

Coconut Cultivation Board - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Coconut Cultivation 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, cash flow statement for the year then ended, and notes to the financial statements, statements including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be 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 financial statements give a true and fair view of the financial position of the Commission as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance 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 my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 Fund or to cease operations, or has no realistic alternative but to do so.

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

As per Sub 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 Fund.

1.4 Audit Scope (Auditor's Responsibility 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 skepticism 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 Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to

enable a continuous evaluation of the activities of 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 Fund;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board 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 the 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) Although assets and liabilities should not be settled except when required or permitted in accordance with paragraph 48 of Sri Lanka Public Sector Accounting Standards No. 01, due to fact that the short-term provision balance of Rs. 21,193,131 had included a debit balance of Rs. 14,485,699, the short-term provision balance had been understated by Rs. 14,485,699.	The consulting firm had informed that the construction of the head office in the year 2023 was contracted at the end of the year 2023 and accordingly, advance payments have been made in the year 2023 and materials worth Rs.6,436,450.44 million were on site for the relevant work on 27.12.2023. Accordingly, since there was progress in the construction, allocations have been made for payments from the provisions of the year 2023.	According to Sri Lanka Public Sector Accounting Standards, assets and liabilities should not be settled each other.
(b) The Board had made a guarantee payment of Rs. 1,201,701 as of 31 December 2023 for a loan balance of Rs.2,403,672 which had been transferred to the non-performing loan category in terms of 7.0 of the guarantee agreement and although legal proceedings were underway in this regard, it had not been disclosed in the financial statements as contingent assets in accordance with Sri Lanka Public Sector Accounting Standards 08.	Steps have been taken to disclose the current status of legal proceedings regarding outstanding debts in the accounting records for the year 2024.	Actions should be taken to disclose Contingent assets in the financial statements in accordance with public sector accounting standards.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) During the year under review, a stock of fertilizer purchased from four institutions for a value of Rs. 51,024,030 including transportation charges and unloading charges was stored at the Mahayaya Model Coconut Garden as on 31 December 2023 and Rs. 50,073,908 to the fertilizer stock account, transportation costs of Rs. 777,942 as miscellaneous expenses and unloading charges of Rs. 172,180 as model coconut garden expenses had been accounted as the cost of the stock of fertilizer in the financial statements. Due to this, the value of the final stock of fertilizer had been understated by Rs. 950,122, miscellaneous expenses had been overstated by Rs. 777,942 and nursery expenses had been overstated by Rs. 172,180 in the accounts.	This fertilizer stock had been distributed in the year 2024. At that time, steps will be taken to properly calculate, distribute and account the stock.	The value of the closing stock, miscellaneous expenses, and nursery expenses should be accurately reflected in the financial statements.
(b) Rs. 916,588 had not been deposited in bank accounts even by 31 December 2023, for Rs.1,047,634, which is 0.5 per cent value of the refinance loan balance on Rs. 209,526,817 in relation to four Financial institutions, which was to be deposited by those Financial institutions, to the Guarantee Fund as of 31 December,2022. Therefore, the Guarantee Fund receivable and Guarantee Fund had been understated by Rs. 916,588.	This change has arisen since the accounting operations of the Kapruka Investment Loan Scheme have been maintained on a cash basis for a long time and accordingly the accounts have been prepared for the year 2023.	Guarantees receivable and guarantee funds should be accurately reflected in the financial statements.
(c) Rs.255,500 incurred in relation to resolving legal issues with the contractor due to breach of the old contract agreement regarding the construction of a section for the head office had not been recognized as expenses but had been recognized as work in progress.	The amount of Rs.255,500 incurred to resolve the legal issues related to the construction of a section for the head office has been recognized as work in progress as per the standard.	Actions should be taken to account the expenses related to contracts accurately.

