the field officers to go to the lands and vaccinate in the face of the Covid epidemic situation in 2020 and 2021 . Nevertheless, a number of 18,650 diseased trees have been removed as at 31 December in the year 2022, including these number of diseased trees.	The number of 13,484 diseased coconut trees identified should be destroyed immediately.

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- (b) Section 6.5.1 of Public Enterprises Circular No. PED/12 dated 02 June 2003
- Although the financial statements and Draft Annual Report should be submitted to the Auditor General within 60 days of the end of the accounting year, the financial statements for the year 2021 had been submitted to the Auditor General on 02 December 2022.
- Actions will be taken to provide financial statements within 60 days in the future.
- The financial statements with Draft Annual Report should be submitted to the Auditor General within 60 days of the end of the respective year as per the referred circular.
- (c) Law No. (i) 21 (a), (b), (d) and 22(d) of Coconut Development Authority for Coconut Auction Rules enacted with effect from 01 March 2014
- The buyer should pay the entire amount in the form of 25 per cent within 14 days and 75 per cent within 35 days of purchasing coconut stock at the coconut auction and if not, a delay charge and 20 per cent ground rent should be charged, since an invoice is not issued for sales, it could not be ascertained during the audit that the applicable fines and delay charges were duly collected.
- If there is any balance after collecting all fines pertaining to all the stocks of coconuts sold in the Coconut Development Authority auction related to the year 2021, payments have been made by cheques with written approval to brokerage companies.
- A formal invoice should be issued for all sales and arrangements should be made to collect money from the buyers properly.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs.611,133,769 and, the corresponding surplus of the preceding year was Rs.131,470,029. Accordingly, an improvement of Rs.479,633,740 was observed in the financial result. Receipt of Rs.259,000,000 and Rs.100,000,000 respectively from the Ministry for an irrigation project and a coconut land development project and increase of nursery profit, model coconut garden profit and Kapruka Project income by Rs.124,650,158, Rs.200,549,822 and Rs.38,129,208 in the year under review as compared to the preceding year had mainly attributed for this.

2.2 Ratio Analysis

The current assets ratios and the quick assets ratio in the year under review and the preceding year were 4 : 1 and 2:1 respectively. Due to high working capital situation, such as the total of

closing stock and cash and cash equivalents amounted to Rs.1,295,399,307 in the year 2021 and Rs.599,525,262 in the year 2020, the current and current asset ratios had taken a higher value.

3. Operational Review
3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Although an amount of Rs.100,000,000 has been allocated to the Board under the provisions of the State Ministry in the year 2021 to convert 2500 acres of fallow paddy fields into productive commercial units and 380 acres had been approved to do those activities subsequently with the aim of selecting the lands that can be cultivated for coconuts and starting their coconut cultivation anew and turning those lands into commercial coconut lands and increasing the amount of existing coconut lands, thus increasing the productivity of coconuts, the Board had achieved only 8 per cent progress as 03 acres of government land and 27.5 acres of private land by the end of the year under review. Although it was expected by this Project to provide coconut seedlings and cash subsidy of Rs.80,000 per acre to the farmers, the Board had impossible to carry out this activity also.</p>	<p>As it was necessary to obtain the approval of the Department of Agricultural Services for the cultivation of perennial crops such as coconut cultivation in paddy lands, all applications were submitted to the Department of Agrarian Services for approval. The approval of the Department of Agrarian Services has been received only for 3.25 acres in 2021. As the approval was not received for the remaining amount it was impossible to implement this Project.</p>	<p>The projects should be implemented with a systematic program to encourage the farmers to increase the existing number of coconut land with properly planned targets.</p>
<p>(b) Identifying a number of 332,075 diseased coconut</p>	<p>Coconut Research Institute has submitted that the only</p>	<p>A permanent treatment should be</p>

trees in the leaf wilt and rot diseased areas in the 03 Districts of Matara, Galle and Hambantota during the period from 2008 to 2021, a number of 309,622 trees had been removed and a sum of Rs.610,275,180 had been given as compensation for 285,715 trees. Even though 14 years had elapsed since this disease was diagnosed, it was not possible to suppress or control this disease in the Southern Province by the end of the year under review and it was observed that only coconut trees and seedlings which showed disease symptoms were cut and removed in the diseased area.

solution to control this disease is to remove all coconut trees and seedlings showing symptoms in the diseased area as recommendations. It has been difficult to carry out field work as planned at the beginning of the year in view of the Covid situation in the year 2021 .

introduced to control the disease.

