

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Coconut Research Board for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, 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 reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2024 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka 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 intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

As per Sub 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 Scope of Audit (Auditor's Responsibility on 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 scepticism throughout the audit I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Board, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on preparation of the 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) If it is only definite to arise an economic benefits or service viabilities in flows as per the provisions of section 39 to 43 Public Sector Accounting Standards No.08 ,the revenue should be identified. An amount of Rs.10, 921,575 which should be identified as recoverable from a lady officer who vacated the post but receipt is not definite had been debited to the debtors and credited to the cumulative fund.	Owing to breach of the service agreement, the money recoverable from the officer such as salaries, allowances paid and the all money become an expense to the institute at the payment of employee provident fund contribution and revenue receivable against income had been adjusted in the preceding year.it had been adjusted to the cumulative profit	The action should be taken as per public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

Audit Issue	Comments of the Management	Recommendation
(a) Since Rs.18, 391,145 incurred for the renovation of buildings in 2024 had been capitalized as building cost, the buildings account had been overstated and the surplus in the year had been overstated by same amount.	An expense incurred by the Board is identified as an expense in the current year or a capital expense will be written off as the depreciation in future definite number of years in taking into account the nature of expenses incurred by institute. These expenses had been capitalized as per Sri Lanka Public Sector Accounting Standards and the annual depreciation amount for that had been accounted.	The renovation expenses should not be capitalized.

- | | | |
|---|---|--|
| <p>(b) Since an amount of Rs.552,322 for renovations of the official residencies in the preceding years had been considered as the building cost in the year under review, the building value had been overstated by Rs.552,322 and the cumulative fund had been overstated by the same amount.</p> | <p>An occurrence of an error is accepted and it is informed that the action will be taken to accurately adjust in the accounts for the year 2025.</p> | <p>The renovation expenses should not be capitalized.</p> |
| <p>(c) An amount of Rs.500,000 which is the electricity deposit paid by the Board in obtaining the electricity connection had not been shown in the financial statements as receivables.</p> | <p>It is informed that an amount of Rs.500,000 which is the deposit money in relation to electricity account No. 5070000020 will be accounted as receivables in 2025.</p> | <p>The electricity deposit should be accounted as receivables.</p> |
| <p>(d) Since an electricity expense of Rs.1,387,988 for the month of December 2023 had been accounted as an expense in the year under review, the expense and cumulative profit in the year under review had been overstated.</p> | <p>Since there was no provision available in the relevant expenditure head for accounting electricity expenses in December 2023 as liabilities, it had been accounted for the current year. As it had been already adjusted to the cumulative profit, it is informed that the action will be taken to account to an expense of relevant year in due course.</p> | <p>The provision should be adequately obtained.</p> |
| <p>(e) The capital value of Rs.2,482,500 paid in the year under review in relation to supply of a solar power system at a cost of Rs.3,019,750 for Kiniyama project had been accounted as an expense. As a result of that, non-current assets value had been understated by Rs. 3,019,750 and the expense in the year under review had been overstated by Rs. 2,482,500 and the payables had been understated by Rs. 537,250.</p> | <p>An occurrence of an error is accepted and it is informed that the action will be taken to accurately adjust this through the accounts in the year 2025.</p> | <p>The action should be taken as per Accounting Standards.</p> |
| <p>(f) Even though an amount of Rs.705,080 received in the year under review in relation to the sub contract for Vanuatu Coconut Oil for Fuel Strategies signed with Castalia Company in Newzeland as per section 2.2 of the Chapter IX of</p> | <p>It is informed that the action will be taken to credit the relevant amount to the Consolidated Fund in 2025 as per section 2.2 of Chapter IX of the Establishments Code.</p> | <p>The action should be taken as per the section of the Establishments Code.</p> |

the Establishments Code should be credited to the Consolidated Fund, the income of the year under review had been overstated by Rs.705,080 owing to identification of said value as an income of Coconut Research Board.