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| <p>(d) The advance payment of Rs. 1,551,345 paid for the contract to add a new section to the head office had not been recognized as an advance and had been accounted as work in progress.</p> | <p>Although the advance payment made on the contract for the completion of the steel structural section related to the addition of a new section of the head office has been accounted in the work in progress account of Rs. 1,551,345, this has not affected the value of the overall financial statement.</p> | <p>Actions should be taken to account the advances paid to the contractor accurately.</p> |
| <p>(e) Although the renovation of the official residence including the fence repair, had been completed at the Baththulu Oya Coconut Development Officer's official residence, the advance of Rs.1,531,659 given to the Marawila Regional Office for this purpose had not been credited to the advance account and accounted as the repair expense.</p> | <p>Since these expenses were incurred for repairs and maintenance of the assets, there has been no increase in the capital value of the asset.</p> | <p>Actions should be taken to account Repair costs correctly.</p> |
| <p>(f) The value of Rs. 560,716,597 shown in current assets as the refinanced loan balance in the Statement of Financial Position as at 31 December 2023 is the balance as per the balance confirmations of financial institutions and the value of Rs.12,338,000 refinanced by the Board to financial institutions in relation to the month of December 2023 was not included in that loan balance, therefore the refinanced loan balance had been understated by that value.</p> | <p>This change has arisen because the accounting activities of the Kapruka Investment Loan Scheme have been maintained on a long-term cash basis and accordingly, the accounts have been prepared for the year 2023.</p> | <p>The total balance of the refinanced loans issued by the Board should be accurately accounted.</p> |
| <p>(g) As per the balance confirmation letter sent by the bank to People's Bank as of 31 December 2023, the refinance loan balance was Rs.82,086,935, while according to the Board's ledger, this balance was Rs.81,089,716, but this difference had not been investigated and settled.</p> | <p>Actions will be taken to disclose Its current status in the final accounts in 2024.</p> | <p>Actions should be taken to reconcile the refinance loan balance with the relevant bank confirmations and the correct value should be accounted.</p> |
| <p>(h) The land in extent of 2 acres, 1 rood and 34.4 perches on which the Kuliypitiya, Kegalle, Kalutara, Matara and Matale regional offices and official residences belonging to</p> | <p>Accounting will be carried out after the reassessment work is completed at the Kuliypitiya, Kegalle, Kalutara, Matara and Matale regional offices and official residences of the Coconut Cultivation</p> | <p>Actions should be taken to assess the Land owned by the Board and account its fair value.</p> |

the Coconut Cultivation Board, which was stated in the notes to the financial statements for the year 2023, were constructed, had not been assessed and stated in the financial statements.

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| <p>(i) The deficiency had been overstated by the amount of Rs.2,971,759 withholding tax relating to the year 2022, which was accounted for as an expense in the year under review.</p> | <p>Board.
Although these withholding taxes are applicable to the year 2022, the taxes have been recognized in the year 2023. Therefore, they have been accounted as a tax expense for the year. Although adjustments should have been made to the surplus of the previous year, adjustments have been made to the profit of the current year.</p> | <p>Actions should be taken to identify and account the Expenses related to the year under review accurately.</p> |
| <p>(j) The value of the coconut sapling transportation allowance receivable in the year 2022, Rs. 48,888,000, had been accounted as income in the year under review.</p> | <p>The value of the coconut sapling transportation allowance receivable in the year 2022, Rs. 48,888,000, had been paid in 2023. That amount has been accounted as income and expenses in the year under review 2023.</p> | <p>The transport allowances receivable for the previous year received in the year under review should be accounted correctly.</p> |
| <p>(k)The estimated amount of Rs.10,679,161 for the addition of a steel structural section to the front of the head office in the year 2023 had been debited from the Contract Allocation Account and credited to the Contract Creditor Account without any construction being carried out.</p> | <p>The consultancy firm had informed that advance payments had been made in the year 2023 and that materials worth Rs. 6,436,450 million were at the work site for the relevant work on 27.12.2023. Accordingly, since there was progress in the construction, allocations have been made for payments from the provisions of the year 2023.</p> | <p>Allocations should be accounted correctly.</p> |
| <p>(l) The estimated amount of Rs. 3,806,538 allocated for the modernization of the Negombo Seed Production Unit in the year 2023 had been debited to the Contract Allocation Account and credited to the Contract Creditor Account.</p> | <p>The construction work of the Seed Production Unit has commenced in the year 2023 and accordingly, the amount of Rs. 3,806,538 to be paid for it has been debited to the Contract Allocation Account and accounted.</p> | <p>Allocations should be accounted correctly.</p> |
| <p>(m)The Chairman's salary and allowances of Rs. 7,830,263 relating to the years 2021 and 2022 paid in the year 2023 had been accounted as an expense in the year under review.</p> | <p>Since the amount of Rs.7,830,263 for the former chairman's allowance had not been allocated when preparing the 2022 budget, it is not possible to allocate that amount.</p> | <p>Actions should be taken to account the salaries and allowances for previous years accurately.</p> |

