

Coconut Cultivation Board - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Coconut Cultivation Board for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 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 Coconut Development Act, No.46 of 1971, National Audit Act, No.19 of 2018, and the Finance Act, No.38 of 1971. My comments and observations which I consider should be report 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 2022, and of its financial performance and its 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 this 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 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 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 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 to cease 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 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 Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant standard	Comments of the Management	Recommendation
(a) According to paragraph 49 of Sri Lanka Public Sector Accounting Standards 07, although the asset class which all revalue asset belongs should be fully revalued, only 272 vehicles out of 288 vehicles belonging to the Coconut Cultivation Board were revalued and 16 vehicles costing Rs.9,713,924 had not been revalued.	The revaluated value of all vehicles belonging to the Coconut Cultivation Board has been adjusted in the final accounts of the year 2023.	As per Sri Lanka Public Sector Accounting Standards, entire class of assets should be revalued in the revaluation of assets.
(b) Contrary to paragraphs 29 and 30 of Sri Lanka Public Sector Accounting Standards 16, Rs.2,888,819 of estimated amount of 09 contracts had been debited to the work in progress account and credited to the contract creditor account.	All the contracts that have exceeded 02 years and have been completed so far have been identified and adjusted and corrected from the work in progress account in the year 2023.	Only the expenditure related to the amount of work completed should be shown in the work in progress account.

1.5.2 Accounting Policy

Audit Observation	Comments of the Management	Recommendation
(a) The financial statements had not disclosed a specific accounting policy related to the valuation of the stock of 649,101 rejected and failed coconuts and coconut saplings included in the closing inventory of the Board at a value of Rs.4,536,707 as at 31 December 2022 in accordance with paragraph 47(a) of Sri Lanka Public Sector Accounting Standards 09.	The minimum price at which such stock was sold in the market has been used in valuing the failed and rejected stock relating to model coconut gardens and coconut nurseries of the Coconut Cultivation Board and.	The specific policies of inventory valuation should be stated in the financial statements.

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The 17 vehicles provided by other institutions for the use of the board had been revalued to the value of Rs.24,375,372 in the year under review and accounted as the Property Plant and Equipment of the board.	The 16 vehicles that do not belong to the Coconut Cultivation Board were not identified and action has been taken to correct during the preparation of annual accounts of the 2023.	The vehicles used by the board should be taken over by the board and only the vehicles owned by the board should be shown in the financial statements.
(b) Although the revaluation value of revalued 05 vehicles was Rs.1,275,000, due to the fact that it was accounted as Rs.963,600, the fixed assets had been undervalued by Rs.311,400.	The under-accounting of the revaluation value of 05 revalued vehicles has been rectified in the preparation of the final accounts of the year 2023.	The revaluation values of assets should be accurately reflected in the financial statements.
(c) The 2 vehicles worth Rs.1,950,000 belonging to the Ministry of Plantation Industries had been accounted as property of the board and, although those vehicles were returned in 2016, they had not been removed from the accounts.	Action has been taken to adjusted the value of 2 vehicles of Rs.1,950,000 which was returned to the Ministry of Plantation Industries in the fixed assets register in the preparation of the statement of accounts for the year 2023.	Vehicles belonging to the board should be properly identified and accounted.
(d) As 17 lands worth Rs.13,095,245 which the board has no right to, had been accounted in the year under review, the value of Property Plant and Equipment had been overestimated by that value.	The land do not owned by the Coconut Cultivation Board has been adjusted under the Property Plant and Equipment of the statement of financial position in the preparation of accounts for the year 2023.	Lands should be properly identified and accounted.
(e) Although the land of 331 acres and 1 rood in Kurunegala district belongs the Mahayaya Model Coconut Gardens was transferred to the board under the Land Acquisition (Amendment) Act No.28 of 1964, the land value had undervalued as the asset had not been accounted.	Non indication of the value of the land of 331 acres 1 rood assigned by the Assistant Divisional Secretary of the Mahayaya Model Coconut Garden has been corrected in the financial status statement of the year 2023.	The lands owned by the board should be properly identified and accounted.
(f) Rent payments have not been made for the 93 acres 1 rood and 15 perches of land acquired from Sri Lanka	The land owners have not done a valuation for the respective lands and submitted the annual rent	Action should be taken to avoid difficulties in financial control by

