

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Coconut Development authority for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 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 Authority as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting.

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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Authority 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 Authority.

1.4 Audit Scope (Auditor's Responsibilities for the 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 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 Company'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 Company 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 Authority, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority;
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 **Audit Observations on the preparation of Financial Statements**

1.5.1 **Non-Compliance with Sri Lanka Public Sector Accounting Standards**

Non Compliance	Comments Of the Management	Recommendation
(a) Even though financial statements should be submitted in such a way that budgeted figures and actual figures can be presented separately in terms of the paragraph 24 (a) of Sri Lanka Public Sector Accounting Standard No. 01, the budgeted revenue and revenue variance had not been mentioned in the financial statements submitted for the year under review.	Measures had been taken to show the estimated revenue and expenses in the financial statements from the year 2022.	Financial statements should be submitted showing budgeted figures and actual figures separately as instructed in the standard.
(b) It was observed that the cash flow statement of the year under review had not been prepared in accordance with the provisions of Sri Lanka Public Sector Accounting Standard No. 02 as Rs.1,474,281 of prior year adjustments that had been adjusted to accumulated surplus had been adjusted to cash flow generated from operating activities in the statement of cash flows ,and due to the fact that 20 fixed deposits of Rs.376,499,131 maturing in 03 months, 06 treasury bills of Rs.11,237,375 and 03 savings accounts of Rs.71,963,410 had not been shown as cash and cash equivalents under investment activities.	Measures had been taken to correct this issue.	Cash flow statement should be prepared in accordance with the provisions of the standard.

- (c) Even though the fully depreciated laboratory equipment and machineries with the cost of Rs.88,827,013 had already been in used, the error regarding the estimated effective lifespan of those assets had not been re-reviewed and adjusted in the financial statements in terms of the Sri Lanka Public Sector Accounting Standard No. 03.
- (d) Even though that depreciation of an asset should be commenced when it had been commenced to utilize in the purpose for which it is intended to be used in terms of the paragraph 69 of the Sri Lanka Public Sector Accounting Standard No. 07, 12 pieces of equipment costing Rs. 17,714,910 including the HPLC equipment, which had been purchased between year 2011 and 2018 and had not been used for the intended purposes, had been depreciated by 20 percent annually from the year of purchase. Therefore, the value of 08 unused machines and equipment had become zero by the end of the year under review, and assets and accumulated surplus had been understated by Rs.12,577,364 and expenses had been overstated by Rs.3,205,365 in the financial statements.
- (e) When it is probable that the economic benefits or services associated with the transaction will flow to the entity and when the amount of surcharge can be reliably measured, they should be recognized as interest income in terms of the paragraph 33 of Sri Lanka Public Sector Accounting Standard No. 10. However, annual interest income of Rs. 4,011,609 , which had not been charged for 36 years, had been calculated for the credit balance of Rs. 26,715,037 of the B.C.C. Lanka company and that value was allocated as doubtful debts. No arrangements had been made to disclose this in the financial statements and to make the necessary adjustments for the impairment value for the loan balance.
- Committees had been appointed to assess the assets that had not been revaluated. Adjustments are to be made in the financial statements in year 2022.
- According to the accounting policy of the Authority, these assets had been depreciated at 20 percent annually from the year of purchase.
- Measures had not been taken to make necessary adjustments as the Coconut Development Authority had been informed continuously through the Treasury that payment of this loan and interest will be made by the BCC Lanka company.
- Measures should be taken to re-review effective lifespan of the assets which have been fully depreciated, but are still in use, and make adjustments in financial statements in terms of the instructions of the standard.
- In terms of the instructions of the standard, depreciation of an asset should be commenced, when its deployment begins for the purpose for which it is intended to be used.
- Measures should be taken to disclose regarding non-recoverable loans and interest income in the financial statements, and to make necessary adjustments for the impairment value for the loan balance.