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| <p>(n) The amount of Rs. 34,264,979 received from the Treasury in respect of the year 2023 had been credited to the Contribution Capital Grant Fund without being accounted as income in the year under review.</p> | <p>The amount of Rs. 34,264,979 incurred for the purchase and construction of capital assets during the year 2023 through capital grants received from the Treasury has not been accounted as income as it would affect the overall profit of the Board.</p> | <p>Capital grants received and spent from the Treasury during the year under review should be recognized as income for the year.</p> |
| <p>(o) The amount of Rs. 207,660,000 receivable from the Ministry of Plantations for the year 2022 had been debited to a receivable account and the receipt of Rs. 153,430,000 of that receivable had also been accounted as income in the year under review. Instead of that received amount, an amount of Rs. 201,195,000 had been debited from the Nursery Expenses Account and credited to the Ministry Funds Account receivable. As a result, the Ministry Funds Account receivable had been understated by Rs. 47,765,000 and the loss had been overstated by that amount.</p> | <p>I would like to inform you that the amount that should have been received by the Ministry from the projects implemented in the year 2022 is Rs.48.8 million. Also, although Rs. 256,548,000 should have been received, Rs. 202,310,000 was accounted as it was the amount that could have been allocated for payments in the year 2022 after allocating the development works that should be carried out in that year through the provisions received in the year 2023. Therefore, allocations have been made for that amount.</p> | <p>Actions should be taken to account the receivables relating to the year 2022 received in the year 2023 correctly.</p> |
| <p>(p) Although a total of Rs.16,870,720 had been paid as interest subsidy payments during the year under review in relation to the Kapruka Investment Loan Scheme, the interest subsidy expenditure relating to the year under review had been Rs. 427,607, resulting in an excess of Rs. 16,443,113 in interest subsidy expenditure.</p> | <p>Since the payment of interest subsidy has been made through the allocations allocated in the development programs included in the Annual Action Plan and since the interest subsidy is not provided in the same year as the loan is issued and since the interest subsidy is provided for several years, it has been accounted as a development expense for the year based on the year of payment of the interest subsidy.</p> | <p>Interest subsidy expenses should be accurately reflected in the financial statements.</p> |

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation

Comments of the Management

Recommendation

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| <p>(a) The balances of the festival advance amounting to Rs. 25,000 given to 04 employees and Rs. 2,539,424 due from 35 employees who left the service have been outstanding for a</p> | <p>Festival advances, distress loans and loans given to the employees of the Board have not been recovered by the end of the year under review.</p> | <p>Immediate action should be taken to recover the balance due.</p> |
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period of 1 to more than 5 years and the distress loans amounting to Rs. 314,807 given to 5 employees have been outstanding for a period of more than 5 years and the Board had not taken steps to recover those loans.

- (b) It was also observed that 5 outstanding balances of Rs.2,510,599 of 5 institutions, which were overdue for more than 5 years, remained unpaid and legal cases had been filed against 2 of those institutions. Legal advice is being sought regarding 2 companies and the balances due from one plantation company and the welfare society of a Ministry have not been confirmed. Immediate action should be taken to recover the balance due.

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
(a) As of 31 December 2023, the value of money retained at the head office was Rs.4,675,343, of which Rs. 4,126,231 had been retained for 20 construction projects for a period of between 2 and 5 years and no action had been taken to settle these balances.	Constructions worth Rs. 353,776 of these contracts have not been completed and the remaining construction will be confirmed at the regional office level and adjusted through the accounts of the year 2024.	Steps should be taken to rectify construction-related deficiencies using retentions and long-term retentions should be included in revenue or settled.
(b) An amount of Rs. 9,953,713 payable to three contract creditors had remained unresolved for a period of between 3 and 4 years.	These contract payments will be confirmed and settled through regional offices.	Actions should be taken to settle transactions related to construction work.

1.7 Non-compliance with laws, rules, regulations, and management decisions, etc.

Reference to laws, rules, regulations, etc.	Non compliance	Comments of the Management	Recommendation
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	An acting director who was not included in the approved cadre for the Coconut Cultivation Board was provided with a monthly allowance of Rs.59,650, a reserved vehicle and 115 liters of fuel per month and during	An appointment has been made to the post of Acting Director to the Coconut Cultivation Board under Section 2A of the Coconut Development Act. The power of appointment for this post is as per Section 10.2 (ix a) of the amended	Appointments to the post of Acting Director that have not been approved in accordance with the referenced circulars and letters should not be made.