- Mahaweli Authority for the lease basis and the 25 acres of land acquired from the Seruwavila Mangala Rajamaha Viharaya until now and the provision had also not been made.
- notices when giving the land of Embilipitiya, Ulhitiya nursery land acquired by the Mahaweli Authority and Seruwavila nursery land acquired from Seruwavila Mangala Rajamaha Viharaya to the Coconut Cultivation Board. Therefore, provision for rent has not been made.
- entering into formal lease agreements with the relevant parties and by timely payment of leases.
- (g) According to the board of survey reports, 48,683 of bare root coconut seedlings and 4,483 of polybag coconut seedlings with a value of Rs.9,517,861 owned by the board had been over-accounted to the stock account.
- According to the board of survey reports on 31/12/2022, the unit quantity of bare root coconut seedlings has been checked and the relevant error has been transferred to the subsequent adjustment account and corrected.
- The financial statements should be amended and included the correct inventory value.
- (h) Although an income of Rs.230,305,040 had been earned through the coconut auction at the end of the year under review, income had been over accounted by Rs.4,848,763 as Rs.235,153,803 in the financial performance statement.
- The method used by the Coconut Cultivation Board is to record the total amount received for the coconuts sold in the auction as coconut income until now. Also, the excess coconut income at the end of the accounting year was included in the total coconut income. In the year 2023, at the time of repayment of this excess coconut income, the value related to the year 2022 has been recognized and adjusted to the subsequent adjustment account and corrected.
- Coconut auction income should be accurately reflected in the accounts of the board.
- (i) The brokerage fee payable of Rs.2,326,314 of 1 percent to the broker for the sale of coconuts in the auction in the year 2022 had not been recognized as a liability in the financial statement.
- A brokerage fee of 1% (1% of the sale price) to be paid to the respective brokerage companies for coconuts sold at auction from the year 2023 has been recorded in the financial statements as a creditor.
- Brokerage fee liability should be accurately identified and accounted.
- (j) The value of Rs.7,555,455 payable for 124,455 coconuts rejected by the buyer from the coconuts auctioned during the year 2022 had not been
- Income received for coconuts sold at auction is recorded in coconut income. However the net income of the said stock of
- Liabilities should be accurately accounted in the financial statements.

shown as a liability in the financial statements.

coconuts is recognized when the buyer brings the respective stock of coconuts from the estate. Accordingly, after the end of the relevant account year, if the excess coconut income related to that year is returned, it has been arranged to record it in the subsequent adjustment account in the preparation of the future accounting reports.

(k) Although the contract for the construction of the Kurunegala Manager's Quarters Phase II, which was handed over to the Building Department in the year 2014 was not implemented, the total contract value of Rs.2,838,619 had been debited to the work in progress account and credited to the creditor account. And, the contract was re-awarded for Rs.2,897,636 in the year under review and due to the contract value was again recorded in the work-in-progress account and the creditor account, the work-in-progress account and the contract creditor account had been overvalued by Rs.5,156,728.

Since the construction of the Kurunegala Manager Quarters has been completed by now, relevant adjustments have been made for the accounting errors that have occurred in the year 2022 and corrections have been made in preparing the accounts for the year 2023.

Only the expenditure related to the amount of work completed should be shown in the work in progress account.

(l) The 3 contracts worth Rs.2,760,971 had been shown as work in progress without capitalization.

Since the works of the contract worth Rs.2,760,971 as on 31.12.2023 have been completed by now, Action has been taken to capitalize from the work in progress account in the preparation of the final accounts of the year 2023.

Assets should be capitalized immediately after completion of construction contracts on the confirmation of the completion of work.

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| (m) | The estimated contract value of Rs.2,991,470 in the opening balance for the contract of the Lunuwila Coconut Development and Training Center had been included in the work in progress and creditors, and was removed from the work in progress account and debited to the building maintenance account in the year under review. The amount of Rs.1,766,425 paid to the contractor for this contract had been debited in the creditor account and, it had been understated the work in progress account by Rs.1,766,425, the surplus for the year by Rs.2,991,470 and overstated the creditors by Rs.1,225,045. | Since the expansion of the hostel and dining room belonging to the Lunuwila Coconut Development and Training Center was a repair done in the old building, it has been debited to the maintenance and repair account in the year under review. | Construction contracts and repairs should be properly classified and accounted. |
| (n) | Although the work of water supply system of the Mayurapura coconut seedling nursery worth Rs.1,816,975 had been completed by the year under review, only Rs.726,790 of that value had been capitalized in the year 2020 and the remaining Rs.1,090,185 had not been capitalized, and the depreciation had also not been adjusted. | Actions have been taken to capitalize the water supply of the Hambantota Mayurapura coconut seedling nursery and carry out related depreciation adjustments in the year 2023. | Assets should be capitalized and depreciation adjustments should be made after the contract work is completed. |
| (o) | Although the assets belonging to the Ratnapura Divisional office were revalued by Rs.7,306,023, the assets had been overvalued by Rs.7,306,025 due to accounting as Rs.14,072,048. | The overvaluation of the revaluation value of the furniture and fittings belonging to the Ratnapura Divisional Office has been rectified in the preparation of accounts for the last year on 31.12.2023. | Assets should be revalued and properly accounted. |
| (p) | The office equipment and furniture fittings account had been overstated due to capitalization of Rs.1,106,000 amount paid on share basis for creation of official website. | Since the creation of the official website of the Coconut Cultivation Board has been completed in the year 2023, its value has been shown under intangible assets. | Assets should be properly classified and accounted. |
| (q) | A payment of Rs.2,149,974 was made in the year 2017 to a private company for the construction of a new building for the Negombo Seed Coconut Unit and accounted under work in progress. Due to the board decided to | Rs.2,149,974.00 was paid as consultancy fees to a private consulting firm for the construction of the new building belonging to the Negombo Seed Coconut Production Unit in the | Actions should be taken to recover the consultancy fees. |

not carry out the said construction, although the expenditure had become an idle expenditure, the relevant adjustments had not been made in the accounts, and action had not been taken to recover the amount paid even through legal proceedings.

year 2017. In there, the relevant consulting company was estimated that the construction of the building will cost Rs.459 million. Since the Coconut Cultivation Board cannot bear such a huge cost, the Coconut Cultivation Board has decided to effectively repair the relevant building instead.