1.5.2 Accounting Deficiencies

Non-Compliance	Comments of the Management	Recommendation
(a) No measures had been taken to estimate 16 machinery, 17 computers and devices, 04 wooden furniture and 65 other assets, which had been included in the fixed assets register of Dunkannawa Coir Development and Training Center without the value, and to disclose in the accounts.	Measures had been taken to update the Fixed Asset Register in year 2022.	Measures should be taken to estimate relevant fixed assets and make adjustment in the fixed assets register and disclose in the accounts.
(b) Even though a physical stock survey of stationery and other consumables had been conducted by the authority on 31 December 2021, the correctness of the balance of Rs.21,501,463 as per the entries in the financial statements could not be confirmed as the inventory included in the report had not been valued on the first-in-first-out (FIFO) basis and included in the financial statements according to the accounting policy of the authority.	Since the physical stock verification reports had not been released by 28.02.2022, the stock ledger balances had been included in the financial statements.	Measures should be taken to show the value of physical stock verification balances in the financial statements.
(c) 1,649,010 stickers worth Rs.2,962,845 and 105 types of chemicals, glass equipment and media equipment worth Rs.8,427,201 which had been removed from the stock of the main office inventory and issued to the relevant divisions were left in those sectors as at 31 December 2021. However, they had not been physically verified and adjusted with the stock. Therefore, the stock was understated by Rs.11,390,046 and the expenses were overstated in the financial statements.	Instructions had been given to manage these stocks through formal documentation in future, and it had also been informed to limit the taking of sub-stocks from the inventory simultaneously. Accordingly, measures will be taken to ensure not to decrease the stock in due course, and to verify this stock physically and adjusted with the stock.	All remaining stock should be physically verified and included in the inventory by the end of the year.

- (d) It was observed that 11 types of chemicals had been included in the inventory database system under several codes during the sample inspection of the inventory ledger accounts and physical stock survey reports, and it was observed that the stock receipts and releases of those chemicals had not been properly brought in to accounts.
- (e) The audit was not satisfied that proper internal control was in place regarding sales and debtors, and debtors as well as revenue had been correctly identified and brought in to accounts due to the facts that invoices had not been issued for the provision of services and payment to the owners of desiccated coconut mills, a debtor ledger and a debtor control account had not been maintained, a proper system for collecting money had not been introduced, and there is no information technology system for identifying money directly credited to the bank, etc. According to the financial statements of the year under review, the revenue was Rs.11,057,590 and the debtor balance was Rs.5,104,468 and the revenue was Rs.9,794,902 and the debtor balance was Rs.4,377,852 according to the documents maintained by the revenue collection department.
- (f) It was observed that total of Rs. 1,708,377, out of the unrecognized balances of Rs.2,391,232 under current liabilities as "Receipt In Advance" in the financial statements, are inspection fee and registration fee revenue deposited directly in the bank by the respective customers as Rs.335,750, Rs.460,627 and Rs.912,000 in year 2020,2021 and
- A committee had been appointed to correct the issue regarding the codes.
- A database should be prepared with one code per chemical type.
- These mistakes and deficiencies had occurred due to that invoice copy had not been received properly by the accounts division and measures had been taken to correct them. It is informed that relevant officers had been instructed to make payments for the invoice at the time of providing services to the desiccated mill owners, and accept the sample along with the receipts and enter it into the database system and that a close attention will be paid to this matter and arrangements will be made to collect the arrears.
- Measures should be taken to establish proper internal control over sales and debtors and the revenue should be properly brought to accounts.
- This is due to the fact that not providing any details regarding direct remittances made to the bank by some customers or not forwarding until a considerable time has passed. Efforts will be made to avoid such shortcoming in due course.
- These balances should be identified and brought into accounts immediately. A system should be established to identify the balance credited to the bank on a monthly basis.

2022 respectively. However, current liabilities had been overstated by Rs.1,708,377 due to the fact that these balances had not been reconciled correctly in the financial statements. The income of the year under review, accumulated surplus and accumulated deferred receipts had been understated by Rs.335,750 ,Rs.460,627, and Rs.912,000 respectively in Financial Statements.

1.5.3 Documentary Evidences not made available for Audit

Subject	Amount	Audit evidence not provided	Comments of the Management	Recommendation
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	Rs.			
(a) Amount payable to 20 creditors	70,527,249	Balance confirmations	Letters had been sent to all debtors to confirm balances.	The existence of debtors and creditors should be confirmed by balance confirmations.
(b) Amounts receivable from 92 debtors	15,236,329	Balance confirmations		

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
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(a) The total loan amount of Rs.114,427,563 as Rs. 26,715,037 given in the year 1985 and Rs. 31,550,000 given in the years 2002 and 2004 and the related interest amount of Rs.56,162,526 had been given to B.C.C Lanka Company from the Coconut Oil Price Stabilization Fund and the Capital Development Fund under the Authority were remained in arrears for more than 36 years ,and no proper action had been taken to recover the money.	It had been agreed at the discussion chaired by the Director General of the Department of Public Enterprises held on 26 January 2022 to settle the debt and interest from the compensation received from the transfer of a land owned by the B.C.C. Lanka Company to the Ministry of Justice.	Debts and interest should be collected immediately.

