

## Coconut Development Authority - 2022

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Coconut Development Authority 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 Coconut Development Act No.46 of 1971 ,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 accompanying financial statements give a true and fair view of the financial position of the Authority 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 my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Authority is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Authority.

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

## 1.5 Financial Statements

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

Non-compliance with reference to relevant standard	Comments of the management	Recommendation
(a) The carrying value of Rs. 707,590,167 of the land, buildings, machinery, motor vehicles and other equipment to be presented as "property and equipment" in the statement of financial position according to paragraph 88 of Sri Lanka Public Sector Accounting Standards 1, it had been stated inaccurately as "fixed assets".	Action will be taken to change the name as "property plant and equipment" since the financial statements 2023 onwards which all the items have been mentioned as "fixed assets" in the face of the statement of financial position.	Line items on the face of the statement of financial position should be presented correctly as instructed in the standard.
(b) Although investing in new investments and realising the investments should be shown separately in the investment activities of cash flow, the net value of Rs.12,189,332 had been stated under the investment activities without disclosing separately as above which had been invested in fixed deposits at the amount of Rs.645,618,450 and realised value of fixed deposits at the amount of Rs.633,429,118.	The cash flow statement shows only the net amount of cash inflow and cash outflow and action will be taken to state the cash inflow and out flow separately since 2023.	Action should be taken to show cash inflow and cash outflow separately in the cash flow statement.
(c) Even though the total amount of Rs.246,881,564 including 13 fixed deposits value of Rs.186,144,876, 3 treasury bills with the value of Rs.3,472,558 and 2 savings deposits value of Rs.57,264,130 which are realized within 03 month or less should be classified as cash and cash equivalents and	Action will be taken to show the deposits and Treasury Bills, which are automatically reinvested with interest at three-month maturities, as cash and cash equivalents since 2023 onwards.	Cash and cash equivalents should be classified in the statement of financial position in accordance with the requirements of the

shown in the statement of financial position as per paragraph 9 of Sri Lanka Public Sector Accounting Standards No. 2 instead of that it had been shown under current assets.

standard.

- (d) Although the non-current assets totalling of Rs.23,585,143 which were fully depreciated including the furniture and fixtures at the amount of Rs.6,750,343 and computer equipment at the amount of Rs.9,091,286 and machinery at the amount of Rs.7,743,514 were still being utilized due to not conducting review of the residual value and useful life of the non-current asset at the end of the year according to paragraph 65 of Sri Lanka Public Sector Accounting Standards 7 and the estimated error caused by that had not been adjusted and accounted in accordance with Sri Lanka Public Sector Accounting Standards 3.
- It is agreed that there has been failure to revaluation of the relevant assets as mentioned in the audit query. The revaluation of these assets has been delayed due to some matters in identifying the assets prior to revaluation.
- Even though it had been fully depreciated in accordance with the instruction of the standards, action should be taken to review of the effective life time of assets and adjusting to the financial statements.
- (e) The useful life or the depreciation rate used in relation to depreciable assets should be disclosed in the financial statements according to paragraph 86 of Sri Lanka Public Sector Accounting Standards 7, but the depreciation rates for laboratory equipment and security camera equipment had not disclosed in the financial statements.
- Actions have been taken to show the rate of depreciation under two separate heads of “Laboratory Equipment” and “Security Camera Equipment” since the year 2023.
- Depreciation rates of depreciable assets should be disclosed in the financial statements in accordance with the provisions of the standard.
- (f) The land at the Duke Street office with a revaluation value amount of Rs.340,000,000 has been given to the authority on a 99-year lease basis and had accounted as "Land" instead of leased assets in the statement of financial position in non-compliance with paragraphs 39 and 40 of Public Sector Accounting Standards of Sri Lanka No. 12. Any disclosures had not been made in the accounts relating to the leased assets.
- Actions will be taken to correct and represent this land as a leasehold asset from 2023 onwards as indicated by the National Audit Office in 2022.
- Action should be taken to disclose the leasehold assets in the financial statements in accordance with the instructions of the standard.
- (g) The 80 perches of land at Ratnapura which had been acquired on a 99-year lease basis since 1987 and the head office land at Narahenpita with a revalue amount of Rs.121,544,000 had not been accounted by the authority.
- The revelation of land of Ratnapura which extends of 80 Perches was made in February 2023. Further confirmations in this regard will be made and steps will be taken to show the land in Narahenpita head office as a 99-year lease from the year
- Action should be taken state the leased assets in the financial statements as per the instructions in the standard.

2023 in the financial statements.