(r) According to inventory survey reports as at 31 December 2022, although the number of units of Poly bag coconut seedlings was 620,043, since it was over stated by 4,483 units in the financial statements as 624,526, the value of the closing inventory of Poly bag coconut seedlings had been over accounted by Rs.1,276,803.

According to the board of survey reports as at 31.12.2022, the unit quantity of Poly bag coconut seedlings has been checked and the relevant error has been transferred to the subsequent adjustment account and corrected.

The value of the Poly bag coconut seedlings inventory should be corrected in the financial statements.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation

Total amount of Rs.1,062,332 of distress loans, festival advances and special salary advances given to eighty six employees of the board was in arrears for more than 05 years. Also, the uncollected festival advance balance which was not collected any installment for 09 months to 05 years was Rs.80,000 and the distress loan balance which was in arrears for 2 to 5 years from 24 officers who vacated service was Rs.870,321. The board had not taken actions to recover this money.

Comments of the Management

Actions have been taken to recover the distress loan arrears given to the employees of the Coconut Cultivation Board from the employees other than Mr. A.M.D.A Bandara. Since the services of Mr. A.M.D.A Bandara have been suspended, the necessary actions have been taken to recover the distress loan amount in the future. The special salary advances of Rs.255,000.00 given to 51 employees have been recovered by now.

Recommendation

Immediate action should be taken to recover the receivable amount.

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
Although more than 2 years to 5 years have passed for the payable amount of Rs.15,041,203 to 11 contract creditors and the unpaid salaries of Rs.335,607 to 11 officers, the board had not investigated about this creditors and the unpaid salaries settled.	Out of the balance of 11 contract creditors, except for 4 contractors who have legal issues, the balances of the remaining contractors have been corrected in the statement of accounts in the year 2023. Also, the unpaid salary balances of 11 officers have been corrected in the year 2023.	Information about the payable amounts and unpaid wages related to the construction works should be found and related transactions should be settled.

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

Reference to Non-compliance Laws, Rules, Regulations etc.	Comments of the Management	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R.570	The retention money of Rs.5,163,054 related to 53 construction works of the board which had exceeded the period from 02 to 08 years had not been settled and accounted under trade creditors.	The existing retention money related to the construction works of the board has been examined for the relevant contract periods and settled in the statement of accounts for the year then ended 31.12.2023.
(b) Section 02 of Public Enterprises Circular No.01/2020 dated 27 January 2020, Paragraph 2.3 of Public Enterprises Circular No.1/2015 and the letter No.PED/P/02/15 (i) temp 3 dated 20 March 2023 of the Director General of Public Enterprises	Although the instructions were given to refrain from making new appointments in the post of Executive Director and to amend the Act if an appointment has already been made and if the position was created under the established Act, by the letter dated 12 October 2022, an working director who was not included in the approved	In accordance with the provisions of the Coconut Development Act, an active director has been appointed by the Minister for the position of Chairman of the Coconut Cultivation Board and for the position of working Director of the Coconut Cultivation Board as officially appointed by
		It should be act as per the Public Enterprises circular and the letters of the Director General of the Public Enterprises Department.

Department	cadre for the Coconut Cultivation Board had been appointed and a separate vehicle with a driver and also 115 liters of fuel per month and the allowance of Rs.60,650 had been paid monthly.	the Minister. As per the Act, the Minister has the power to appoint and dismissed these two positions in the Coconut Cultivation Board.	
(c) Paragraph 7(5) of the Plant Protection Act No.35 of 1999	The only method identified to control the disease of coconut leaf wilt and rot is to uproot and remove diseased trees and if any information was received that there is any quarantine pest or pests in a certain area of Sri Lanka, although all necessary actions should be taken immediately to control it, 13,810 trees had not been cut and removed by 31 December 2022 even though it was marked for cutting and removal. It was also observed that not removing the diseased trees hinders the control of the disease and causes the spread of the disease.	That it is accepted that, not removing the diseased trees is an obstacle to control the disease, and because the growers did not remove a large number of trees that should have been cut and removed from the field, the Coconut Cultivation Board carried out the process of destroying the trees by injecting the chemical glyphosate at that time. Nevertheless, as the chemical glyphosate was not on the market during that time, the diseased trees were remained in the field.	Identified diseased trees should be removed immediately.
(d) Section 1 of the Internal Circular No.CCB/Criu/CMG & ND/2022-01 dated 05 May 2022 of Coconut Cultivation Board	According to the referred circular, although the operations should be carried out as the fallen coconut harvest does not exceed 10 percent of the total coconut yield, the amount of fallen coconuts from the total coconut yield in the year 2022 had been ranged from 11 to 33 percent in 08 of the 12 model coconut gardens owned by the board.	We have given continuous instructions to the Managers of coconut gardens to take necessary actions for operating as the fallen coconut harvest of coconut gardens does not exceed 10 percent.	Necessary actions should be taken to minimize the amount of falling coconuts.

