

Coconut Research Board - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Coconut Research Board for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 of the board give a true and fair view of the financial position as at 31 December 2023, 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) Since the value of the closing inventory was calculated based on the sales value without using the cost of production of a coconut seedlings in valuing the poly bag seedlings, bare root seedlings and seed coconuts included within the closing inventory in the Statement of Financial Position as at 31 December 2023 of the Coconut Research Board contrary to paragraphs 15 and 16 of Sri Lanka Public Sector Accounting Standards 09, the closing inventory had been overestimated by Rs.5,627,552.	The error that has occurred is acknowledged and the closing inventory of coconut seedlings as at 31.12.2023 has been calculated at the sales value and, action will be taken to adjust that value to the opening balance of the year 2024 and correct.	Inventory valuations should be done in accordance with the provisions of Sri Lanka Public Sector Accounting Standards.
(b) Since government grants of Rs.255,423,219 and project capital of Rs.280,001,506 had not been included in the income of the board in accordance with Sri Lanka Public Sector Accounting Standards 11, the income had been undervalued by Rs.535,424,725.	Although the money provided by the government for capital and recurrent expenditure should be recognized as income according to Sri Lanka Public Accounting Standard 11 as applicable from 01.01.2016, the system that existed in the institution until then, has been in operation until 2023. Action will be taken to change this system from the year 2024 and to take that money into the state revenue and this amount of Rs.535,424,725 will be adjusted to the accumulated profits of the previous years.	Government grants should be properly adjusted to the revenue as per the provisions of Sri Lanka Public Sector Accounting Standard.
(c) According to paragraph 13 of Sri Lanka Public Sector Accounting Standards 18, 1,760 of trees with wooden value of 31 timbers such as jackfruit, teak, etc. was not identified in the board of survey and, action had not been taken to account the value of the trees.	The Accounts Department of the Coconut Research Institute has already been informed to account the 1,760 trees with wooden value related to types of timber such as jackfruit, teak, etc. in 11 Research Centers and Genetic Resource Centers belonging to the Coconut Research Institute as	Trees with wooden value should be presented in the financial statements as consumable biological assets as per the Sri Lanka Public Sector

assets of each research centre in the Accounting board of survey to be conducted in Standards. the next year.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although an imprest amount of Rs.46,728,984 has been received in the year 2023, it had been overstated by Rs.1,515,541 as Rs.48,244,525 in the cash flow statement. Also, even though an expense of Rs.115,009,797 was incurred in the year 2023 using the imprest received for these projects, it had not been shown in the statement of cash flow.	In preparing the statement of cash flows, the amount of imprest received is taken by deducting the depreciation write-offs of asset made from grants received from the Treasury and research and development expenditure write-offs and the difference of 2022 – 2023 in project grant accounts, from the total of research and development expenditure write-offs, asset depreciation, amortization write-offs and project cost write-offs for the year. However, action will be taken to correctly adjust the imprest received by the institution in the cash flow statement from the next year.	Cash inflows and outflows should be shown accurately in the statement of cash flow.
(b) Due to Rs.51,000,000 which was transferred from the estate accounts to the bank account of the head office had been accounted as the revenue of the year under review, the revenue of the year in the statement of financial performance had been over-valued by that amount.	As indicated in the budget of the year 2023, it has been identified that a part of the profit earned by the Genetic Resource Centers in the previous year had been included in the revenue allocated for the capital and recurrent expenditure for Research Department. Such internal revenue transfers will be adjusted in the final financial statements to avoid dual counting in future years.	Revenue received should be properly accounted in the statement of financial performance.
(c) A research to study the suitability of the plant "Muchiyana Bractriyata" was conducted in an area of about 5 acres in Field No.01 of Pallama Genetic Resource Center and a total of Rs.593,120 had been spent for this project as Rs.333,717 in the year 2022 and Rs.259,403 in the year 2023. Although the research had been	Since the "Muchiyana Bractriyata" plant that is used as a cover crop in rubber cultivation in Sri Lanka and other countries has positive characteristics such as nitrogen screening, moisture conservation, and adding organic matter to the soil, this research was initiated at the request of the farmers to find out whether this	Research conducted to find suitable cover crops for coconut cultivation should be carried out by using the environment where more cultivation has been spread to make

commenced with aims to achieve rapid growth from this cover crop, a maximum nitrogen fluctuation, high drought tolerance, high biomass production, pest and disease free and effective soil erosion prevention of weed growth, above cover crops had not been spread as per the physical verification held on 05 April 2024.

