

## **Coconut Development Authority - 2013**

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The audit of Financial Statements of the Coconut Development Authority for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Financial Act, No.38 of 1971 and Section 43 of the Coconut Development Act, No 46 of 1971. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report

### **1.2 Management's Responsibility for the Financial Statements**

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Management is Responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor's Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud of error. In making those risk assessments the auditor considers internal control relevant to the Authority's preparation and fair presentation of financial statements 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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **2. Financial Statements**

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### **2.1 Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the Coconut Development Authority as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Accounting Policies**

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Fixed assets of the Authority had been revalued in several years, but the methodology applied for the revaluation had not been disclosed in the accounts.

#### **2.2.2 Accounting Deficiencies**

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In calculating depreciation for the year under review depreciation of buildings and office equipment had been overstated by Rs.825,820 and Rs.217,354 respectively and the depreciation of Laboratory equipment had been understated by Rs.68,682.

### **2.3 Accounts Receivable**

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The following observations are made.

- (a) According to the loan agreement the Authority had granted a loan of Rs.2,000,000 to an Agrarian Company in the year 2006 and this loan should be fully repaid within six months from the date of grating the Loan without interest in equal installments. However only a sum of Rs.550,000 had been paid in 2 instances and the Authority had failed to recover the outstanding loan balance of Rs.1,450,000 even by the end of the year under review
- (b) Cash misappropriated by an officer of the Authority and its interest totalling Rs.1,752,462 had been continuously shown in the accounts as receivable since 1998.
- (c) The fees receivable from the desiccated mill owners and the ground rent receivable for the auctions of fresh coconuts and copra amounting to Rs.2,756,691 remained receivable by the end of the year under review.

## **3. Financial and Operating review**

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### **3.1 Financial Results**

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According to the financial statements presented, the operations of the Authority for the year under review had resulted in a surplus of Rs.36,419,413 as against the deficit of Rs.9,681,156 for the preceding year, thus showing an improvement of Rs. 46,100,569 in the financial results. The

decrease of operating expenditure in the year under review as compared with the preceding year by Rs.36,347,521 had been the main reason for the improvement of financial results.

### 3.2 Analytical financial review

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The total income of the Authority consisted of 67 per cent of the Treasury provisions and 14 per cent, 17 per cent and 2 per cent consisted of the interest income, operating income and sundry income respectively.

## 4 Operating Review

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### 4.1 Performance

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Instances of performance at a minimum level during the year under review are given below.

- (a) Although a sum of Rs.694,000 had been spent during the years 2012 and 2013 to maintain a data base to collect information about Coconut related industrialists by networking Processing Development Division and Regional Industries, this system had not been installed even by the end of the year under review.
- (b) Even though, it was planned to modernize 37 mills for the upliftment of quality of Coconut oil mills identified in the kapruka purawara villages, attention in this regard had not been drawn even up to the end of the year under review.

### 4.2 Management Inefficiencies

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The following observations are made

- (a) Even though it was expected to get orders for Rs.80 million at the trade exhibition held in Germany in the year under review by incurring an expenditure of Rs.3,471,975 for the introduction of Coconut related Industrialists to the world market, its progress had not been reviewed.
- (b) A traditional set of Boxes including the secured Coconut husk container machine purchased at Rs.640,000 for providing high quality Bristol fiber to manufacture brushes which was a main product in the Nipayum Piyasa Centres had remained in the premises of the Industrial Development Authority up to 20 November 2014.
- (c) Loans amounting to Rs.2,600,000 had been granted with interest concessions to 3 Industrialists who had not registered in the Authority in the implementation of Kapruka Nipayum Diriya Loan Scheme. Even though the entire amount obtained in one instance had not been fully utilized, the interest concession had been granted for the full loan.

**4.3 Personal Administration**

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The approved cadre and the actual cadre as at 31 December 2013 had been 166 and 132 respectively and as such there were 34 vacancies in posts relating to the operating activities of the Authority by the end of the year under review.

**5. Systems and Control**

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Weaknesses in systems and control observed in audit were brought to the attention of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Utilization of Funds
- (c) Accounts Receivable