- (b) Measures had not been taken to collect Rs. 1,321,138 to be collected from 33 mill owners to whom certificates had been issued by conducting inspection of desiccated coconut samples in the years 2018, 2019 and 2020, Rs. 1,119,599 to be collected from 15 mills from which certificates of registration for desiccated coconut products had not been obtained and to recover Rs. 145,144 receivable from 13 coconut milk production establishments.
- It had been mentioned by the concerned institutions that this amount had been paid as direct deposit and measures will be taken to recover that amount promptly by checking in this regard if a payment had not been made.
- Arrangements should be made to collect the dues promptly and methods should be established to collect the relevant fees before the inspections are carried out.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Section 11 (b) of the Finance Act No. 38 of 1971, Public Finance Circular No. 25 dated 29 June 2004 and Public Finance Circular No. PE/PE/9 dated 27 June 2006.	Even though the consent of the minister of finance and the approval of the relevant minister should be obtained for investing money in state enterprises in fixed deposits, such approval had not been obtained for Rs. 739,847,663 invested in 40 fixed deposits of the authority as at 31 December 2021.	Measures will be taken to obtain relevant consents and approvals before making any investment in due course.	The consent of the Minister of Finance and the approval of the concerned Minister should be obtained for investing in fixed deposits.
(b) Paragraphs 13.3 and 13.7 of Chapter II of the Establishment Code of the Democratic Socialist Republic of Sri Lanka	A full-time officer should be appointed forthwith to fill a vacant post, and such officer shall not be entitled to receive an additional remuneration in covering the duties. Nevertheless, 03 officers had been appointed for 02 years and 03 months, 02 years and 08 months and 03 years and 04 months respectively to cover the duties of 03 positions including the post of Director (Administration) of the authority and for that they had been paid Rs.924,220 by the end of the year under review as allowances Rs.29,201 per month.	It had not been possible to make recruitments due to that recruitments had been suspended because of the elections held in year 2019 and 2020, and then due to the lack of suitable applicants. At present, the recruitment procedure has been directed to be revised. The coverage of duties will be corrected as discharge of duties for these 03 posts, and the allowance will be paid or if it is not possible, the amount will be recovered. It had been informed to suspend payments.	Suspension of illegal payments and recovery of illegal payments made.

- (c) Financial Regulations of Democratic socialist republic of Sri Lanka F.R.371
- Even though the sub imprest obtained should be settled immediately after completion of the relevant work, it took between 30 to 246 days to settle the advances of Rs. 801,990 given to 15 officers at 18 occasions.
- Settlement of advance had been delayed due to Covid pandemic. The officials had been informed that measures should be taken to settle the advance immediately.
- The sub imprest obtained should be settled immediately after completion of the task.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 18,945,738 and the corresponding surplus in the preceding year amounted to Rs. 18,194,029. Therefore a deterioration amounting to Rs. 37,139,767 of the financial result was observed. Although the total expenditure of the year under reviewed had been decreased by Rs.24,561,068 compared to the previous year, the decreased of the revenue by Rs.56,527,308 had been the main reason for this deterioration.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>a) As the electricity repairs carried out in the Narahenpita head office in the year 2019 at a cost of Rs. 4,092,743 had not been properly completed, an expenditure of Rs. 1,400,200 had to be incurred again in 2021 for that purpose.</p>	<p>Upon increase in the required electricity capacity up to 300KVA on the supervision, consultancy services and recommendations of the Construction Industry Development Authority, payments have been made on completion of the repairs of internal electric wires and circuit boards, installation of new electric circuit boards and installation of electric plugs according to the placement of laboratory equipment.</p>	<p>An investigation should be conducted to find out whether there was any defect in the repair done in 2019.</p>
<p>b) With the objective of introducing a sticker label system with serial numbers to the industrialists in order to streamline the supervision and regulatory tasks assigned to the Authority in relation to coconut related productions, 6,573,831 stickers had been printed under 07 categories at a cost</p>	<p>Since certain industrial institutions became inactive due to coconut price fluctuation and the competitive international market, and as a result of decrease in the production and the Covid epidemic situation, labels could not be provided to the</p>	<p>Action should be taken to carry out supplies by recognising requirements and to use them efficiently, and proper measures</p>