can be used as a cover crop in the research coconut cultivation. This research was successful. intended to be conducted in the 1Llb agro-climatic zone of the intermediate zone and the reason was about 50% of Sri Lanka's coconut cultivation is in the intermediate zone. According to the results of the preliminary research, the field research was commenced and according to the research results after 3 months, it has become clear that this plant cannot be installed in the 1Llb zone, which is the annual rainfall is 1,100 mm.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation

The receivable amount of Rs.45,789,992 from 08 officers who had gone abroad on study leave and one officer who less completed the mandatory service period due to breach of contracts, had not been collected even at the end of the year under review.

Comments of the Management

Cases have been filed against 7 officers who violated the service contracts. Another officer will be prosecuted.

Recommendation

The service contracts should be prepared in a formal manner and the legal proceedings to recover the receivables from the officers who breach the contracts should be conducted properly and timely.

1.6.2 Advances

Audit Observation

Although an advance amount of Rs.427,838 or 20 percent paid on 17 June 2019 for the contract of Rs.1,860,165 for installing a scissor shaped lift in the two-storey new laboratory building constructed in the Board had been settled by 31 December 2023, the work in progress account had been over-valued by that amount due to the failure to make the relevant adjustments in the accounts.

Comments of the Management

Although this 20% advance has been paid, the work has been suspended due to the work of providing Scissor Lift has not been done properly by the relevant company. Therefore, the relevant supplier has paid an amount of Rs.613,854.45 for this advance amount and related liquidity loss on 09.11.2021. Nevertheless, this amount has not been credited to the correct expenditure code related to the work in progress account.

Recommendation

Settlement of advances should be correctly adjusted in the accounts.

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

Reference to Laws, Rules, Regulations	Non-compliance	Comments of the Management	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 715 (2)	An up-to-date register with the amount of chemical stock in the Coconut Research Board and the chemical stock in the glass warehouse had not been maintained and It was observed during the audit that the existing internal control over warehouse administration is not strong and the possibility of occurring fraud and error is very high due to non-maintenance of updated bin cards, non-maintenance of inventory related documents, non-identification of inventory re-order level etc.	There is an institutional warehouse control system and updated bin cards are in the warehouse. Chemicals are ordered only on demand from the institute's research divisions, and where it is difficult to maintain these inventory levels. Necessary actions will be taken to maintain these inventory levels through an internal control system in the future.	Accurate and up-to-date inventory related documents to strengthen the internal control related to the warehouse administration should be maintained.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs.8,369,043 and the corresponding previous year's surplus was Rs.132,898,743. Accordingly, a decline of Rs.124,529,700 was observed in the financial result. Compared to the previous year, the decreases in the revenue of Genetic Resources and Research Center and other revenue of the year under review by Rs.89,223,194 and Rs.53,496,529 respectively and increases in supplies and consumable materials usage and expenses of Genetic and Research Center by Rs.13,039,126 and Rs.38,973,818 respectively were main reason for this decline.

2.2 Trend Analysis of Major Income and Expenditure Items

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

Subject	Year		Variation	Percentage of the variation
	2023 Rs.	2022 Rs.	Rs.	%
Revenue				
Treasury receipts	326,946,000	282,430,000	44,516,000	16
Genetic Resource Center income	353,008,916	442,232,110	89,223,194	20
Other income	156,826,417	210,322,946	53,496,529	25
Expenditure				
Wages and Employee Benefits	234,122,833	249,666,692	15,543,859	6
Supplies	81,130,348	68,091,222	13,039,126	19
Genetic Resource Center Expenses	338,554,709	299,580,891	38,973,818	13
Write off of Research and Development Expenses	45,617,368	41,726,447	3,890,921	9
Other	85,804,371	124,660,430	38,856,051	31

2.3 Ratio Analysis

The current and quick asset ratios were 2:1 and 1:1 respectively in the year under review and these ratios were 3:1 and 2:1 respectively in the previous year.