- (e) Internal Circular No.CCB/Criu/CMG & ND/2016-3 dated 17 January 2016 of Coconut Cultivation Board
- Section 1 (ii) and 2 (i)
- Any monocots or plants belonging to the Palm genus should not be included to the register related to the plants and trees cultivated without the purpose of receiving timber benefit and subject to any other numbering in the field, and also the plants with a trunk circumference of less than 60 cm shall not be included in this register, as per the sample inspection, those trees worth Rs.1,860,183 had also been included in the register.
- Since some deficiencies have been observed in the Circular No.CCB/Criu/CMG & ND/2016 issued in the year 2016 in relation to the timber trees census, actions have been taken to amend it in the year 2024 to match with the present.
- Internal circulars should be complied with and circulars should be revised and approved as necessary.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs.389,622,417 and the corresponding surplus of the previous year was Rs.611,134,769. Accordingly, a deterioration of Rs.221,512,352 was observed in the financial result. The treasury grants received during the year under review decreased from Rs.1,179,002,363 to Rs.622,520,000 and the Ministry grants decreased from Rs.404,760,440 million to Rs.218,424,000 and the nursery expenses increased by Rs.156,313,897 compared to the previous year was mainly affected for this deterioration.

2.2 Trend analysis of main income and expenditure items

The main income and expenditure items for the year under review, as compared with the previous year, are as follows.

Items	Year		Variance Rs.	Variance As a percentage
	2022 Rs.	2021 Rs.		
Income				
Recurrent Receipts - Treasury	394,520,000	500,000,000	(105,480,000)	21
Capital Receipts - Treasury	228,000,000	679,002,363	(451,002,363)	66
Ministry Receipts	218,424,000	404,760,440	(186,336,440)	46
Other Income	1,729,554,844	1,248,622,320	480,932,524	39
Expenses				
Expenses of Development Programs	453,373,552	767,292,641	313,919,089	41
Operational Expenses	1,727,502,873	1,453,957,734	273,545,159	19

2.3 Ratio Analysis

The current and quick assets ratios in the year under review were 11 : 1 and 7 : 1 respectively and those ratios were 3 : 1 and 2 : 1 respectively in the previous year.

The increase in inventory and short term investments by Rs.126,057,168 and Rs.713,680,908 respectively in the year under review were mainly affected to the growth in current and quick assets.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) According to the action plan prepared for the year 2022, although it was planned to check the disease in 407 Grama Niladhari domains in the 3 districts where the disease of Weligama coconut leaf wilt and rot has spread, the board was only checked the land in 257 Grama Niladhari domains according to the progress report of the year under review. Similarly, out of 319 Grama Niladhari domains in Matara district, diseased trees only in 168 had been checked and trees in 151 domains were remained without checking. As well as, it was revealed during the audit that, the lands even in a single Grama Niladhari domain of 06 Divisional Secretariat have not been inspected. The number of diseased trees marked in the year 2021 in the 03 districts of Matara, Galle and Hambantota identified as the disease zone was 7,681 and it had been 18,976 in the year 2022. That is, although an increase of 147 percent compared to the previous year, the number of trees cut down in 2022 was 9,044 or only 47 percent of the number of marked diseased trees.	According to the vouchers received for payment in the year 2022, the number of trees removed from the field was 8,388, and the number of trees removed by the growers despite not being presented for payment was 9,527. The number of trees removed by inoculation was 735. Accordingly, the total number of trees removed in the year 2022 was 18,650. 18,976 trees have been marked in the year 2022.	Diseased trees should be immediately checked out and Immediate action should be taken to remove those diseased trees.

- (b) Out of the 12 model coconut gardens owned by the board, only less range of 6 to 23 percent of the acreage suitable for coconut cultivation in 8 coconut gardens had been cultivated. Since the areas in where coconut cannot be cultivated due to buildings, roads, soil, large trees, high voltage power lines has been included as land suitable for coconut cultivation, the area where coconut cannot be cultivated has been increased. The land suitable for cultivation in the model coconut gardens owned by the Board should be utilized at optimum level.
- (c) In order to control the white fly disease reported in 2019, although it was induced people to use the natural remedies recommended by the Coconut Research Board in the end of 2022 to use soap water, soap powder water, to mix Kohomba oil with water and use it on diseased trees, apply grease on a yellow polythene cover hanging coated polythene on the trunk of the tree, It was observed that, due to the difficulty of using these methods in practice for taller coconut trees, that remedy has not been a successful remedy for disease control. The recommendations given by the Coconut Research Institute are implemented in the field by the Coconut Cultivation Board. Accordingly, all the recommendations given by the Coconut Research Institute for the control of white fly were implemented by our field staff. Although it is difficult to implement those recommendations in some cases, the necessary equipment has been promptly purchased and implemented in the field by our field staff in accordance with the relevant recommendations. A sustainable treatment for control and suppression of whitefly disease should be done in collaboration with the Coconut Research Board.
- (d) Although the amount of non-fruiting coconut trees in the 4 coconut gardens of Palai, Korei, Girtland and Bopitiya owned by the board was more than 50 percent of the total number of coconut trees, the board has not taken actions to investigate the reasons for that and to take remedial action. In the model coconut gardens in the North and East, the old cultivation was destroyed and the development activities were also hampered due to years of war. By now, new cultivations and under-plantings have been started in the model coconut gardens. Therefore, the number of unfruitful coconut trees has been increased. As under-plantings have been started, the number of non-fruiting coconut trees has increased significantly also in other model coconut gardens. It will be possible to reduce this amount to a very low value in the next few years. Necessary actions should be taken to increase the number of fruit-bearing coconut trees in the coconut gardens owned by the Board.