- (c) It had been targeted to examine the lands of 408 Grama Niladhari Divisions in the three Districts of Matara, Galle and Hambantota, which were identified as the disease zone during the year under review, under the Weligama Coconut Rot and Wilt Control Project as per the Action Plan 2021 and a provision of Rs.15,640,000 had been allocated for that purpose. Nevertheless, actions had not taken to examine the lands of 257 Grama Niladhari Divisions and identify the diseased trees.

It was planned to inspect the lands belonging to 408 Grama Niladhari Divisions belonging to the diseased zone in the year 2021. Nevertheless, due to the Covid situation in this year, the field officers were unable to enter the land. Similarly, the engaging of field officers in field duties has also been limited during this year.

Prompt actions should be taken to identify diseased trees.

- (d) The attack of the "white fly" pest on coconut plantations around Kegalle and Gampaha Districts in the year 2019 had increased in the year 2020 and, a high population density of white fly was seen in Gampaha, Colombo and Kalutara Districts and even though it had been expanded to 132 Divisional Secretariats of 13 regional offices in Sri Lanka so far, the disease could not be controlled due to the reasons such as lack of sufficient liquid sprayers for damage control and difficulty of application of grease in practice for taller coconut trees.
- At the same time this damage was detected, the recommendations given by the Coconut Research Institute were initiated at the field level. Likewise, all the field officers belonging to our Board have regularly informed the growers in the areas where this damage was reported. This damage control activities are being successfully carried out at the field level at present.
- A sustainable treatment should be found for whitefly disease control and eradication.
- (e) A sum of Rs.25 million given by the Coconut Development Authority to the Coconut Cultivation Board in the year 2020 to promote king coconut plantations, investments had also been made in fixed deposits even by the end of the year under review without being used for related purposes.
- The provision of Rs.25 million made for king coconut promotion activities have been planned to be used under the Action Plan of the year 2023.
- Funds received to promote king coconut cultivation should be applied to make those projects successful.
- (f) Although the Coconut Cultivation Board has been running 9 coconut gardens in the Districts of Batticaloa, Kurunegala, Ampara and Jaffna owned by the Land Reform Commission and the Coconut Research Institute for approximately 50 years, the Board had been unable to formally acquire these lands
- Five plots of land were surveyed and the plans were handed over to the Land Reform Commission in the year 2016. Out of which, the values of 4 lands have been given to the assessed values of Rs.418 million. The Board has informed in the years 2022 and 2023 in this regard.
- Arrangements should be made to formally take over the lands used by the Board.

even by the end of the year under review.

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| <p>(g) Although it had been planned to vaccinate 4,800 trees to destroy diseased trees during the year under review, since only 571 diseased trees had been vaccinated by the end of the year, it could not be vaccinated 4,229 diseased trees as expected.</p> | <p>In cases where diseased trees identified in the diseased zone are not removed from the fields by the growers, the chemical glyphosate is injected to remove. It has not been possible to proceed as planned due to government has banned the chemical imports.</p> | <p>Diseased trees should be removed and disease eradication should be expedited.</p> |
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3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Although it was expected to plant resistant coconut trees resilient to Green Kundera and Weligama Disease to improve the quality of life of landowners who have cut down diseased trees in the three Districts where the diseased zone is located and also the approximately 309,622 coconut trees had been cut and removed since the onset of the disease in 2008 to the year under review, the number of newly given resistant coconut plants was 88,478 equal to less percentage of 28 as compared to that and resistant plants had not been given in 2020, 2021 and 2022.</p>	<p>The Coconut Research Institute has issued recommendations for the variety of Green Kundera as a resistant variety to leaf wilt and rot disease. Although these are given to the growers, the Board has not provided coconut seeds due to the low yield of coconuts, thinning of the coconut kernel and lack of interest of the growers.</p>	<p>The standard of living of the land owners should be restored by replacing the removed coconut trees with disease resistant seedlings.</p>
<p>(b) Although the existing seedling nursery of the Board should be expanded into a</p>	<p>The Coconut Research Institute is responsible for the production of coconut</p>	<p>The resistant hybrid seedling garden should be established</p>

resistant new hybrid seedling nursery and also 06 years had elapsed by the date of audit, only a small number of 3193 such resistant hybrid seedlings had been produced and distributed in the seed garden established in Weligama.

seedlings.

as planned by both parties in terms of the agreement.