3. Operational Review

3.1 Uneconomic Transactions

Audit Observation	Comments of the Management	Recommendation
There were 17 abandoned and unimplemented researches in the Coconut Research Board during the period between 2012 and 2023 and out of which, 07 researches were abandoned and, the officer who commenced the research vacated the service, went abroad, lack of financial provision and other factors had affected for that. It was observed during the audit that an amount of Rs.5.179 million spent by the board for those researches as the uneconomic expenditures.	The 17 researches were abandoned due to various reasons between 2012 and 2023 and the information collected in those researches is used for other researches. Even though various purchases were made for the above researches, those expenses also were not idle expenses as the same material is used for other researches. Although 17 researches were abandoned during the above period, that figure is only 10% of the researches that were in the action plan. 90% of the research revealed outputs that benefit the coconut industry or other stakeholders.	Action should be taken to study of its capacity and capability before commencing the research and to reduce uneconomic expenditure by planning the future activities accordingly.

3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Dragon fruits cultivation was commenced in 2015 as an intercrop under coconut cultivation and, although Rs.1,086,296 was spent and 700 dragon fruits plants were planted to 350 support posts, the desired objectives could not be achieved from that. Only support posts were exist at the premises during the physical inspection conducted on 5 April 2024 and the Board had not taken any action to commence a new cultivation or use the premises for any other productive purpose.	According to the results of this research, it was found that dragon fruit is suitable for cultivation under coconut as an intercrop. Later, that recommendation also was issued. After that, it was decided to maintain it as a demonstration as per the instructions of the Research Studies Committee and it was handed over to the Bandirippuwa Research Centre. This was maintained as a demonstration and used to make the farmers aware of it, and after the end of the dragon fruit's lifespan, those dragon fruits plantation has been removed.	Actions should be taken to make the success of the research projects and to use the expenses incurred for that effectively.
(b) A pipe water system was installed covering the area of 141 acres where the Kinyama project is being implemented by paying Rs.21,001,925 to a private company and, the purpose of this was to supply water to all the planted seedlings covering the entire 141 acres. It was observed during the audit that, water is being supplied to 400 trees i.e. to a less amount such as 5 percent of the existing trees due to the lack of required capacity and the breakdown of a part of the pipe irrigation system and, the remaining 95 percent are being watered by bowsers.	A pipe water system has been constructed through the provision of 2018 to provide water for the Kinyama Seed Coconut Garden. Based on a report given by the Water Supply Board that 200 liters of water can be obtained per minute, this water pipe system has been planned and constructed to obtain water from the underground well of the Kinyama Seed Coconut Garden. Nevertheless, since it was realized during the implementation of the system that, it is not possible to pump 200 liters of water per minute during the dry season and the report provided by the Water Supply Board was not accurate, the plumbing system has also been modernized to bring water through the water pipe system to a part of the seed coconut garden and collect water to the remaining part and apply through bowsers.	The parties who responsible for the failure of a part of the irrigation system due implementation of the irrigation system without planning after a proper study of capacity of the project should be identified and necessary formal action should be taken.
(c) Although the applying of fertilizer to coconut trees should be done at the	Although the procurement process was started in the year 2023 for the	Arrangements should be made to obtain

seedling stage once in 06 months, out of the estimated 12,936 coconut seedlings, only 2,760 coconut seedlings i.e. 21 percent had been fertilized in the progress inspection of the year 2023. Further, according to the information provided by the institute, it was also observed that fertilizers have not been used completely for coconut cultivation in Maduruoya, Ratmalagara and Walpita centers.

purchase of fertilizers, the bidders had offered a high price due to the high price of fertilizers at that time. Since the price of fertilizer in the market decreased significantly after receiving the bids, the Coconut Research Institute negotiated with the company that had submitted the bids and reduced the prices offered by that company. These negotiations took some time and there was a delay in the purchase of fertiliser due to this. However, at the end of the year 2023, fertilizer stock was received and fertilizer was applied to a small number of coconut trees under the existing dry weather conditions, and apart from the Bandirippuwa Research Center, fertilization has been implemented in other centers.

fertilizers with proper quality and to apply fertilizers obtained for crops at due time.