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| <p>(h) Although the asset should be recognized as a biological asset when the associated future economic benefits can be expected to flow to the entity according to paragraph 13 of Sri Lanka Public Sector Accounting Standards 18, but it had not been revalued and accounted the jackfruit and Kumbuk trees and 46 teak trees which had identified through the physical verification in Dunkannawa garden owned to the authority.</p> | <p>The biological assets have not been accounted by the authority so far as mentioned in the audit query. Action will be taken to account the Biological assets in the year 2023.</p> | <p>Biological assets should be accurately presented in the financial statements as instructed in the standard .</p> |
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### 1.5.2 Accounting Deficiencies

<b>Audit Observations</b>	<b>Comments of the management</b>	<b>Recommendation</b>
<p>(a) The value of the land revaluation reserve which should be Rs.36,050,400 as at 31 December 2022 had been reported as Rs.391,733,330 by over stating at the amount of Rs.355,682,930 due to the revaluation of the leased land as land owned to the Authority located in Duke Street at Fort.</p>	<p>This accounting deficiency has been caused as the land has been accounted over 30 years as a freehold land owned to the authority which the building is located in Duke Street at Colombo Fort.</p>	<p>This land should be shown in the financial statements as leasehold land and not as freehold land.</p>
<p>(b) The value of the building and value of the depreciation of building had been understated at the amount of Rs.3,795,500 and Rs. 94,888 respectively due to stating it erroneously at the amount of Rs. 216,668,700 in the financial statement although the revalue amount of the buildings is Rs.220,464,200 as at 31 December 2022.</p>	<p>The revaluation amount of Rs.33,795,500 has been omitted in accounting for other constructions in Dunkannawa Estate. Action will be taken to adjust this value by the final accounts of the year 2023.</p>	<p>The value of the building and depreciation should be accurately reflected in the financial statements relating to the year under review.</p>
<p>(c) The Board of Directors has given approval in the year 2022 for crediting money to the Desiccated Coconut Mill Development Fund from the fund maintained by the Coconut Development Board for the development activities of the chopped coconut factories by collecting 20 cents per kilogram of exported chopped coconut from the exporters and crediting the savings accounts started for the mill owners. Since the amount of Rs.5,128,893 had not been credited to that</p>	<p>The crediting of money to the accounts of the desiccated coconut mill owners (to the Mill Development Fund) is done from the capital fund received from the Treasury. These accounts have not been credited due to not available of capital funds from the year 2022.</p>	<p>The funds related to the accounts of the desiccated coconut mill owners and savings accounts should be correctly stated in those accounts for the year under review.</p>

fund, the value of the fund had been understated from that amount. The savings accounts had not been opened for three mill owners similarly.

- (d) The board of directors approved an amount of Rs. 681,312 to install a metal detector to a mill owner according to the board of directors' decision No. 609/PD/02 dated 27 December 2022, but the amount had not been given in the year 2022 and had not been accounted as an expense to be paid in the financial statements.
- The desiccated coconut production company of DY and DU Rajapaksa applied for an amount of Rs.681,312 according to the staff paper 609/PD/02 dated 12.12.2022 M -105: and the relevant approval has been given by the board decision 607/15/2022 dated 27.12.2022. This payment has not been recorded in the year 2022 because of this payment was made through the cheque number 517720 in the year 2023.
- The payable expenses should be accurately reflected in the financial statements relating to the year under review.
- (e) Although a balance of Rs.6,006,609 has been shown as “advances received in advance” under current liabilities in the statement of financial position as at 31 December 2022 , action had not been taken to identifying and accounted properly of those revenue.
- There were some deficiencies in the issuance of invoices up to the year of 2022 and addressing the deficiencies pointed out by the Audit and Management Committee and the Audit Office, the system of obtaining the charging before providing the service will be used from the year of 2023.
- The revised fee and income for the year should be correctly identified and stated in the financial statements.
- (f) It has been overstated of fixed deposit value by Rs.3,448,647, interest income by Rs.1,382,008 and interest income on receivables by Rs.2,066,639 in the financial statements due to reporting the maturity value as Rs.13,313,398 and Rs.52,753,699 as at 11 January 2023 ,even though the value of fixed deposits at the amount of Rs. 12,618,450 and Rs. 50,000,000 respectively in the Bank of Ceylon of the accounts No. 89704304 and 89704323 under fixed deposits which is mature within 03 months as at 31 December 2022.
- The mistake has been occurred as calculating the interest income by considering that two fixed deposits value of Rs.62,618,450 were matured on 11-12-2022 which should be matured on 11-01-2023.
- Interest income on investment and interest income receivable on the investment for the year under review should be correctly stated in the financial statements.