1.6 Non-compliance with laws, rules, regulations and management decisions etc.

Reference to laws, rules and regulations	Non-compliance	Comments of the Management	Recommendation
As per section 1 of first schedule of first paragraph of part 1 of Sri Lankan Government Gazette dated 30 March 1972	i. Even though the carrying out researches for the prevention and cure of pests is a function of the Board, the damage of whitefly spread since 2019 had been expeditiously spread in the coconut cultivation of Sri Lanka within past 06 years without prevention or control.	In addition to 03 artificial chemical pesticides recommended firstly for control of whitefly, it had been recommended later an eco-friendly pesticide which can be made by mixing neem oil, soap and water for control this disaster. Similarly, a trap methodology by applying grease on yellow polythene and biding the trunk of a coconut tree had been introduced.	The pests should be prevented.
	ii. Sri Lanka is sole country which provides the king coconuts to the export market and the action had not been taken to increase the king coconut production by issuing recommendations to relevant authorities on that matter having identified king coconut with higher taste and quality from king coconut types prevailing in the country for expansion.	It is kindly informed that the providing of instructions to the Coconut Cultivation Board at required occasions is carried out by Coconut Research Board. Similarly, a reserve with mother trees had been established in Coconut Research Board up to now for king coconut seed production. Accordingly, it is informed that the required contribution of Coconut Research Board for increase of king coconut production.	Since the Board has the power to broaden the king coconut cultivation and issuance of recommendations in relation to exports as per the Act, the action should be taken accordingly.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs. 218,628,334 and against surplus in the preceding year amounted to Rs. 8,779,882 .Accordingly, a deterioration amounting toRs. 227,408,216 of the financial result was observed. The reasons for the deterioration are decrease of genetics resources and research centre income and other income by Rs. 21,773,336 and Rs. 136,531,879 respectively and increase of supply and consumable portal usage and genetics resource and research centre expenses by Rs. 22,680,824 and Rs. 60,968,462 respectively.

2.2 Trend Analysis of Major Income and Expenditure Items

Analysis of major income and expenditure items of the year under review compared with the preceding year is as follows.

Item	Year 2024 Rs.	Year 2023 Rs.	Variance Rs.	Variance as a percentage
Income -----				
Treasury Receipts	329,435,080	326,946,000	2,489,080	1
Genetics Resource Centre income	331,235,580	353,008,916	(21,773,336)	(6)
Other Income	20,294,538	156,826,417	(136,531,879)	(87)
Expenditure -----				
Salaries, wages and employee benefits	233,718,271	234,122,833	(404,562)	0
Supplies	103,811,172	81,130,348	22,680,824	28
Genetics Resource Centre expenses	399,523,171	338,554,709	60,968,462	18
Write-off of research and development expenses	51,784,603	45,617,368	6,167,235	13.5
Other	68,397,491	85,804,371	(17,406,880)	(20)

3. Operational Review

3.1 Uneconomic Transactions

Audit Issue	Comments of the Management	Recommendation
(a)Even though a water pipe system had been fixed at a cost of Rs.24,351,906 from a private company covering a	The water is supplied through the irrigation system to about 1600 coconut plants in 25 acres in pipe irrigation system due to non-	The suitable alternative water supply methods should be adhered for obtaining an efficient performance from the water pipe

land in extent of 141 acres in which Kinigama coconut cultivation project is implemented, such water pipe system couldn't supply water to the all plants cultivated covering the total land area.

availability of required capacity. A water pipe system had been constructed from the provision in 2018 for supply of water for total area in extent of 141 acres of Kinigama seed garden. Based on a report provided by Water Drainage Board that 200 water litres can be obtained per minute, it had been planned to obtain water from deep well in Kinigama seed garden and constructed this water pipe system. Since 200 water liters can't be pumped per minute in dry zone, a water sump had been prepared for retention and storage the water and modernized the water-pipe system.

system in seed coconut garden.

(b) 03 genetics resource centres, 06 research centres and one model farm are maintained by Coconut Research Board and the harvest received from all institutions in 2024 was 2,962,751 coconuts and it is a decrease of 548,064 coconuts or 15 percent as compared with 2023.