3 dated 20 March 2023 the year under review, Coconut Development of the Director General Rs.1,684,942 had been Ordinance. A monthly of the Department of paid as monthly allowance as per Section 2 Public Enterprises allowance, fuel of Public Enterprises allowance, overtime and Circular No. 03/2015 and an composite allowances to official vehicle as per Sub-section 1:1:6 (iii) of Public Enterprises Circular No. 01/2015 and Public Administration Circular 22/99 and 1999.10.08, the relevant appointment, allowances and provision of an official vehicle have been made as per the instructions of the Ministry as well as the Board of Directors.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a deficit of Rs. 62,743,429 and the corresponding surplus for the previous year was Rs. 389,622,417. Accordingly, it was observed that there was a decline of Rs. 452,365,846 in the financial result. This decline was mainly due to the decrease in Ministry receipts and other income by Rs. 84,197,714 and Rs. 312,869,734 respectively and the increase in Special Project Expenditure and Nursery Expenditure by Rs. 114,444,834 and Rs. 230,941,832 respectively in the year under review compared to the previous year.

2.2 Trend analysis of major income and expenditure items

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

Subject	Year 2023 Rs.	Year 2022 Rs.	Variation Rs.	Variation as a percentage
Income				
Treasury receipts	975,528,021	622,520,000	353,008,021	57
Ministry receipts	134,226,286	218,424,000	84,197,714	39
Other income	1,416,685,109	1,729,554,843	312,869,734	18
Expenses				
Special project expenses	114,444,834	-	114,444,834	100
Salaries and allowances	456,066,871	396,829,213	59,237,658	15
Nursery expenses	959,949,795	729,007,963	230,941,832	32
Depreciation and	82,647,065	55,517,342	27,129,723	49

amortization expenses				
Kapruka Investment	28,054,451	18,622,731	9,431,720	51
Fund expenses				
Other expenses	119,910,849	194,108,817	74,197,968	38

2.3 Analysis of Ratios

The current and quick asset ratios in the year under review were 7:1 and 5:1 while in the previous year the ratios were 11:1 and 7:1 respectively. The increase in current and quick assets was mainly due to the fact that inventory in 2022 and 2023 was Rs.902,523,566 and Rs.514,593,147 respectively and short-term investments were Rs.713,680,908 and Rs.904,068,523 respectively.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although the expenditure incurred by the Board for a production project of 7.5 million coconut saplings initiated in accordance with the revised action plan for the year 2022 had been reimbursed by the Treasury, the income from the sale of coconut saplings produced from this project, amounting to Rs. 814,263,729, had not been remitted to the General Treasury and had been accounted as the Board's income.	The General Treasury provides funds to the Coconut Cultivation Board only for the salaries of permanent staff and development programs. The salaries of the casual and check roll employees of the Coconut Cultivation Board as well as the salaries of the permanent staff recruited under the Self-Finance Unit are all provided for through the Self-Finance Unit allocation. There is not enough surplus to be transferred from the Self-Finance Unit to the General Treasury.	Actions should be taken to send the income generated from the coconut seedling project to the treasury.
(b) Although the coconut varieties recommended for productive coconut cultivation, as stated in the technical advice paper A 3 issued by the Coconut Research Board regarding coconut planting, should be selected, namely CRIC 68, CRIC 65, CRISL 98, Kapruwana, Kapsuwaya, Kapsetha, Morok Usa and High Plant (PP), 2,602,012 PP2 seed coconuts had been purchased from private estates for the project to produce 7.5 million coconut seedlings, contrary to those recommendations.	The Board is provided with a limited quantity of CRIC 60 and CRIC 65 seed coconuts from the recommended seed coconuts of the Coconut Research Institute. Also, a certain quantity of seed coconuts is obtained from the model coconut gardens of the Coconut Cultivation Board and other selected seed coconut plantations. Furthermore, since this quantity of seed coconuts is not sufficient to achieve the target of 7.5 million coconut plants, with the assistance of the Seed Production Unit and the Coconut Research Institute, efforts have been made to select seed mother trees and	Steps should be taken to purchase recommended seed coconuts according to the guidelines issued by the Coconut Research Board for effective coconut cultivation.

obtain high quality seed coconuts (PP and PP2) from private plantations and achieve the target of 7.5 million seed coconuts.

