

## Transactions Report of the Provident Fund of the Coconut Cultivation Board -2021, 2022, and 2023

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The audit of the operational activities of the Provident Fund of Coconut Cultivation Board for the three years ended 31 December 2021, 2022, and 2023, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations on the functionality of the Fund which I consider should be reported to Parliament appear in this report in pursuance of Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka

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

In terms of Section 16(1) of the National Audit Act, No. 19 of 2018, every auditee entity shall maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared in respect of such entity.

In terms of Section 16(2) of the said Act, annual financial statements in respect of every auditee entity shall be submitted by the Chief Accounting Officer to the Auditor-General along with the annual performance reports of those entities within such period as may be provided by rules.

In terms of Section 38(1)(d) of the said Act, the Chief Accounting Officer of an auditee entity shall ensure that it is required to prepare annual reports and other financial statements within the required periods and the Chief Accounting Officer shall be responsible to submit the annual reports to Parliament pertaining to the auditee entity.

### 2. Report on other legal and regulatory requirements

National Audit Act, No. 19 of 2018 and the Section 27(3) of the Employees Provident Fund Act, No. 15 of 1958 and the Provident Fund constitution of the Coconut Cultivation Board approved by the Department of Labour on 02 May 1973 contain special provisions.

#### 2.1 Existence of assets and liabilities

The details of assets, liabilities, income and expenses as indicated in the financial statements as at 31 December 2020 finally prepared by the Board and audited are given below.

Item -----	Amount Rs. -----
Non-current assets	568,365,756
Current assets	<u>200,933,068</u>
<b>Total assets</b>	<b><u>769,298,824</u></b>
Non-current liabilities	668,588,942
Current liabilities	200,000
Equity	<u>100,509,880</u>
<b>Total equity and liabilities</b>	<b><u>769,298,822</u></b>
Total revenue	48,328,402
Total expenditure	<u>2,147,464</u>
<b>Surplus</b>	<b><u>46,180,938</u></b>

## 2.2 Presentation of financial statements

Audit Observation	Comments of the Management	Recommendation
<p>As per section 6.5.1 of the Public Enterprises Circular No PED/12 dated 02 June 2003 and section 6.6 of Public Enterprises Circular No 01/2021 dated 16 November 2021, although the financial statements should be presented to the Auditor General within 60 days from the date of ending the financial year, financial statements of 2021, 2022, and 2023 had not been presented to the Auditor General even by the date of this report.</p>	<p>A committee was appointed to transfer this Fund to the Central Bank as per a decision taken at the General Annual Meeting held in the year 2021 following the divulgence of a fraud in the Fund for the first time in March 2021. Thereafter, the preparation of the final accounts of the Fund from 2019 to 2021 was carried out in the year 2022 and the final accounts of the year 2021 are ready to be presented to the Auditor General.</p>	<p>Financial statements should be presented to the Auditor General on the scheduled date as per the referred circulars.</p>

## 2.3 Non-compliance with laws, rules, regulations and management decisions.

Reference to laws, rules and regulations etc.	Non-compliance	Comments of the Management	Recommendation
<p>(a) Section 27 (3) of the Employees Provident Fund No 15 of 1958 and section 6 (II) of the Coconut Cultivation Board Provident Fund Constitution approved by the Department of Labor on 02 May 1973.</p>	<p>Regulations or rules governing an approved provident fund shall not be changed except for the written approval of the Commissioner following obtaining of covering approval of the Commissioner General of Labour and the Commissioner General of Inland Revenue to the decision of the majority of the Governing Body regarding all facts including certain facts related to which no regulation has been imposed on the governance of the Fund, instead of doing so and without obtaining said approval, advance payments had been made on two occasions one being paid to members at the completion of 55 years of age and second payment being made 2½ years later at the age of 57½ in accordance with a decision taken at the meeting of</p>	<p>Prior to the revelation of the fraud in the year 2021, the Governing Bodies prevailed in each year had acted on the Fund. Following a general annual meeting held in the year 2021, releasing of advance amounts had been made in 2022 only for the applications already submitted and for those members who had completed 55 and 57 years of age. Thereafter when it was approved at the Annual General Meeting to place the Fund under the Central Bank, payments of advance and loans had been stopped.</p>	<p>Action should be taken regarding advance as per the provisions of the Act and the constitution referred.</p>

the Governing body of the Fund held on 19 June 2008. Sums amounting to Rs. 2,240,000 and Rs. 14,780,000 had been paid to members in the years 2021, 2022 respectively and advance payments had not been made in the year 2023.

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| (b) | Section 28 of the Constitution of the Provident Fund of the Coconut Cultivation Board approved by the Department of Labor on 02 May 1973. | Although accounts of the Fund to be prepared in respect of every calendar year should be audited for every calendar year by an auditor approved by the Commissioner General of the Labor and, the approval for the firms to audit the accounts of the Fund from 2023, had not been obtained from the Commissioner General of Labor. | Auditing activities are to be done by the Auditor General Department of the Government from 2019 onwards and action will be taken to obtain the approval of the Commissioner General of Labor therefor. | Action should be taken against the authorities for not getting the accounts of the Fund in respect of the relevant period audited by an auditor approved by the Commissioner General of Labor. |
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### 3. Operational Review

#### 3.1 Transactions of Contentious Nature

Audit observation	Comments of the management	Recommendation
<p>As has been revealed in the year 2021, since the Accountant of the Coconut Cultivation Board who served as the Secretary of the Fund, had given money by cheques in the forms of loans, contributory advances and pension benefits to 13 non-members of the Fund including family members, the amount of money that had been defrauded from 2012 to 31 December 2021 amounted to Rs. 77,727,691. Although civil cases should have been filed against the relevant persons with the assistance from the Attorney General Department, it was observed that no such cases had been filed till 31 December 2023. No legal action had been taken till 31 July 2024 against 7 Chairmen and 7 General Managers who had been appointed on acting and secondary basis, and who had countersigned for making payments of the Fund within the time period from 2012 to 2021 in which the fraud has taken place. A sum of Rs.15, 898,523 of the total amount of the fraud had been recovered by 31 December 2023.</p>	<p>In accordance with a complaint lodged by the General Manager with the Financial Crimes Investigation Division on 12.08.2021, the Criminal Investigation Department after having reported facts to the Kaduwela Magistrate Court, took action to arrest and imprison eleven persons and all these suspects have been released on bail by now. Legal cases will be filled by the Attorney General Department against the accused regarding the fraud and cases are being filled at kaduwela District Court and the Small Claims Court.</p>	<p>Legal action should be taken against all parties who have been involved with the fraud and action should be taken to recover the defrauded money of the Fund..</p>