- Owing to the government policy prevailed in previous time related to fertilizer, it couldn't be purchased the fertilizer for research and genetic resources centre of Coconut Research Board in 2022 and 2023 due to non-availability of the chemical fertilizer in the market. This impact will affect about next 02 years since 2023.
- If it is received a successful harvest in coconut cultivation, a rainfall more than 1500 mm should fall throughout the year. By covering all research and genetics resources centres, the annual rainfall received in 2022 is substantially low similarly; a rainfall which spread properly throughout the year had not received. Since the number of wet days are less in the year 2022 due to that reason, the coconut harvest received in 2023 and 2024 from the coconut flowers sprung up in 2022 had reduced considerably.
- The environmental temperature had taken a high value in 2023 and since the pollination had not properly occurred due to that, the coconut harvest decreases.

The steps should be taken to increase the harvest through supply of adequate fertilizer and water to coconut cultivation.

3.2 Management Inefficiencies

Audit Issue	Comments of the Management	Recommendation
(a) At Committee on Public Enterprises held on 06 July 2023, the under-mentioned 03 recommendations had been given to the Coconut Research Board and though a period about 02 years had elapsed, the action had not been taken to implement said recommendations.		
i. Even though a Coconut Cultivation Disaster Management Unit had been established by 03 institutions (Coconut Research Board, Coconut Cultivation Board and Coconut Development Board) considering the whitefly damage related to the coconut cultivation as an emergency disaster situation, no step had been taken to prepare a plan and protect from the disaster.	A Disaster Management Centre had been established for management of emergency disaster situations including whitefly in association with Coconut Research Board, Coconut Cultivation Board and Coconut Development Authority.	The action should be taken by its management for bringing back Emergency Disaster Management Centre into an operational level.
ii. Completion the vacancies of Board	The Coconut Research Board couldn't complete some vacancies due to suspension of the all recruitments as per the instructions provided for the control of public expenditure by the National Budget Circular No.03/2022 dated 26.04.2022 for filling the vacancies of Board.	The essential vacancies should be completed.
iii. Taking action to remove the non-agreements on salaries after discussing with Ministry of Finance for the prevention of leaving Research Officers of institute from Board by applying for the professions with higher salaries.	The new recruitments had been made for 26 vacancies in 2024 at 03 occasions from November 2023 to April 2024 by the Department of Management Services for filling 67 vacancies taking into consideration the requests continuously made for filling essential vacancies of institute and the service requirement. The relevant advertisements had been published for filling an another vacancy and candidates interview recommendation in accordance with approved Scheme of Recruitment with Board's approval had been forwarded for	A relevant methodology should be prepared to retain Research Officers within the Board.

the approval of the Cabinet of Ministers. The process of recruitments in the public service implemented in the Prime Minister's Office for filling the vacancies in the post of Senior Research Officer, posts recruited only internally, Manager posts (Seed Coconut Gardens), posts in primary level and vacancies in the institute had been submitted for the approval of committee.

- | | | |
|---|---|--|
| <p>(b) 06 research projects commenced from 2014 to 2024 had been halted in half way and Rs.12.76 million had been incurred as capital expenses from the Consolidated Fund at the time of halting.</p> | <p>These all researches had not been abandoned. Only 06 researches had been abandoned based on the reasons mentioned in the Annexure. The information had been mentioned in Annexure 02 as completed the remaining researches or carrying out for researches in the future.</p> | <p>The projects abandoned should be commenced after finding out the ability of commencement of them.</p> |
| <p>(c) Even though the dragon fruit cultivation had been commenced in 2015 by Crop Rotation Science Division of Coconut Research Board as an inter-crop under Coconut cultivation in the premises of Bandirippu Genetics Resource Centre and an amount of Rs.1,086,296 had been incurred for that and cultivated 700 dragon fruit plants by using 350 trellis, it was observed that only trellis had existed in that place at the physical investigation carried out on 25 February 2025. No measures had been taken by the Board to start a new cultivation or utilize such place for other effective purpose.</p> | <p>In 2015, the research model related to Dragon fruit cultivation established by crop science division of Coconut Research Board had been handed over to Bandirippuwa research Centre since 27.11.2019. This trellis had been removed up to now and it had been planned to commence inter-crop cultivation in Rathmalagara research Centre as per the instructions of crop science division.</p> | <p>The action should be taken to use the trellis for other effective purposes.</p> |
| <p>(d) Rs.4,262,103 out of Rs.6,660,703 retained deposits in the financial statements as at 31 December 2024 had been retained more than 02 years without settlement.</p> | <p>The certain balances not settled since long time of the contractors not joined to the contracts of Board presently out of the amount retained in various tasks of the Board had been taken into the revenue in 2024 with approval and since certain contractors related to the balances existed in this still work with the Board, it had caused not to release this balance.</p> | <p>The action should be taken to settle the retained deposit money within 02 years.</p> |