- (c) Although according to the technical advice paper A2 issued by the Coconut Research Institutes, only well-grown, systematically selected coconut seedlings of about 7-10 months of age should be planted in the field, as per the Cabinet decision CMP/22/1942/616/023 dated 13 December 2022, 446,407 overgrown coconut seedlings of more than 10 months old produced by the Coconut Cultivation Board had been distributed free of charge through the Regional Coordination Offices under the Home Gardening Program to Strengthen the Rural Economy. Similarly, 466,926 overgrown seedlings of more than 10 months old had been distributed free of charge to the Northern Coconut Project and 652,359 of those seedlings had been distributed free of charge through the Kapruka Purawara Societies.
- A certain number of seedlings that had exceeded the recommended age of the Coconut Research Institute were growing in the nurseries of the Coconut Cultivation Board. Since these seedlings would have to be completely cut down and allowed to grow over time, the Coconut Cultivation Board decided to provide free seedlings suitable for cultivation even after 10 months. Since such seedlings, if planted in the field and maintained, have the potential to become good coconut trees later, this step has been taken to prevent the destruction of national wealth and to obtain maximum benefit from the seedlings produced.
- Projects should be initiated with proper study and planning and only coconut seedlings that have grown systematically according to the technical instructions of the Coconut Research Institute should be released for planting in the field.
- (d) Although the transportation and administrative costs of coconut saplings should be borne by managing the funds allocated to the Ministry and the Board's funds as per the decision of the Cabinet of Ministers, Rs. 40 million as plant transportation costs, Rs.8.88 million as administrative costs and Rs. 48.88 million as capital grants had been received from the Treasury in the year 2023 for the 446,407 overgrown saplings issued. Accordingly, Rs. 110 had been spent on transportation and administrative costs for each overgrown coconut sapling distributed free of charge.
- Since the expected institutions were not accepting the saplings, the Board's sole goal was to prevent the saplings from being destroyed and to transport them to the areas where the saplings were needed as quickly as possible. For this, the Board had to spend more than the normal transportation costs.
- Actions should be taken to avoid unnecessary expenses by initiating projects with proper study and planning.

- (e) As of 30 September 2024, 138,101 ground and container plants older than 30 months, produced for the 7.5 million coconut seedlings project, could not be released for agricultural purposes and had been left in model coconut gardens. Although a large target of 7.5 million coconut seedlings was given by the then government official, due to the instability prevailed in the country, a formal plan for the distribution of these seedlings had not been provided to the board. Therefore, these coconut seedlings grew significantly after exceeding 10 months. However, even though the seedlings were released as much as possible, as of 30 September 2024, the ground and potted seedlings in the model coconut gardens that were over 30 months old had been in a condition that could not be released for agricultural purposes. Steps should be taken to release and plant coconut seedlings into the field at the appropriate time.
- (f) Although Rs. 125 million had been paid to the Chilaw Plantation Company in September and November 2021 to purchase 500,000 coconut saplings to be issued for the National Home Garden Development Program for Samurdhi beneficiary families, only 375,000 coconut saplings had been provided to the Board by 25 November 2022. The Board had not received 125,000 saplings worth Rs. 31.25 million until October 2024. The orders for these seedlings, which were short of the Coconut Cultivation Board, were handed over to the Chilaw Plantation Company in 2021. However, some of the seedlings that the company provided to the Coconut Cultivation Board did not comply with the technical instructions of the Coconut Research Institute A2. Since it is not appropriate to obtain substandard seedlings by paying money and provide them to the growers, the Board rejected those unsuitable seedlings. In particular, the regional managers who came to the Chilaw Plantation Company's nurseries to accept those seedlings have been informed about this. The Board has also informed the Chilaw Plantation Company and when it did not receive a suitable response, it has requested that the relevant funds be released. Immediate actions should be taken to obtain sufficient coconut saplings for the amount paid to the Chilaw Plantation Company or to recover the money paid.
- (g) The physical target for coconut production in 12 Model Coconut Gardens for the year 2023 was 6,496,100 coconuts but the physical progress was 4,986,634 coconuts. Furthermore, the income generation target was Rs.398,016,196 but the actual income was Rs. 299,415,290. The failure to apply the required amount of fertilizer to the model coconut gardens after 2016 has resulted in the predicted harvest not being achieved. It is observed that there is decrease in the national coconut harvest in 2023 compared to 2022. Coconut yield has also decreased due to the large number of woody trees in Necessary steps should be taken to increase coconut production in the model coconut gardens owned by the Board.