- (e) The number of coconut trees destroyed due to black beetle damage in the 8 coconut gardens owned by the board in Randeniya, Girtland, Lenawa, Kohombana, Pasikuda, Korei, Mundalama and Palai increased by 59 compared to the year 2021, and the number of coconut trees destroyed due to the damage of the coconut leafhopper caterpillar damage increased by 638 compared to the year 2021. Actions had not been taken to reduce the damage by paying adequate attention to the remedies to be used for animal damage hazards.
- A large number of saplings are established and maintained in model coconut gardens, and black beetle damage is the major insect threat to these gardens. Actions have been taken to reduce the damage by now. Although 638 coconut trees were recorded as Brontipsa damage in Pasikuda Model Coconut garden in the year 2022, it should be corrected as coconut leafhopper caterpillar damage.
- A formal program should be prepared to protect crops from various insect threats.
- (f) In comparison of the census report of trees with timber value conducted on 07 June 2023 and the timber trees census information report of the field officers of the Girtland Model Coconut Garden, 301 trees of 18 types of timber in the Girtland Model Coconut Garden were not included in the census register with timber value and 12 trees of 2 types of timber had been over included in the census register with timber value. It was also observed that this excess amount of timber trees had also been included in the balance of Rs.186,542,914 stated in the financial statements submitted on 31 December 2022.
- The internal audit division has conducted a complete investigation on the timber tree census in the Girtland Model Coconut garden by now and made relevant corrections.
- Correct information should be entered in the census register of trees with timber value in model coconut gardens and the balance in the financial statement should be corrected.
- (g) Although the Board was using 17 vehicles worth Rs.30,202,375 belonging to the Ministry of Plantations, Ministry of Sports, Coconut Development Authority, Ministry of Finance and the Secondary Agriculture Project, the action had not been taken to taken over the said vehicles to the Board until the end of the year under review and expenses of Rs.3,207,905 had been incurred during the year under review for repairing of 7 vehicles out of that. Out of this, 4 vehicles were
- Since the Coconut Cultivation Board is a statutory body, it was not directly assigned a government vehicle, we have searched for the documents of these vehicles and 09 vehicles have been taken over in the name of the Ministry of Plantation Industries by now. Although these vehicles are not owned by the Board, they are running condition vehicles used for the official activities of the Coconut Cultivation Board for a long time.
- Action should be taken to formally taken over the vehicles used by the board.

- also not in running condition.
- An amount of Rs.3,207,905 has been spent in the year 2022 as fuel, service and maintenance fees to maintain the vehicles in running condition.
- (h) The actual yield had been decreased by 2 to 19 percent other than the expected yield in 9 out of the 12 model coconut gardens owned by the Board when comparing the estimated coconut yield with the actual coconut yield in the year under review. Also, the coconut yield in the year under review of 5 out of the 12 model coconut gardens had decreased by 2 to 10 percent compared to the year 2021.
- Due to the lack of chemical fertilizers in the country, it was not possible to apply fertilizers for coconut cultivation for several years. It has a direct impact on the reduction in productivity and since the application of chemical fertilizers has started as scheduled from the year 2024, it has the potential to increase coconut yield in the future years.
- A formal program should be prepared to increase the actual coconuts yield.
- (i) The coconut varieties of CRIC 65 (green), CRIC 65 (yellow), TSR, Kapruvana, Kapsuwaya, Kapsetha, and DT hybrid plants and king coconut plants introduced by the Coconut Research Institute in the years 2020, 2021 and 2022 had not been planted in the 12 model coconut gardens owned by the board, and 86,499 of PP2 type plants that were not among the recommended plants of the Coconut Research Institute had been planted in the year 2021 and 195,703 in the year 2022 in the coconut gardens of the board.
- High-quality seed coconuts are provided to the Coconut Cultivation Board by the Coconut Research Institute. Since the seed coconuts are produced in very small quantities annually, the seed coconuts for nursery in the model coconut gardens have not been received in the years 2021, 2022.
- High quality seeds recommended by Coconut Research Institute should be obtained and seedlings should be prepared.
- (j) During the inspection on the planting of desolate seedlings in all the model coconut gardens belonging to the board, desolate seedlings were not planted in the Mahayaya coconut garden in the year under review and there were more desolate seedlings to be planted than the amount of desolate seedlings planted in the 8 coconut gardens named Randeniya, Gertland, Lenawa, Daisyweli, Kohombana, Korei, Mundalama, Palai. It was observed during the audit that, the work of planting desolate seedlings has not been done
- It was not possible to obtain the machinery, fuel and labor required for the work of planting the planned desolate coconut seedlings due to the economic instability in the country in the year 2022, and therefore it was difficult to carry out this work properly. Those vacant seedlings have been planted by now.
- The Board should carry out the work of garden of desolate seedlings in a timely manner.