- | | | |
|--|--|---|
| <p>(e) 44 avocado plants, 101 guava plants, 62 cashew plants and 56 Rambutan plants planted for intercrops in Bandirippuwa genetic resource centre in 2022 had died on the reasons not disclosed and 1,950 cinnamon plants in Pallama genetics resource centre, 54 cashew plants in Potthakulama genetic resource centre, 334 arecanut plants in Maduru Oya genetics resource centre and 385 lime plants in Ambakelle genetics resource centre had died due to various reasons. A total expenditure of Rs.151, 512 had been incurred by Coconut Research Board for that.</p> | <p>It is agreed with this matter. The inter-crop plants had died due to non-adherence of accurate agriculture practices and wild animal damages and severe damage.</p> | <p>The remedies should be taken not to occur such situation in due course after finding out the reasons for plants.</p> |
| <p>(f) 317 coconut plants in CRIC 60 coconut category had been cultivated in March 2020 in a land in extent of 5 acres in Army Camp, Alankulama 65, Thunukkai by genetics and plant breeding division of Coconut Research Board and 216 plants had been cultivated again in December 2021 due to destruction of two third of the plants. Though the maintenance of plants cultivated had been handed over to Army, said liability had not been handed over by a written agreement or a memorandum of understanding. This cultivation had been abandoned owing to failure in 2022. It was observed in the audit that it was an idle expense occurred due to not handing over in writing to take care the plants cultivated.</p> | <p>It is agreed with the facts mentioned in this and it is kindly informed that the action will be taken to provide the responsibilities in writing to the other party connected by a memorandum of understanding frequently in establishment of the research cultivations for not occurrence such errors in due course.</p> | <p>If the action is taken deviation from the institute for making success the research cultivations, the measures should be taken to hand over it to such party in writing.</p> |
| <p>(g) In September 2022, a coconut cultivation had been commenced in 100 acres of Kandakadu Army farm by Coconut Research Board. It had been mentioned at the field investigation carried out by Coconut Research Board in August 2023 that 1,200 out of 1,443 coconut plants cultivated or 83 percent had got caught to the drought. The seed coconut garden had been</p> | <p>Our objective is to provide seed coconuts required for the dry zone after establishment of this seed coconut garden within short period of time. Since Sri Lanka Army had informed that it is difficult to carry out this task in the future due to unexpected migrated elephant population, it is further informed that we had to halt this seed coconut garden in half way.</p> | <p>The action should be taken as per the memorandum of understanding entered with Army and Coconut Research Board.</p> |

maintained deviation from sub sections iii, iv of section III of the memorandum of understanding between Army and Coconut Research Board. An amount of Rs.525,000 had been incurred for purchase the coconut plants for seed coconut garden and the transport, staff and other expenses incurred additionally had not been submitted to the audit and it was observed that the all expenses incurred is an idle expenses.