of Rs. 11,626,311 during the period of 2016 to 2018 without recognizing the requirement. Out of which, 4,725,841 stickers worth Rs. 8,358,002 representing 72 per cent of the total amount of stickers had been saved by the end of the year under review and interest of the industrialists for purchasing stickers was decreasing. Accordingly, it is observed that the remaining stock might be an uneconomical expenditure. Further, out of the total of 6,573,831 stickers printed, 1,732,879 stickers had been sold and accordingly, the quantity of stickers that should be remained in the stores as at 31 December 2021 was 4,840,952. However, 4,725,841 stickers had remained in the stores, thus observing a shortage of 115,111 stickers valued at Rs.230,222.

industrialists. However, it is the objective of the Authority to gradually introduce this method for the industries.

should be taken with regard to the stickers shortages after conducting an investigation.

c) For the High Performance Liquid Chromo to graph (HPLC) machine purchased at a cost of Rs. 6,590,685 in the year 2017 with the objective of testing the level of sugar, vitamin, Polycyclic aromatic hydrocarbons (PAH) contained in the coconut production and testing the level of Aflatoxins contained in the exported desiccated coconut and coconut oil as per the SLS 98 : 2013 Sri Lanka Standard, accessories had been purchased in the year 2019 and 2021 by incurring an additional expenditure of Rs. 9,107,192. Due to the reasons such as reporting defects from the date of purchase, purchase of the machine without completion of renovation of the laboratory and existence of vacancy of the Analyst, the machine remained idle and the warranty period of the machine had ended in the year 2018. Further, all payments had been made without testing the machine by an independent officer who has technical knowhow.

The non-completion of laboratory renovations until 3 years and existence of vacancy of the post of Analyst until 2019-2021 has given rise to inability to use this HPLC machine from the date of purchase in 2017 up to the year 2020. 42 tests have been performed by 15.07.2022. Due to the reasons such as Corona epidemic and fuel and electricity crisis, and shortage of foreign exchange for importing chemicals, only the essential tests will be performed.

As it has not been confirmed whether there are necessary infrastructure facilities and skilled staff before purchasing the machines, an inquiry should be conducted to identify the officer who should be held responsibility regarding that matter.

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| d) | It was observed that the incurring expenditure of Rs.75,600 for the creation of a newspaper advertisement in felicitation of the 2nd Anniversary of the President's Inauguration in Office and the payment of Rs. 8,181,000 for printing 150,000 copies of the book titled "Apeksha Kapruka" by the state line ministry was contradictory to the objective of the Authority. | This has been done by the ministry in charge of the subject to make the people aware of the coconut industry. | Expenditure contradictory to the objectives of the Authority should not be incurred. Expenditure of the ministry in charge of the subject should be borne by the provisions made to that ministry. |
| e) | Despite lack of provision to add a part to the front of head office at Narahenpita for the Chairman and establish a sales stall at Colombo Pettah, a sum of Rs. 300,000 had been paid to a private consultation company as the first installment of the agreed consultation fee of Rs.1,200,000. Since the Treasury approval had not been granted for that project, it had not been possible to carry out the relevant contract. | It this works is scheduled to be included in the action plan 2023 and carried out using internal earnings or savings. Further steps are being taken to continue this project as a special investment project with the assistance of the private sector. | This work should be completed. If not, the expenditure should be recovered from the responsible persons. |
| f) | g) | f) | f) |
| g) | Although sample test of desiccated coconut, coconut oil, coir pith, coconut water, poonac, copra, coir fiber etc. referred by the demanders in relation to coconut related product should be performed by the laboratory of the Authority and the test reports should be issued within 05 to 10 days, 60 reports had been issued after delay of 14 to 118 days during the year under review and the test report register had not been maintained in an updated manner. | As result of shortage of the staff due to the Covid epidemic, the samples referred to the laboratory are tested in the order of priority. Since it was required to perform the regulatory tests while performing priority tests, issuance of results has been delayed. In order to prevent these occurrences in the future, action will be taken to refer the samples in keeping with the annual plan of the Quality Control Division. | Action should be taken to conduct tests and issue reports on the due date and to maintain the records register in an updated manner. |
| h) | Necessary arrangements had not been made to recover the staff loan of Rs. 434,938 given in the year 2017 and 2020 to two employees who had vacated the posts. | Although the delay was occurred due to the crisis prevailing in the country, action is being taken to recover the loan from the principal debtor or the guarantor after obtaining a grace period. | Necessary action should be taken to recover the staff loan. |
| i) | Although there was a shortage of 08 items of furniture and equipment of one division and an excess of 07 items of furniture and equipment of another division according to | Action will be taken to recheck the accuracy of this computation at the time of assessing assets and to make adjustments accordingly. | Necessary inquiries should be conducted necessary actions should be taken |

