

Coconut Development Authority-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 Development Authority 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

Accounting deficiencies amounting to Rs.642,561 revealed at the test checks of transactions were brought to the notice of the Chairman. The financial statements amended by the adjustment of those deficiencies had been furnished again. As such the possibility of further accounting deficiencies outside the sample cannot be ruled out.

1:2:2 Accounts Receivable

The following observations are made.

- (a) The Authority had granted a loan of Rs.2,000,000 to an Agrarian Company in the year 2006 and according to the agreement, the loan should have been settled within 06 months from the date of loan in interest free equal installments. Nevertheless, a sum of Rs.550,000 only had been received in two instances.

- (b) A sum of Rs.1,664,769 inclusive of interest awaiting recovery from the year 1998 on account of the money misappropriated by an officer had been shown in the accounts continuously due to the inability to recover.
- (c) Interest amounting to Rs. 20 million recoverable for the years 2008 to 2012 on a loan of Rs.26,715,037 recoverable from a limited company since the year 1985 had been shown in the accounts of the Coconut Oil Price Stabilization Fund due to the inability the recover. In addition, an interest free loan of Rs.31.55 million granted to that company in the year 2004 remained without being recovered by the Authority.
- (d) The Authority had failed even up to end of the year under review to recover the fees recoverable from the desiccated coconut millers and the ground rent recoverable on fresh coconut and copra auctions amounting to Rs.3,321,715.
- (e) The rent amounting to Rs.1,086,667 receivable from a Plantation Corporation and a Plantation Company in respect of the year 2012 on the building belonging to the Authority situated on Duke Street, Colombo Fort had not been recovered.
- (f) The debtors balance included debtors balances amounting to Rs.180,485 older than three years.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the operations of the Authority for the year under review had resulted in a deficit of Rs.9.68 million as compared with the corresponding deficit of Rs.13.85 million for the preceding year, thus indicating an improvement of Rs.4.17 million. The increase of the Treasury grants and the other income by sums of Rs.39.23 million and Rs.6.86 million respectively, despite the increase of the overall expenditure by sum of Rs.41.92 million, had affected the improvement of the financial results.

2:2 Analytical Financial Review

- (a) The total income of the Authority comprised Treasury grants amounting to 69 per cent, interest income amounting to 12 per cent, operating income amounting to 16 per cent and sundry income amounting to 3 per cent.
- (b) Provision for bad debts had been made in this year for the entire sum of Rs. 4 million receivable as interest for the year under review on the loan granted from the Coconut Oil Price Stabilization Fund to a Company.
- (c) Out of the total sundry debtors of the Authority amounting to Rs.35 million, provision for bad debts had been made for Rs.20 million or 57 per cent.

3. Operating Review

3:1 Performance

3:1:1 Physical and Financial Review

- (a) Even though financial provision amounting to Rs. 1.6 million had been spent on the Project “Optimum Exploration of the Foreign Market in Collaboration with the Private Sector” implemented under the Marketing Development and Research Division, its physical performance as at 31 December 2012 had been at the minimum level.
- (b) The following observations are made in connection with the projects planned for implementation under the Processing Development Division.
 - (i) The performance of 04 projects had been at a level less than 50 per cent.
 - (ii) A single activity “Orders placed for five pairs of drum for Production Centres” had been stated as the physical performance of three project’s.
 - (iii) The physical performance of 56 per cent had been stated for the Project “Modernization and Standardization of the Coconut Oil, Coir and Coir related Industries without stating the financial progress.

3:1:2 Loss incurring Projects

Dunkannawa Coir Research and Development Project implemented under the Authority had incurred losses amounting to Rs.2,670,717, Rs.1,365,368 and Rs.4,683,757 in the years 2010, 2011 and 2012 respectively.

3:1:3 Registration of the Coconut Oil Industrialists

The following observations are made.

- (a) According to the survey conducted within Sri Lanka in the year 2007 by the Coconut Development Authority the number of Coconut Oil Mills producing coconut oil had been identified as 589. Nevertheless, 42 mills only had been registered annually up to the end of the year 2012 at the Coconut Development Authority.
- (b) As such, those engaged in the coconut oil production industry had not registered annually with the Authority and the coconut oil produced by them had not been tested for quality and standard. In view of the situation and the lack of a general procedures for the testing of the quality and standard of all coconut oil producing Sri Lanka, there is a risk of coconut oil of low quality and standards available in the market existed.

3:2 Dormant Funds

The balance of the Desiccated Coconut Mills Development Fund implemented under the Authority had increased from Rs.60 million in the year 2011 to Rs.73.5 million as at the year 2012. As the money had not been utilized for the achievement of the expected objectives of the Fund, the money had been idling.

3:3 Expenditure Contrary to Objectives

A sum of Rs.5 million had been allocated under the capital expenditure in the Action Plan of the year 2012 for the Project for the “Establishment of Energy Saving Units in the Coir and Coir Goods Production Industries” of the Coir Research and Development Centre at Dunkannawa implemented under the Processing Development Division of the Authority. As the entire amount had been utilized for the recurrent expenditure of the Project, it was observed that expenditure contrary to the objectives stated in the Action Plan had been incurred.

3:4 Staff Administration

The position of the staff of the Authority had been as follows.

Grade	Approved	Actual	Number of Vacancies
-----	-----	-----	-----
Senior Level	07	06	01
Tertiary Level	09	03	06
Secondary Level	58	40	18
Primary Level	96	72	24
	-----	-----	-----
Total	170	121	49
	=====	====	=====

Vacancies in 49 posts relating to operating activities existed even by the end of the year under review.

4. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Utilization of Fund
- (b) Accounts Receivable
- (c) Human Resources Management