(d) The board produces seed coconuts of high quality recommended to obtain more productivity and 1,347,068 of CRIC 60 variety and 4,220 of CRISL 2020 variety had been produced in the year 2022 and that variety was 780,950 and 3,682 respectively in the year 2023. Accordingly, the CRIC 60 variant had decreased by 42 percent and the CRISL 2020 variant by 13 percent in the year 2023 compared to the year 2022.

It can be mentioned the facts causes to reduce the production of seed coconuts produced by the Coconut Research Institute as it is not possible to apply fertilizers in the years 2021 and 2022 due to the lack of chemical fertilizers in the market, the lack of widespread rainfall and the presence of high atmospheric temperature above 33°C for 7 consecutive months in Polonnaruwa district, where the Maduruoya Genetic Resource Center is located, which produced CRIC 60 seeds are in large numbers. Some of these factors are national policy decisions and others are due to climate change.

The board should take actions to produce recommended varieties of coconut to obtain more productivity.

(e) Although the coconut research board should provide the planting materials related to the project to the Chilaw Plantation Company according to the agreement of Kapruwana Seed Production Project, the Green Kundira seedlings had been purchased from the Chilaw Plantation Company since 2019. The board had paid Rs.673,971

According to the Memorandum of Understanding related to this project, the mother plants should be provided by the Coconut Research Institute. Accordingly, at the beginning of the Kapruwana Seed Production Project, there was no population of Green Kundira in the country other than Ambakele Seed Coconut Garden to

The agreement made by both parties should be followed and amendments should be made only on formal approval.

to Chilaw Plantation Company for 3,187 Green Kundira seedlings purchased for the period 2018-2023 in this way.

obtain the seeds of Green Kundira which is the mother plant. Therefore, obtaining Green Kundira at the time of starting the seed coconut garden was done from seeds collected from Ambakele seed coconut garden and different gardens. Nevertheless, a population of fecund Green Kundira trees suitable for obtaining Green Kundira seeds had grown in the Kinyama seed coconut garden in the year 2019. Accordingly, only the cost of plant production was paid to the Chilaw Plantation Company by reducing the transportation cost of seed collection and, 3,187 of Green Kundira seedlings needed to fill the vacancies has been produced in the same Kinyama seed coconut garden.

(f) In the year 2023, The recommendations of the Water Supply and Drainage Board had been obtained to build another tube well for the water pipe system of the Kinyama project and increase the water capacity and a tube well worth Rs.728,875 with a PVC cover diameter of 160 mm, had been established contrary to the technical data of the recommended tube well which the PVC cover diameter of 225 mm.

The Water Resources Board has conducted a preliminary on-site inspection for a suitable location for the construction of the proposed tube well for the water needs of the seed coconut garden in Kinyama Garden. Accordingly, a suitable place has been selected to establish an 83 meter deep tube well with coordinates related to the on-site inspection conducted by them. Along with that report, they have also submitted an estimate of Rs.1,023,500 with taxes to Chilaw Plantation Company for the construction of the tube well.

The recommendations of the Water Supply Board should be implemented in establishing plumbing systems and necessary amendments should be formally approved.

(g) The Coconut Research Board maintains 03 Genetic Resource Centers, 06 Research Centers and a Model Farm and the actual output of those centers had been less than the estimated output in the year 2023 due to the ban on chemical fertilizers and climate changes. The decrease ranged from 4 to 40 percent and it was also observed that the coconut productivity of the centers has decreased by 1,622,890 coconuts i.e. 31 percent compared to previous year.

Fertilizer usage and extreme weather conditions have reduced the 2023 The coconut harvest of genetic resource centers and research centers by 1,622,890 coconuts, or 31% compared to 2022. When fertilizers are not applied, the coconut tree's ability to withstand extreme weather conditions is reduced, photosynthesis is reduced, the pollination process is not done properly, fruit development is reduced, and productivity is reduced.

Necessary actions should be taken to increase coconut productivity in Genetic Resource Centers.