Accordingly, the progress and income had decreased by 23% and 25% against the physical target for coconut production the model coconut gardens.

- (h) The coconut yield of the 12 model coconut gardens of the Coconut Cultivation Board had decreased by a range of 13 to 37 per cent in 2023 compared to 2022. It was observed that there was also a decrease in the national coconut harvest as a whole in 2023 compared to 2022. The impact of not applying fertilizer over a long period of time has been gradually increasing year by year, which has mainly contributed to the decrease in coconut harvest. Necessary steps should be taken to increase coconut yields in the coconut gardens owned by the Board.
- (i) Although Section 1 of Internal Circular CCB/CRIU/CMG & ND/2022-01 dated 05 May 2022 states that the coconut yield that falls should not exceed 10 per cent, the percentage of coconuts that fell out of the total coconut yield in 2023 in 8 out of the 12 coconut gardens owned by the Board was between 11 and 25 per cent. Although model coconut gardens have been continuously instructed to keep the percentage of fallen coconuts below 10%, difficulties have arisen in harvesting coconuts as there are tall trees in the model coconut gardens that cannot be plucked by the large-scale cultivation of coconuts, which has also increased the percentage of fallen coconuts. The percentage of fallen coconuts in all plantation companies, including the Coconut Research Institute, is maintained at around 20%, and the circular number CCB/Criu/CMG & ND/2022-01 dated 2022.05.05 regarding the percentage of fallen coconuts will be revised in the future with the approval of the Board of Directors. Necessary steps should be taken to overcome the difficulties in plucking coconuts and reduce the percentage of fallen coconuts.
- (j) Out of the 12 model coconut gardens owned by the Board, 194 coconut trees were destroyed due to black beetle damage in 05 coconut gardens namely Mundalama, Kohombana, Gertland, Randeniya and Pasikuda and 276 coconut trees had been destroyed due to red beetle damage in 09 coconut gardens namely Mundel, Bopitiya, Kohombana, Gertland, Korei, Nagansola, Randeniya, Palei and Pasikuda. Furthermore, it was observed that 1,100 coconut trees were destroyed. Training opportunities have been provided to relevant officials to prevent insect damage affecting model coconut gardens and awareness and training programs have been implemented to prevent pre-treatment of red beetle and black beetle damage, especially those found in model coconut gardens. Some damage has been caused to the leaves of coconut trees due to whitefly damage and the necessary treatment has been carried out to prevent that damage and the disease damage has now been controlled. A systematic program should be developed to protect crops from various insect pests.

due to mite damage in the Pasikuda coconut garden and 320 coconut trees were destroyed due to whitefly damage.

3.2 Humana Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>The posts of Deputy General Manager (Administration and Human Resources), Deputy General Manager (Financial Management) and Deputy General Manager (Extension and Development) of the Board remained vacant at the end of the year under review. Action had not been taken to fill the post of Deputy General Manager (Financial Management) since the year 2016. Out of 1,070 approved posts (Coconut Cultivation Board and Model Coconut Gardens), 356 posts remained vacant and no action had been taken to fill the main vacant posts or revise the number of approved posts as required. Furthermore, in the year 2023, an amount of Rs. 6,783,326 had been paid for 77 acting posts.</p>	<p>The officer who served in the post of Deputy General Manager (Administration and Human Resources) became vacant from 2023.07.06 due to promotion. Similarly, the officer who served in the post of Deputy General Manager (Extension and Development) also resigned from service from 2023.11.23. The Department of Public Enterprises has given approval to make formal recruitments for the vacant posts in accordance with the recruitment procedure. Similarly, the officer who served in the post of Deputy General Manager (Financial Management) became vacant from 2016.05.03 due to promotion and the Department of Public Enterprises has given approval to make formal recruitments for those posts in accordance with the recruitment procedure on 30.04.2024</p>	<p>Steps should be taken to immediately recruit for key positions that have received approval from the Department of Public Enterprises.</p>