3.3 Transactions in Contentious Nature

Audit Observation	Comments of the Management	Recommendation
(a) Even though an amount of Rs.59,610,000 has been allocated to establish irrigation systems in 1,122 acres of coconut land under loans provided during the year under review the irrigation systems had not been installed in 508 acres of 15 Regional Offices planned as expected.	The main reason for the physical progress of establishing water supply systems under the loan programme was 61% due to the Covid epidemic situation in the country in 2021. Due to the reluctance of government offices and banking systems as well as cultivators to take loans under this epidemic situation, it has not implemented as originally planned.	The proposed irrigation systems should be completed without delay.
(b) The provident funds of the officers and employees of the Board are maintained as a separate fund within the Board and the State Ministry of Coconut, Kithul and Palmyrah Cultivation Promotion and Related Industrial Product Manufacturing and Export Diversification had revealed through a special investigation that the four officers who served in the Provident Fund	Secretary and Management Assistant and their relatives who have served under the Provident Fund between 2015-2021 have defrauded an amount of Rs. 73,839,369 and proper internal control systems have been installed for the same by now.	Establishment of proper internal control procedures regarding the activities of the fund, conducting an internal audit, updating the books of account and documents, bringing the activities of the fund to the attention of the Labour

had defrauded an amount of Rs. 73,839,369 by writing 50 cheques of the Fund in their own names and in the name of relatives during the period of 2015 - 2021 . It was observed during the audit that the governing body of the Fund did not fulfil its responsibility properly as per the matters such as failure of establishing proper internal control systems regarding the activities of the Fund, failure of having conducted an internal audit, failure of updating the accounting books and documents, allowing officials to perform the same work of the Fund for many years without delegating financial control powers, and failure of bringing the affairs of the Fund's to the attention of the Labour Commissioner, etc. which had caused for this fraud. A sum Rs. 3,790,050 of the defrauded amount had been recovered from two officers who worked in the Fund in the year under review and three out of four officers had been dismissed and the Criminal Investigation Department filed a case in the Kaduwela Magistrate's Court under the number B/4515/21 and remanded the three of them. Only the completion of the disciplinary inquiry was done for one other officer.

Commissioner to delegate financial control powers, conducting litigations promptly to recover the defrauded money.

- (c) The Board had spent Rs.420,000 in the year 2021 It has been informed to take actions to collect the According to the letter of the Director

for the rented house given to the General Manager who was attached to the Coconut Cultivation Board on secondment basis and Rs.372,149 to buy furniture for that house for personal use. Even though it had been informed as per letter of Director General of Department of Public Enterprises No. PED/A/CCB /1/2 (i) dated 05 January 2020 that as the post of General Manager is confined to the Head Office, there was no need to provide quarters or obtain consumables and arrangements should be made to recover the loss incurred by the Coconut Cultivation Board on this matter from the General Manager as per the Letter of Ministry Secretary No. SMCKP/IA/CCB dated 22 February 2022, the Officer had been released from service on 20 December 2021 recovering only Rs.7,200 from the Former General Manager.

- (d) A labour allowance of Rs.17,186,549 had been paid in cash to 27 officers including the Chairman of the Board and senior executive officers from November 2011 to January 2015 without obtaining Treasury approval as per Paragraph 9.8.2 of Public Enterprises Circular No. PED 12 dated 02 June 2003. Actions had not been

relevant money and sent addressing a letter to the Chief Secretary, Sabaragamuwa Provincial Council. Accordingly, although we have asked the Line Ministry about its progress, the details about the progress of those activities were not received by us up to now.

It was informed that a petition has been filed in the Appellate Court for obtaining a writ by the respective officers objecting to the recovery of labour allowance.

General of the Department of Public Enterprises, as the post of General Manager is confined to the Head Office, actions should be taken to recover the expenses incurred by the Board for the lease rent paid and timber from the officer concerned or the officers who approved, authorized or certified the said payment.

Labour Allowance obtained without having Treasury approval should be recovered from the respective officials without delay furthermore and disciplinary actions should be taken against the officers who had certified

taken to recover the loss incurred by the Board from the respective officers so far.

and approved for payment of such allowances.