- properly and the amount of desolate seedlings to be planted was more than the number of seedlings that have been planted.
- (k) Approved number of drivers for the 77 vehicles owned by the board is about 50 and only 35 drivers are employed in the head office, model coconut gardens, regional offices and nurseries. Also, it was observed during the audit that there are only 6 drivers attached to 18 vehicles used in the head office and the vehicles were idle without enough drivers for official work.
- (l) In providing alternative crop plants to the coconut growers whose diseased trees were removed by the board, although the alternative crop plants such as cinnamon, banana, fruit, black pepper and turmeric were provided for 243.5 acres of land of 203 growers in the year 2021, alternative crop plants had been provided only for 161.75 acres of land of 110 growers in the year 2022.
- (m) The board had recruited temporary field inspectors for coconut leaf rot and leaf wilting since 2008 and extended their service to 06 of 06 months. It was also observed during the audit that, tree markings had been delayed during the year due to the fact that only 43 field officers were on duty to cover 408 Grama Niladhari domains in the southern province and therefore not enough to cover all above Grama Niladhari domains.
- Since the detailed reports have been sent to the Department of Public Enterprises by letters dated 02.01.2024 and 05.03.2024 in order to complete all vacancies including driver vacancies in the board, the recruitments will be done in accordance with the instructions received for that. However, under the current shortage of drivers, we will continuously and effectively carry out the duties for the needs of board's administrative activities including the project and development services of the board.
- The planned progress could not be achieved due to lack of qualified growers and unwillingness of growers for alternative crops. The Coconut Cultivation Board has made maximum effort to provide alternative crops.
- The approval of the Ministry was received only for the recruitment of 43 field officers as the provisions of the Ministry has been allocated for only 43 field officers for the year under review. Therefore, this work was done in the best possible way by employing the same number of officers.
- Actions should be taken to effectively utilize the vehicles of the Board by expediting recruitment for essential driver vacancies.
- Action should be taken to provide alternative crops for the coconut trees removed.
- Adequate field officers should be deployed to speed up disease control and suppression activities.

3.2 Transactions in Controversial Nature

Audit Observation	Comments of the Management	Recommendation
<p>Two external persons who had handed over the tender for clearing the fence of Girtland Coconut Garden cut down two Katakela trees from the ground level during the preparation of the fence of Udugama border on 29 July 2023 without proper permission and according to paragraph 3 of the circular No.CCB/Criu/CM68ND/2016-3 issued on 17 January 2016, although a tree can be removed with the approval of the governing authority, divisional secretary, central environment authority and the line ministry, the two Katakela trees which was fallen without proper permission in Girtland estate had been kept in Udugama border without doing any work even by 26 October 2023 which was the date of the audit field inspection was done. It was observed during the audit that, the estate officers of Girtland Estate had acted without proper supervision and carelessness regarding the two fallen down trees which had been cut down without proper permission.</p>	<p>A preliminary investigation has been conducted in this regard and disciplinary action has been taken against the responsible officers by issuing charge sheets.</p>	<p>Valuable timber trees should be enumerated and documented to ensure their safety and immediate actions should be taken to cease unauthorized logging.</p>

3.3 Procurement Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) Although the Coconut Cultivation Board had included programs to suppression of whitefly damage in action plan for the year 2022, it was not possible to suppress the whitefly damage by the end of the year under review. Although the mixture of Kohomba oil should be used as a natural and temporary remedy for this</p>	<p>Whitefly damage grew to pandemic situation by the end of 2022. Financial provisions were given to the Coconut Cultivation Board in late 2022 through a special project proposal submitted to the Ministry to control this hazard. Accordingly, Kohomba oil was purchased immediately</p>	<p>Actions should be taken to make disease control projects successful by expediting procurement activities.</p>

hazard, the purchase of Kohomba oil had not been done until the end of the year. The disease had spread in more divisional secretariats in 2023 than in 2022 due to the delay in adopting natural remedies such as spraying Kohomba oil mixed with soap. and this disaster situation was completely controlled in the year 2023.

- (b) Although it was informed the supplier company in the letter of supply award submitted by the Chairman of the Board on 30 December 2022 for the supply of 20,000 liters of Kohomba oil to supply to the coconut development training centre before 31 December 2022 i.e. within one day due to non-following of formal pre-procurement measures, it had been taken 3 months until 5 April 2023 to supply the entire oil stock by the supplier company. An amount of 2062.5 liters of coconut oil was received on 31.01.2023 as the first order to the Coconut Cultivation Board from the relevant supplier company. Necessary actions have been taken to distribute that stock immediately to all regional offices. Actions should be taken to make disease control projects successful by expediting procurement activities.
- (c) The lorry No.GH-0804 owned by the Coconut Cultivation Board had been handed over to Lanka Ashok Leyland Company on 16 July 2018 for repair, this vehicle had not been repaired and received by the board until 31 December 2023. As well as, the board had paid Rs.1,972,927 to that company on 29 December 2023. GH-0804 lorry was handed over to Lanka Ashok Leyland for repair in the year 2018 and the preparation of estimates was delayed on the non-availability of an officer to obtain recommendation after directing to the supervision of an officer of department of motor vehicles and due to the non-availability of body parts of these vehicles in the agent company as it was a vehicle that was in a dilapidated condition after being out of service for a long time. Even though an estimate of Rs.982,476 was given for the repair at the prevailing prices at that time, the estimated repair has been delayed due to the difficulty in importing spare parts under the existed corona conditions and import and export restrictions. The work related to the vehicles handed over for repair should be completed immediately and returned to the board in due time.