- (h) According to the physical verification and the information obtained from the board, 65 types of expired chemicals worth Rs.1,595,641 were in the warehouse as on 31 March 2024 and the accuracy and success of the results of the research conducted using expired chemicals was questionable in audit. Although the expiry date of the chemicals mentioned here has passed, it has been confirmed in practical laboratory research that the activity of these chemicals does not change for about 02 years. Further, since these chemicals are not used for the most sensitive research such as molecular biology research, tissue culture research or pheromone production, which requires the use of high-quality chemicals, there will be no impact on the research conducted using these chemicals. Inventory control regarding the laboratory materials should be formalized.
- (i) Although 15,173 of Sri Lankan Green Kundira and Sanraman seedlings has been given to the Chilaw Plantation Company for planting under the Kapruwana Seed Production Project from 2013 to 2023, it was observed that more than 51 percent of the planted seedlings i.e. 7,799 seedlings are not in active condition due to various reasons. It was observed during the on-site inspection that, a total of 104 Kapruwana seed coconuts produced during the period from the beginning of the fecund time of the plant to the present have been planted in the Kiniyama garden. Rs.47,249,489 had been spent on this project from the year 2018 to the year 2023 and the expenses incurred for this project from the year 2013 to the year 2018 were not identified separately. And 969 teak trees with wooden value in the Kiniya garden were also cut down and removed for this project. In the years 2015 and 2016, due to deficiencies in the maintenance activities of the Kiniyama Seed Coconut Garden, a large number of seedlings died and a large number of vacancies occurred in the Seed Coconut Garden and development activities were severely affected. The green Kundira seedlings used as the mother plant is more susceptible to adverse biological and natural environmental conditions compared to the coconut varieties used for general commercial cultivation. Therefore, in addition to the vacancies that occurred during 2015/2016, green Kundira trees also died due to fatal causes such as red beetle damage after being flowered. Nevertheless, various integrated pest control methods have been adopted to control the situation of these vacancies in the last few years. The activities of the hybrid coconut seedlings project should be done with the proper supervision and action should be taken to make success of its objectives.
- (j) According to the information obtained from the Bandirippwa Research Center and other centers, it was observed that the fertilizer bags of the fertilizer warehouses in those centers were broken and scattered over the warehouse and 31,264 kg of fertilizer The fertilizers that were in the warehouse of the Bandirippwa Research Center were the fertilizers required for the field tests of the research departments. As it is not recommended to apply fertilizer under dry weather conditions, it was Fertilizers should be applied at the right time for coconut cultivation and the fertilizer stock should also be managed.

worth Rs.713,862 remained unused for several years. And, out of 73,404 coconut trees estimated to be fertilized in 2023, only 1,365 coconut trees were fertilized.

not possible to apply that fertilizer to the research fields. Further, although some of the available fertilizers were to be used for a research on applying fertilizers with water supply in 2023, the research was not started in 2023 because the external research committee recommended to change the methodology of that research. As the drought period is over with the rains that come with the South West Monsoon conditions, the fertilizers that were in the fertilizer warehouses are currently being applied to the respective fields.

3.3 Human Resource Management

Audit Observation

Although the approved cadre of 07 positions of the board was 108, the actual number was 71 and there were 37 vacancies. And 7 chief positions, 2 chief research officer positions and 8 senior research officer positions were vacant in the 10 research divisions of the board by the end of the year under review.

Comments of the Management

Out of the unfilled vacancies, the activities related to filling the vacancies of Research Officer, Technology Transfer Officer and Research Officer positions are currently being done and these vacancies will be filled immediately. For vacancies in the position of Head of Division, Chief Research Officer and Chief Technology Transfer Officer, which are recruited internally only cannot be filled due to unavailability of qualified internal applicants and once the interns are qualified, they will be promptly recruited for the positions and will proceed to fill the vacancies.

Recommendation

The approved cadre should be amended as per the requirement of the Board and the necessary positions should be recruited without delay.