3.4 Under-utilization of Funds

Audit Observation	Comments of the Management	Recommendation
<p>The amount received from the Line Ministry amounted to Rs. 798,776 had remained unused in the bank accounts as Rs. 236,324 received for the tube well project and Rs. 568,452 received for the fertilizer subsidy project in the years 2011 and 2017 .</p>	<p>Actions have been taken to close the balances underutilized in accounts with the approval of the Board of Directors.</p>	<p>The dormant bank accounts should be closed by withdrawing the relevant amounts.</p>

3.5 Delays in Project or Capital Works

Audit Observation	Comments of the Management	Recommendation
<p>(a) Even though a sum of Rs. 269.35 million had been received by the Coconut Cultivation Board under the Ministerial Provisions of the year 2021 for the implementation of 02 projects such as establishment of irrigation systems in coconut lands and Mite Control Project, since the amount spent by the end of the year under review was Rs.257.09 million, a sum of Rs.12.26 million or 4.5 per cent of the provision had not been utilized.</p>	<p>Out of Rs. 269.35 million received for the implementation of 2 projects under the Ministerial Provisions of the year 2021, the balance has been paid in the year 2022 .</p>	<p>Arrangements should be made to use the funds received from the government in the projects with proper planning and make them successful as effective projects.</p>
<p>(b) Although an amount of Rs.50,360,000 had been allocated to the Board under</p>	<p>It was planned to carry out the related works from the allocation made to this</p>	<p>Projects should be got succeeded by managing the</p>

the provisions of the Ministry in the year 2021 for the implementation of the Weligama Leaf Wilt and Rot Control Project, since only Rs.17,720,000 had been spent by the end of the year under review, a sum of Rs. 32,640,000 or 65 per cent of the approved provision had not been utilized.

project in the year 2021. Nevertheless, due to the Covid situation of this year, the field officers were impossible to go to the field and carry out preliminary activities like tree marking, removal and vaccination as in previous years.

allocations received from the government with proper consideration.

3.6 Procurement Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) The construction of the circuit bungalow in Anuradhapura Katukeliyawa was done by a private contractor in the year 2012 and the contract cost was Rs.11,809,918. Within a short period of 04 years after the completion of the construction, 22 cracks in the ground floor of the building, wall explosions along with the tiles in a room on the ground floor and 06 cracks in the upper floor had also occurred and had become harmful and dangerous condition and it was observed during the audit that the failure of considering about the nature of the soil and ground water level in that area in designing the foundation of the building and failure of doing constructions to a proper standard had caused to this situation.</p>	<p>The construction works of Anuradhapura Katukaliyawa Circuit Bungalow was done in the year 2012 and cracks have occurred in the walls during the period of last 04 years. Nevertheless, it has been mentioned in the technical report given by the National Building Research Organization, that the cracks are not in a dangerous condition.</p>	<p>Actions should be taken to carry out the construction properly by following the correct procurement methods and the responsible officers who failed to do so should be identified and disciplinary actions should be taken against those officers.</p>

- (b) The National Building Research Organization had been requested on 17 May 2021 to inspect the building and provide an assessment report related to the cracks and damages in the circuit bungalow building of the Coconut Cultivation Board and accordingly, that institution had requested the Board to provide architectural plans, structural plans, soil test reports and other related documents after conducting a field inspection of the site on 04 January 2022, as the soil test report was not submitted by the Board, the National Building Research Organization had issued the final report on 16 September 2022 without checking the soil test reports.
- We have provided the architectural plans, structural plans and other related documents requested in relation to the release of the report of the National Building Research Organization regarding the Anuradhapura Katukaliawa Tourist House and the information regarding the soil test report are not available.
- Actions should be taken to utilize the provision efficiently under a properly planned work arrangement by obtaining environmental certifications after carrying out a feasibility study in building construction.
- (c) The Board had obtained an assessment report and a repair estimate of Rs.3,999,800 from the National Building and Research Organization in the year 2022 for the repair of the Anuradhapura circuit bungalow building, the institution had failed to carry out the repairs up to now.
- The technical report and estimate issued by the National Building Research Organization has been received by the Board on 27.09.2022. Accordingly, copies of the technical report and estimate have been forwarded to the Model Coconut Garden Division for further activities on the repair of this circuit bungalow.
- Constructions should be done with efficient utilization of funds under a properly planned work schedule by obtaining all the necessary reports for building construction.

3.7 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
(a) The posts of General Manager, Deputy General Manager (Financial Management) and Deputy General Manager (Extension and Development) which were the 3 main posts of the Board had remained vacant at the end of the year under review. Although the said two Deputy General Manager posts were vacant in the year 2020, actions had not been taken to fill up these vacancies till the end of the year under review.	Necessary actions are being taken by now to recruit externally and internally by calling applications for 2 posts of General Manager and Deputy General Manager (Extension and Development) by publishing in major newspapers dated 03.04.2023 with the approval of the Department of Public Enterprises on 17.01.2023 as approved by the Board of Directors.	Recruitment activities should be expedited.