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| (d) | The PF-3332, 19-6812 and 31-9900 owned by the Board were handed over to two private companies for repair and even though more than 2 years have passed, action had not been taken to return to the board after the repairing work and it was also not observed that the board has taken actions to expedite this by examination of the progress of the repairing activities. | The vehicle bearing No.PF-3332 has been handed over to AMW, the agent company of the vehicle, for repairs under insurance cover in relation with an accident that occurred on the Peliyagoda highway on 03.09.2021 as indicated. The repair has been delayed for a long time due to the inability of the company to import most of the parts related to the repair under the existed import restrictions. Since there is no clear progress in this repair, the institution has been informed verbally as well as in writing to carry out the necessary work immediately. | The work related to the vehicles handed over for repair should be completed without delay and returned to the board in due time. |
| (e) | Rs.19,733,982 had been paid with the transport fee to the private company on 25 October 2016 for the contract to supply 9 types of fertilizers of 708,175 metric tons for the annual fertilizer requirement of the nurseries and model coconut gardens owned by the board and 83,502.1 kg of 9 types of fertilizers that did not conform to the standard in the supply of fertilizers were given and stored in 39 nurseries and 7 model coconut gardens of the board, and even though almost 7 years have passed, the board had not arranged to return the stock of fertilizers until the end of the year under review. | The relevant institutions have been informed to take actions to remove the stock of substandard fertilizers as soon as possible. | Actions should be taken to purchase fertilizers with proper quality and to deliver the fertilizers to the model coconut gardens and nurseries at the right time. |

3.4 Defects in Contract Administration

Audit Observation	Comments of the Management	Recommendation
(a) Although the amount of Rs.14,204,853 spent for the construction of a Pasikuda quarter was included in the work in progress account for more than 5 years, this construction work had not been	In relation to the construction of the Pasikuda Tourism Officer quarter, the value related to the completed work included in the amount of Rs.14,204,853 million in the work in progress account	Construction should be done in a timely and efficient manner under a planned work schedule.

completed until the end of the year under review.

has been capitalized and since the rest of the work is being implemented under a new contract agreement, the related accounting entries have been adjusted in the year 2023.

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| (b) | Although the Board had paid a consultancy fee of Rs.266,778 to a private company in 2013 and 2014 for the construction of 2 Kapthurupaya, action had not been taken to complete the construction or to recover the money paid by the end of the year under review. | Regarding the amount of Rs.266,778, since the construction of the Batticaloa and Marawila divisional offices was not done, that value has been written off from the work in progress account in the year 2023. | Actions should be taken to recover the consultant fees paid for unconstructed buildings. |
| (c) | Although Rs.263,450 had been paid for the construction of the quarters of officer in charge of the coconut seedlings nursery in the Devipuram belonging to the Jaffna divisional office, which started the construction in the year 2017, action had not been taken to complete the construction of that quarter or to recover the money paid by the end of the year under review. | Since the work related to the value paid for the construction of the officer quarters of the Devipuram nursery belonging to the Jaffna Divisional Office has been completed, the amount of Rs.263,450 mentioned in the work in progress account has been capitalized. | Construction should be done in a timely and efficient manner under a planned work schedule. |
| (d) | Although the total contract value of Rs.488,845 had been debited to the work in progress account and credited to the contract creditor account, the entire contract was not completed even after 4 years and the board had not taken actions to recover the advance amount of Rs.97,769 given or to complete the construction. | Actions have been taken to make proper adjustments to the construction of the Gampaha Indigolla Hostel in the year 2023. | Actions should be taken to carry out construction in a timely and efficient manner under a planned work schedule and to accurately account for contract payments. |

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
(a) Rs.13.75 million had been allocated through the action plan for disease and pest control programs in the year under review and Rs.5 million had been received for the implementation	The field officers who carry out their duties in the field of the Coconut Cultivation Board often travel to the field by motorcycle. After April 2022, there was a	More attention should be paid to disease and pest control in order to increase the productivity of coconut