the board of survey report as at the end of the year under review, no adjustments had been made by conducting an inquiry in that connection.

according to the Financial Regulations in respect of shortages and excesses revealed.

3.2 Transactions of Contentious Nature

Audit Observation

Although Rs.9,344,832 had been paid to the Rupavahini Corporation in the year 2014 for the coconut production popularization programme, a sum of Rs. 7,060,032 to be recovered due to incompleteness of the promotional activities had not been recovered even by the end of the year under review and it was a matter of contentious nature. The progress of the investigations conducted by the Commission to Investigate Bribery or Corruption and the Presidential Investigation Unit in the year 2016 to the effect that a financial misappropriation had taken place in the implementation of the promotional project had not been looked into. Although Rs. 2,280,000 out of Rs. 2,284,800 was for the production of 06 promotional videos, due to not telecasting those video tapes, that amount had become an uneconomic expenditure.

Comment of the Management

Further action is being taken to recover this amount.

Recommendation

Necessary actions should be taken by ascertaining the progress of the investigations conducted.

3.3 Operational Inefficiencies

Audit Observation

- a) For the purpose of developing the "Desiccated" coconut industry in terms of Coconut Development Act, No.46 of 1971, the Mills Development Fund had been established in the year 1980 by depositing money received from the Cess Fund at 20 cents per 1 Kg of imported desiccated coconut to the savings

Comment of the Management

It is informed that special attention will be drawn in the future to implement a proper programme to use this money for the development of mills.

Recommendation

A proper programme should be implemented for the development of mills by increasing the efficiency of the activities of the Fund.

accounts in the name of each mill owner. Although the total of Cess income and the bank interest income received up to the Fund to 31 December 2021 was Rs. 99,813,314 of the balance of accumulated fund account and Rs. 208,494,784 of the bank deposit value, the amount given for the development of 04 mills during the year under review was only Rs. 3,216,952 or 3 per cent of the accumulated fund. Accordingly, it was observed that there was no proper programme for the development of mills.

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| <p>b) In terms of the powers of the Coconut Development Act No.46 of 1971, although the Coconut Oil Price Stabilization Fund had been set up with the objective of controlling the price by purchasing coconut oil in large bulk and issuing them to the market according to the price fluctuation, the Authority had abandoned this programme from the year 1981 and the oil tanks maintained in the Port for that purpose had been given to another institutions. Nevertheless, the financial statements have been prepared up to the year under review including a loan balance totaling Rs. 160,885,535 including a loan of Rs. 78,865,954 outstanding from the year 1985, an investment balance of Rs. 232,281,453 and a balance of accumulated Fund amounting to Rs. 334,956,888.</p> | <p>Action will be taken to prepare future plans by reviewing the Coconut Oil Price Stabilization Fund Account once again.</p> | <p>Attention should be drawn on the re-establishment of the Price Stabilization Fund.</p> |
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3.4 Procurement Management

Audit Observation	Comment of the Management	Recommendation
<p>(a) Despite the approval given by the Procurement Committee as per the recommendations made by the Technical Evaluation Committee to award the contract for the installation of a LED digital panel in 12 x 9 under</p>	<p>It is informed that the panel will be again checked by an external person with technical knowledge to confirm whether it is a quality panel with the due standard in</p>	<p>An independent inquiry should be conducted on the procurement process.</p>

p5 parameter in front of the head office of the Coconut Development Authority in Narahenpita, which was not a pre-planned activity, to the company that had offered the minimum price of Rs.5,196,879, the work had been assigned to the company that had offered the maximum price of Rs. 6,183,000 subsequently through the e-mail at a price of Rs. 4,998,000 and recovering the performance security with a shortfall of Rs. 249,900 and Rs. 999,600 had been paid for that purpose. Due to issues such as the prepared board was not confirmed to be of the prescribed size, the panel was damaged and the frame was not aligned in some places, the video displayed was unclear and the control unit operating the board was an old one, It was not confirmed to be in new condition. It was observed that this was a controversial procurement not in conformity with the Government Procurement Guidelines 2006.

conformity with the relevant specification and future activities will be done accordingly. Otherwise, action will be taken to recover the advance.

