

## **Coconut Cultivation Board - 2012**

### 1. Financial Statements -----

#### 1:1 Qualified Opinion -----

In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the Coconut Cultivation Board as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1:2 Comments on Financial Statements -----

##### 1:2:1 Accounting Deficiencies -----

The accounting deficiencies amounting to Rs.109,810,459 revealed at the test checks of transactions were brought to the notice of the Chairman of the Board. The financial statements revised after the adjustment of those deficiencies had been presented again on 05 June 2013. As such, the possibility of any further deficiencies outside the sample cannot be ruled out in audit.

### 2. Financial Review -----

#### 2:1 Financial Results -----

According to the financial statements presented, the working of the Board for the year under review had resulted in a deficit of Rs.2,207,368 after taking into account the Government Recurrent and Cess Grants amounting to Rs.484,818,000 as against the surplus of Rs.186,511,249 for the preceding year after taking into account the Government Recurrent and Cess Grants and other grants totalling Rs.572,891,000 for that year, thus indicating a deterioration of Rs.188,718,617 in the financial results. The decrease of the Cess Grant by a sum of Rs.96.5 million and the increase of subsidy payments by a sum of Rs.277 million over that of the preceding year had been in main reason for the deterioration in the financial results.

2:2 Analytical Financial Review  
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The following observations are made.

- (a) The operating results of the Model Coconut Gardens for the year under review amounting to a net profit of Rs.124,352,387 as compared with the corresponding net profit of Rs.95,888,041 for the preceding year and indicated an increase of Rs.28,464,346 in the profit.
- (b) The Fertilizer Unit had earned a surplus of Rs.1,236,808 in the year under review as against the deficit of Rs.2,172,797 for the preceding year.
- (c) The operating results of the Kapruka Project for the year under review amounted to a surplus of Rs.38,744,009 as compared with the corresponding surplus of Rs.10,209,457 for the preceding year thus indicating an increase of Rs.28,534,552. The increase of interest income from fixed deposits by a sum of Rs.26.7 million and the decrease of interest rebate by a sum of Rs.3.6 million had been the main reasons for the increase in the financial results.

2:3 Legal Action Instituted Against/ by the Institution  
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The following observations are made.

- (a) Six external individuals had filed 07 cases in the Courts against the Board claiming compensation totalling Rs.12,328,805.
- (b) The Board had filed 04 cases in the Courts against 04 external institutions and individuals claiming compensation totalling Rs.3,144,651.

3. Operating Review

3:1 Performance

3:1:1 Payment of Subsidies

The Board had implemented several Subsidy Schemes during the year under review and the targets and achievements of the Subsidy Programmes as at the end of the year had been as follows.

Subsidy Programme	Unit	Target	Progress	Percentage
New Planting/ Replanting/ under Crop Subsidy Programme	Coconut Seedlings	1,152,000	1,284,886	112
Rehabilitation of Coconut Lands	Coconut Seedlings	400,000	236,631	59
DiviNegumaProgramme	Coconut Seedlings	3,939,618	2,764,777	70
KapRuka Sip Nena	Coconut Seedlings	300,000	343,881	115
SambuddhatwaJayanthiProgramme	Coconut Seedlings	25,000	25,887	104
Cattle Sheds Subsidy Programme	Cattle Sheds	240	141	59
Irrigation Subsidy Programme	Acres	750	507.5	68
KapRukaPurawaraProgramme (Home Garden Subsidy)	Coconut Seedlings	3,000,000	1,599,679	53
Kapruka Investment Programme	Acres	3,100	2,169	70

The following observations are made in this connection.

- (a) Even though targets had been set for the supply of 400,000 coconut seedlings for the planting of voids in coconut lands for the rehabilitation of coconut lands under the Rehabilitation Subsidy Programme, according to the Progress Reports 236,631 coconut seedlings had been supplied during the under review for the planting of voids. As such the performance had been 59 per cent.

- (b) The objective of the rehabilitation of coconut lands was for obtaining a higher production from the existing coconut lands, and for such purpose agro-science activities such as reducing soil erosion, conservation of humidity and planting of voids are carried out. Nevertheless, the supply of coconut seedlings for the planting of voids only had been done in the year under review for the rehabilitation of coconut lands. The rehabilitation of coconut lands only by the supply of coconut seedlings had not been adequate.
- (c) Targets had been set for the supply of 3,000,000 coconut seedlings under the KapRukaPurawara Home Gardens Cultivation Subsidy Programme and according to the Progress Reports of the Board 1,599,679 coconut seedlings had been distributed by the end of the year and the physical performance amounted to 53 per cent. But the examination of the Regional Offices revealed that 10 offices had achieved very low performance ranging from 25 per cent to 49 per cent.
- (d) Even though targets had been set for the implementation of the Irrigation Subsidy for 750 acres of coconut lands during the year under review according to the Progress Reports of the Board, this subsidy had been given to 507.5 acres by the end of the year under review. As such its physical performance amounted to 68 per cent. But the examination at the Regional Office level revealed that the Matale Regional Office had not recorded any performance while the performance of 04 other Research Offices had been at a level below 35 per cent.
- (e) Even though targets had been set for the grant of subsidy for the construction of 240 cattle sheds in the year under review with the objective of increasing the use of carbonic fertilizer in coconut lands, according to the Progress Reports of the Board, subsidy had been paid by the end of the year for the construction of 141 cattle sheds. The physical progress of that amounted to 59 percent. But the examination at the Regional Office level revealed that the Regional Offices at Matara and Batticaloa had not reported any performance whatsoever, while the performance of 06 other Regional Offices had been less than 35 per cent level.