- of those programs. Although the Board should pay more attention to disease and pest control in order to increase the productivity of coconut cultivation, the progress of activities in this regard during the year under review had been less than 50 percent compared to the planned goals.
- shortage of fuel due to the economic crisis that arose in the country. Because of this, it was extremely problematic to obtain transport facilities for the field officers to go to the field work. cultivation.
- (b) Although the construction of Pasikuda and Kurunegala officers' quarters, which were commenced constructions in 2012 and 2013 respectively under the construction of new buildings for the development of infrastructure had been suspended, since it was failed to start construction again in the year under review, It was observed during the audit that the construction has been wasted for more than 7 years. A provision of Rs.6 million had also been allocated for that purpose in the year under review. Due to the problematic situations that arose during the construction of the Kurunegala Regional Manager Officer's Quarters and the Pasikuda Officer's Quarters, it has been taken considerable time to complete the construction work. Construction should be done in a timely and efficient manner under a planned work schedule.
- (c) The Kapruka Investment Loan Program had allocated Rs.29million to provide collateral under the program to increase the productivity of coconut lands by providing financial support and only Rs.20.89 millions of collateral had been provided for 492 lands during the year under review. Although 800 beneficiaries were targeted for providing interest relief, only 520 beneficiaries i.e. 65 percent of the targeted amount had been given interest relief through Kapruka Investment Program during the year under review. Also, although Rs.1 million had been allocated for updating the information management data system, the said activity had not been carried out during the year under review. In view of the situation in the country existed in the early part of 2022, it has become difficult to achieve the physical targets as the submission of applications for interest relief was limited. Also, even if the interest relief were released separately according to the amount of loan instalments related to a project for one grower, as one grower is considered as one project in the calculation of physical progress, the physical targets will be recorded less even if the financial target has been met. Plans should be made correctly and targeted plans should be fulfilled.

- (d) The apprehension of white fly pest, which was mainly seen around Kegalle and Gampaha districts in the year 2019 was continued to increase and it had rapidly spread to coconut gardens in the districts of Colombo, Kalutara, Galle, Matara, Puttalam, Kurunegala, Ratnapura, Kandy, and Hambantota by the year 2022. Although the Coconut Cultivation Board allocated Rs.85.5 million from the 2022 Action Plan to control the damage of the whitefly and the activities of disease control was planned under that focusing on the coconut growers all over Sri Lanka, financial expenditure has not been incurred in relation with the said project according to the information received from the regional offices which was selected as a sample by audit. However, according to the progress report submitted on 31 December 2022, it had been stated that the amount of Rs.85.5 million received for the project to control the damage of the white fly was completely spent in the year under review.
- The basis of the basic physical activities of the special project related to white fly control was planned in the year 2022. Also, it has been possible to carry out the procurement work related to the purchase of equipment required for the process and other physical works in the end part of 2022.
- Plans should be made correctly and targeted plans should be fulfilled.
- (e) Rs.45.13 million was received in the year under review from the estimated allocation of Rs.111.14 million in the year 2022 for the control of Waligama leaf wilt and rot diseases by utilizing the provisions of the Ministry and Rs.37.333 million had been spent by the end of the year. Accordingly, Rs.7.79 million or 17 percent of the provisions received by the board had been remained save without utilize.
- As of 06.12.2022, the Coconut Cultivation Board had received an amount of Rs.8.570 million for the control of Weligama leaf wilt and rot diseases, and although the related provisions were spent as much as possible for the activities carried out at that time, the progress of some of the activities expected in the last few weeks of the year Could not reach 100%. Accordingly, Rs.7.79 million have been remained save, and the provision of Rs.7.79 million has been utilized for related activities in the year 2023.
- Actions should be taken to utilize the provisions at a optimal level and accelerate disease control.

- (f) Although an expenditure of Rs.6.1 million had been planned from the action plan of the board for the year 2022 to provide green Kundira seedlings, to provide hybrid coconut seedlings and to provide alternative crops to areas with less disease with the aim of uplifting the economic condition of the coconut growers who removed the diseased trees in the leaf wilt and rot disease zone. Only Rs.4 million had been spent for that in the year under review.
- Progress as planned has not been achieved due to lack of qualified growers and unwillingness of growers for alternative crops.
- Action should be taken to provide disease-resistant plants in place of the removed coconut trees.
- (g) Although Rs.250.68 million had been allocated to increase and maintain the amount of coconut land in the island, only Rs.113.05 million had been received for the supply of seed coconuts and planting of coconut seedlings in the year 2022 and although targets were established to sell about 2 million coconut plants under the project, about 6 lakh seed coconuts i.e. 32 percent less had been sold during the year under review. Also, although the target was established to provide 1.6 million seed coconut seedlings under the Cabinet approval, only 9 lakh seed coconut seedlings, i.e. 56 percent of the targeted amount had been provided.
- It was planned to produce 7.5 million coconut seedlings at the beginning of 2022. While the seeds needed to meet the seedlings target were being transported to the coconut nurseries, the government canceled the Haritha Deyak and Gama Samanga Pisasadarak programs which had been planned to obtain plants due to the economic and political instability in the country. Also, the plants that were to be obtained by the district secretaries under the decentralized fund were also rejected. Under this situation, the transportation of seed coconuts for 75 million seedlings was immediately suspended as an excess amount of seedlings was produced. Nevertheless, 7.1 millions of seeds suitable for 5 millions of saplings had been already transported at that time. Accordingly, 5.00 million coconut seedlings have being produced in the nurseries of the Coconut Cultivation Board in relation to the year 2022.
- A formal program should be implemented to increase the amount of coconut land in the island with properly planned targets.