3.4 Procurement Management

Audit Observation

- (a) There was a balance of 212,308 poly bags worth Rs.4,334,216 as of 01 January 2023 and 545,000 units of poly bags were purchased from a private company for Rs.35,190,650 during the year. Since only 186,889 units of poly bags were issued in the

Comments of the Management

The Coconut Research Institute produces about 2 lakh coconut plants annually and about 256,000 seed coconuts have to be planted in poly bags for that. Accordingly, at least 250,000 poly bags need to be purchased annually. In addition to this, 5,404

Recommendation

A proper evaluation of the existing inventory should be done during the purchase of poly bags and action should be taken to

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| <p>year 2022, 570,491 poly bags remained as of 31 December 2023 including the purchase amount of 545,000 units during the year. Accordingly, poly bags worth Rs.35,190,650 had been purchased in the year 2023 irrespective of the need.</p> | <p>mother plants were newly added to increase the production of hybrid seeds under a special project in the year 2022 and it was estimated that 545,000 poly bags are needed for the year 2023 with the aim of producing those hybrid seed coconut plants. In addition, there was a shortage of polythene supply due to the crisis situation in the country in the year 2022 and therefore more poly bags have been purchased in the year 2023 to plant the seed coconuts produced in the future without interruption in poly bags.</p> | <p>make the efficient inventory control through that.</p> |
| <p>(b) The fertilizer required for the year 2023 for 11 Research and Genetic Resources Centers belonging to the Lunuwila Coconut Research Institute was purchased at a cost of Rs.44,501,792 including the transportation cost and, although the purchase of fertilizers should be started on 12 April 2023 and completed by 05 July 2023 according to the procurement plan prepared by the company for the year 2023, the company failed to complete the purchase of fertilizers by the end of the year under review and the fertilizer stock had been received at Maduruoya Research Centers on 04 January 2024.</p> | <p>In the year 2023, when the bids were called for the purchase of fertilizers, the price of fertilizers in the market was very high. Nevertheless, since the price of fertilizer decreased significantly after receiving the bids, the management decided to negotiate with the supplier who had submitted the bid and reduce the bid price for fertilizer. Accordingly, it was possible to negotiate with the relevant company and reduce the price significantly. The purchase of fertilizers in 2023 has been significantly delayed as some time had to be spent on these negotiations.</p> | <p>Action should be taken to increase coconut yield by purchasing and using fertilizers required for cultivation at the right time.</p> |
| <p>(c) Approval was not received to purchase fertilizers for the institution in the year 2022 due to reasons such as shortage of fuel and high cost of fertilizers in the country in that year and, it was also observed in the audit that, the coconut yield will be reduced due to the delay in purchasing fertilizers at the situation where the fertilizers should be purchased immediately and directed for the productivity of coconut cultivation in the year 2023.</p> | <p>Delayed application of fertilizers has resulted in reduced yield.</p> | <p>Action should be taken to increase coconut yield by purchasing and using fertilizers required for cultivation at the right time.</p> |

- (d) As per the letter dated 12 June 2023 of the Chairman of Technical Evaluation Committee and the report dated 28 July 2023 of the Technical Evaluation Committee, it was recommended to purchase ERP fertilizer instead of TSP and use it for coconut cultivation as more cost has to be incurred to purchase TSP fertilizer and it was revealed in the audit that the institution focused on purchases without proper study and planning of procurement activities by taking into account the provisions of the year and the needs of the institution for the purchase of fertilizers at the beginning of the procurement activity.
- Although the quantities of required types of fertilizers were determined through a proper study before starting the procurement activities for buying fertilizers, there was some difficulty in determining the provisions for that. The reason for this was difficult to estimate the cost of fertilizers due to the rapid changes in the value of the rupee compared to the dollar during that period as the situation was in the country. Rs.1,350 and Rs.16,250 were observed for 50 kg of ERP and TSP respectively during technical evaluation period. It was found that cost of TSP was more than ten times as compared to ERP. Therefore, discussions were conducted in the organization in several times on how to apply fertilizer to the dry region using ERP and it was decided to purchase ERP instead of TSP when purchasing fertilizer accordingly. The Technical Evaluation Committee as well as the top management have been concerned about the high cost incurred in purchasing TSP.
- Planning and implementation of procurement activities should be done with proper study considering the requirements of the organization.