3:1:2 Model Coconut Gardens

The Board had managed 12 estates as Model Coconut Gardens during the year 2012. Several data relating to those Coconut Gardens are given below.

Model Coconut Gardens	Extent Cultivated	Number of Bearing Palms	Nuts Plucked	Fallen Coconuts	Annual Crop	Fallen Coconuts	Average Crop per Palm	Crop per Acre
	Acres		Nuts	Nuts	Nuts	%	Nuts	Nuts
Negansola	347	15,274	528,319	293,232	821,551	36	54	2,368
Randeniya	311	13,519	470,932	309,168	780,100	40	58	2,508
Lenawa	481	20,975	829,064	131,586	960,650	14	46	1,997
Bopitiya	104	4,717	234,957	140,004	374,961	37	79	3,605
Girtland	388	14,385	606,716	396,873	1,003,589	40	70	2,587
Korai	173	5,423	262,235	40,448	302,683	13	56	1,750
Pasikuda	47	3,123	281,583	27,745	309,328	9	99	6,595
Mahayaya	290	11,448	679,393	385,011	1,064,404	36	93	3,670
Daisy Valley	299	14,219	667,617	488,166	1,155,783	42	81	3,868
Mudalama	14	710	60,917	9,646	70,563	14	99	4,952
Kohombana	82	3,776	297,309	105,205	402,514	26	107	4,909
Palali	86	5,522	132,160	18,484	150,644	12	27	1,752
Total	2,622	113,091	5,051,202	2,345,568	7,396,770	32	65	2,821

The following observations are made.

- The total coconut crop for the year 2012 had been 7.39 million nuts and that compared with the preceding year indicated an improvement of 17 per cent.
- According to the Instructional Management No. 1 “Use of Fertilizer for Coconut Cultivation and Suitability of Lands” issued by the Coconut Research Board, the land suitability had been of Suitability Classes S1 to N2 and categorized to 7 classes. According to class three “S-3 Suitable” thereunder, an annual crop of 4,048 to 5,060 nuts per year could be harvested from an acre. Nevertheless, out of the 12 Model Coconut Gardens maintained by the Board, the estates other than Passikuda, Mundalama and Kohombana had not been able to achieve that level.

- (c) The annual crop per palm of the Model Coconut Garden at Lenawa had been less than 50 nuts.
- (d) The fallen coconuts of the 06 Model Coconut Gardens at Mahayaya, Nagansola, Bopitiya, Randeniya, Girtland and Daisy Valley ranged between 36 per cent to 42 per cent and as such the crop had not been harvested in due time.

### 3:1:3 Disease Control

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According to the orders made under Sub-section 4(2) of the Flora Protection Act, No. 35 of 1999, the palms should be uprooted and destroyed within 14 days from the date of identification of the disease is the only method for the control of the Weligama Leaf Rot and Leaf wither disease. Nevertheless, the number of diseased palms subject to delay in uprooting and removal even by the end of the year under review had been 26,449.

It was observed in audit that the failure to uproot and remove the diseased palms when they are afflicted with the disease would result in the non-achievement of the objective of this course of action taken for the control of the disease.

### 3:1:4 Establishment of Community Nurseries under the KapRukaPurawaraProgramme

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The WeligamaLeaf Rot and Leaf with Disease prevailed in the disease affected zone from Galle to Tangalle even by the end of the year under review. The notification published in the Gazette No. 1623/11 dated 14 October 2009 did not indicate that the disease is not prevailing in the areas of the respective Divisional Secretariats. Under such circumstances, the Board had selected the coconut cultivation in that area and established 14 community nurseries in 04 areas of Divisional Secretariats. In view of the production of coconut seedlings in the disease affected areas contrary to Order Nos. 11 and 12 of the above Gazette Notification, it had not been possible to achieve the expected results of the disease control process. In view of the risk of taking the balance seedlings remaining after utilizing 70 per cent of the coconut seedlings to the disease affected zone and to the disease free zone was observed in audit.

3:1:5 Coconut Development Training Programmes  
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Training Programmes had been planned and implemented by the Coconut Development Training Centre through the Regional Offices at that Centre as well as with the intervention and supervision of the Centre. Out of the 15 programmes conducted at the Training Centre during the year under review, the performance of 04 programmes had been 60 per cent and out of the 03 awareness programmes conducted by the Regional Offices under the supervision of the Centre, the progress of 02 programmes conducted by Regional Offices under the supervision of the Centre, the progress of 02 programmes conducted for the schools and the rural organizations had been 55 per cent and 62 per cent respectively.

3:2 Staff Administration  
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The particulars of the staff as at 31 December 2012 are given below.

Grade	Approved	Actual	Number of Vacancies
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Senior Level	05	03	02
Tertiary Level	44	16	28
Secondary Level	725	417	308
Primary Level	151	107	44
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Total	925	543	382
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There were 382 vacancies in the posts relating to operating activities even by the end of the year under review.

4. Accountability and Good Governance  
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4:1 Budgetary Control  
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The budget estimates for the year 2012 had identified the Model Coconut Gardens Unit, Nurseries Unit and Seed Production Unit as self-financing units and targets had been set for earning income therefrom amounting to Rs.995,603,000 during the year under review.

Even though the income planned to be earned by each unit had been shown separately, the detailed information relating to the earning of such income had not been incorporated in the budget estimates.

5. Systems and Controls  
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Deficiencies observed during the course of audit were brought to the notice of the Chairman of the Board from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Human Resources Management
- (c) Coconut Development Training Programmes
- (d) Stores Procedure
- (e) Nurseries Management
- (f) Estates Management