- | | | |
|--|--|---|
| <p>(h) In comparative with number of coconut plants existed in genetics resource centre belonging to Coconut Research Board , number of coconut trees not bearing fruits is in a range of 1.9 percent - 47.7 percent. No step had been taken by Board to remove the trees not bearing fruits with relevant approval and recultivate the plants for that. The total number of coconut trees in 10 genetics resource centres are 97,566 and total number of trees not bearing fruits are 6,878.Taking into consideration the overall, it was observed that the trees not bearing fruits are 7 percent.</p> | <p>Even though it had been mentioned that number of tress not bearing fruits belonging to Coconut Research Board are 20,166, 13,288 out of that are in sapling cultivation. It is due to be provided the harvest by such cultivations in the future. It is due to be systematically removed the remaining trees not bearing fruits and commenced the new cultivation. Such quantity is 7 percent from the total cultivation.</p> | <p>A plan should be prepared for removing trees not bearing fruits and commencement the new cultivation and it should be implemented.</p> |
| <p>(i) Even though 13 months 21 months had elapsed, no action had been taken to settle 06 purchase advances with a value of Rs.2,240,342.</p> | <p>Some advances existed in this unsettled value of Rs.2, 240,342 had been settled up to now and the action will be taken to settle the remaining advances within 2025.</p> | <p>The action should be taken to recover the advance amount within the year.</p> |
| <p>(j) In examination the coconut harvest of 11 states under the Board within last 10 years (2014-2024),the coconut harvest in 2014 was 5,693,680 nuts and such harvest in 2023 and 2024 were 3,546,815 and 2,962,751 nuts respectively. Since the percentage of decrease of coconut harvest in comparative with 2014 were 38 percent and 48 percent, it was observed that there was a considerable decrease in the coconut harvest.</p> | <p>Due to the government policy on the fertilizer prevailed in the past, it was not fertilized in the years 2022 and 2023 and it was fertilized in 2024. It will take another 02 years to obtain such harvest. Since estate technical committee members participate for estate management committee meetings, the technical committee observation had been forwarded to the management. The methods implemented for increase the coconut harvest are the methods</p> | <p>After obtaining the assistance from scientific and technical committee for increase the coconut productivity. The remedies should be taken for the weaknesses.</p> |

recommended by the crop scientific research carried out by Coconut Research Board. The low quality of coconut trees due to whitefly damage and not putting fertilizer in 2022 and 2023 had caused for decrease the coconut harvest.

- | | | |
|---|---|--|
| <p>(k) An amount of Rs.46,856,458 had to be recovered to the Board as at 12 December 2024 from 04 officers not reported for duty again by violating the service agreement entered into with Board after obtaining the study leave while serving in Coconut Research Board and 05 officers who had left the service of Board reported for duty again without completing the compulsory period of service. The cases are being heard in Marawila District Court in relation to 07 officers and it had been disclosed that the action had not been taken by board to file cases against 02 officers vacated the post in 2022 and 2024.</p> | <p>The cases had been already filed against 07 officers who had violated the service agreement and the necessary action is being taken to file cases against another 02 officers.</p> | <p>The action should be taken to recover the money as per the agreement.</p> |
|---|---|--|

3.3 Human Resource Management

Audit Issue	Comments of the Management	Recommendation
36 out of 69 posts in the senior level of Board or 52 percent had been vacant as at 31 of year under review. Furthermore, 08 out of 43 in the tertiary level, 48 out of 149 in the secondary level and 58 out of 130 in the primary level had been vacant.	The all recruitments had been suspended as per the instructions provided for public expenditure control by the National Budget Circular No.03/2022 dated 26.04.2022 since 2020. New recruitments had been made for 26 vacancies within the period of time from February 2024 to up to now on the approvals granted at three occasions from November 2023 to April 2024 by Department of Management Services for filling 67 vacancies taking into consideration the requests continuously made by us for granting approval for filling the essential vacancies of the institute and the service requirement.	The action should be taken to recruit for the essential vacancies with proper approval.

It had been submitted to Ministry of Plantations and Community Infrastructure Facilities on 25.02.2025 for approval of the officers committee appointed by the Cabinet of Ministers for review of the recruitment process in the public sector implemented in the Prime Minister's Office for filling all essential vacancies and the staff management.