(b) Although provisions had not been made during the year under review and there was no requirement, a TV set, an APPLE I PAD PRO 12.9” 256 GB and a 758 L Bottle Cooler had been purchased for the Chairman’s Office at Narahenpita by appending Rs. 1,314,890 in an uneconomical manner without being complied with the Government Procurement Guidelines by calling for quotations through the e-mail.

As it was essential for the duties of the Chairman, the purchase has been made urgently without obtaining the performance security and action has been taken to call for quotations through the e-mails due to prevailing Corona epidemic condition.

Procurements should be carried out in accordance with the Procurement Guidelines.

(c) Even though the amount allocated from the procurement plan for the purchase of computer and accessories was Rs. 3,154,000, 13 computers, a printer and 13 laptops had been purchased at Rs. 4,585,150 by paying an additional

The relevant officers have been instructed that the procurement plan should be amended in making additional purchases in the future. These types of computers have been purchased taking into account

Procurements should be carried out in accordance with the Procurement Guidelines.

amount of Rs. 1,431,150. Without the difficulties in obtaining being referred to the Procurement spare parts and the high price. Committee, 13 laptops had been purchased on the approval of the Chairman of the Authority by carrying out all procurement activities from calling for quotations up to placing orders within one day even without obtaining a performance bond.

3.5 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
<p>(a) It was observed that 23 items of testing equipment and other materials that had been purchased at a cost of Rs. 35,057,502 during the period from 2008-2020 by the Authority to perform waste water tests and heavy metal, residual and nutrition tests of the coconut products including desiccated coconut and coconut oil remained unused even by the end of the year 2021. As a result, it had not been possible to fulfil the responsibility of assuring the fact that coconut productions are done in accordance with the due standard and the Authority had lost income.</p>	<p>Due to reasons such as the flood that occurred in the year 2015, the continuation of the renovation of the laboratory from the year 2017 up to 2019, 62 percent employee vacancies during 2019-2021 ,the inability to import and purchase necessary gases during the period of Covid epidemic, the prohibition of the import of certain pesticides and spare parts, decrease in the number of samples referred for tests, it had not been possible to operate the machines.</p>	<p>Equipment should be used for intended purposes.</p>
<p>(b) The first floor and the third floor containing 7,754 square feet of the 04 storied office of the Authority with 17,866 square feet in Colombo Fort had remained idle without taking into optional use from April 2018.</p>	<p>Plans have been drawn to establish a trade showroom for coconut related productions. Future steps are due to be taken in accordance with the relevant approval.</p>	<p>Action should be taken to use the buildings efficiently while obtaining the due benefits.</p>
<p>(c) Stocks of chemicals worth Rs.914,270 belonging to 33 categories that had been purchased during the period before 2014 up to 2020 remained unused and the reasons therefore had not been explained.</p>	<p>Due to the decrease in the number of samples referred for the tests owing to Covid epidemic situation, fuel crisis and the power cut prevailing in the country, use of chemicals has also decreased.</p>	<p>Chemicals should be used before the expiry. Additional stocks should not be collected.</p>

3.6 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
Out of the approved cadre of 259 of the Coconut Development Board as at 31 December 2021, 52 posts or 20 per cent remained vacant for a number of years and it included 02 posts of Director (Administration) and Director (Marketing- International). No action had been taken either to fill those vacancies according to the requirements or to revise the approved cadre.	A significant number of posts fall vacant annually due to resigning/retirement. In order to make recruitment to the post of Director General (Administration), the scheme of recruitment has been referred to carry out structural revision on 27.09.2019. The Board of Directors has given its decision to further discuss the requirement of the post of Director- Marketing (International)	Action should be taken to fill the vacancies or revise the approved cadre.