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| <p>(g) The annual tax payments had not been paid for lands acquired on a ninety-nine year lease basis at Fort and Ratnapura by the authority and although the relevant rent is payable along with interest if the rent is not paid on time according to the lease agreements, the rent payments had not been paid in relating to Narahenpita head office after 2020.</p> | <p>The requests have been made to the Urban Development Authority to inform them of the amount of rent to be paid for the Narahenpita, Fort and Ratnapura lands that have been acquired on 99 years lease and then action will be taken to process the payment. The rent payment for the Narahenpita office has paid until to year 2020.</p> | <p>The authority must pay the tax amount of the land acquired on tax basis in due time.</p> |
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## 1.6 Accounts Receivable and Payable

### 1.6.1 Receivables

<b>Audit observation</b>	<b>Comment of the management</b>	<b>Recommendation</b>
<p>(a) The total loan amount of Rs.58,265,037 including the loan amount of Rs.26,715,037 was given in 1985, the loan amount of Rs.31,550,000 were given in the year of 2002 and 2004 and the loan interest of Rs.60,174,135 had been in arrears for more than 37 years even by the end of the year under review which had been given to a company by the authority from the fund of coconut Oil Price Stabilisation Fund and Capital Development Fund in 1985.</p>	<p>The continuous actions have been taken to recover the due amount from the company. The company had not paid the loan amount and interest even by the end of the year under review despite taking various actions in this regard from January 2022 to 08.05.2023.</p>	<p>Loan receivables and interest amounts should be collected promptly.</p>
<p>(b) The authority had paid an amount of Rs.9,344,832 to the Rupavahini corporation for the promotion programs of coconut milk, coconut flour and coconut cream products started in the year 2014 and had carried out an advertisement for an amount of only Rs.2,284,800 and amount of Rs.7,060,032 was shown in the financial statements as other debtors for more than 8 years without taking any action to collect the money or obtain any advertising service from it.</p>	<p>The board decision received for using this amount for television advertisements to be carried out by the Marketing Development and Research Division of the authority in the year 2023 and it was approved to implement the proposals. Accordingly, the National Television Broadcasting Time Frame (TV Schedule) has been rearranged and actions have been taken to broadcast the relevant advertisements from the 25 July 2023.</p>	<p>Action should be taken to obtain advertisements to value for the paid money in 2014 or to recover the amount paid.</p>
<p>(c) The total amount of Rs.7,207,517 including Rs.5,814,594 from the year 2019 to 2022 for</p>	<p>Some of these outstanding fees have been paid as direct</p>	<p>These balances should be recovered</p>

chopped coconut testing fees and water sample testing fees from the owners of coconut mills registered with the Authority, Rs.211,938 for coir substrate testing and Rs.1,180,985 for manufactured coconut milk testing fees from 2020 to 2022 had not been recovered until the end of the year under review.

- (d) An amount of Rs.2,007,438 had been shown in the financial statements as a balance due from the welfare fund since period of 5 years which has been given by the authority according to the decision of Board of Directors No. 546/F/01 dated 01 March 2017 that was approved to be implemented an employee loan scheme by the Welfare Association of the authority.
- This loan amount has been given to commence of the welfare loan scheme which has been started in the authority with the abolition of the loan scheme given to “Lohor Arya” Fund. Action will be taken to obtain these amounts on the date of cancellation of this loan scheme.
- Loan receivables and interest amounts should be collected promptly.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 98,651,996 and the corresponding deficit in the preceding year was amounted to Rs. 18,945,738. Therefore, an improvement of amounting to Rs. 117,597,734 of the financial result was observed. The improvement of the interest income of investment by Rs.67,390,693 year under review had been the main reason compared to the previous year.

### 2.2 Ratio Analysis

The ratio of current assets and quick ratio was 6: 1 in the year under review and that ratio was 3: 1 in the previous year. The value of the current ratio and the quick ratio were high due to the value of the short-term deposits was Rs. 844,677,850 in the year 2022.

## 3. Operational Review

### 3.1 Management Inefficiencies

Audit Obsevation	Comments of the management	Recommendation
(a) The Department of Valuation had been valued the 4-storey office building of 17,866 square feet on Fort Duke Street which is owned to the authority at the amount of Rs.340 Million in the year 2022. The first floor consisting of 5,154 square feet since 2018 and the third	It consists of 05 main divisions according to the mandate of the authority and the Marketing Development and Research Division and the Processing Development Division of these,	Assets should be utilized to the optimum.



floor consisting of 2,600 square feet since 2020 have been underutilized. The three divisions consisting of 49 officers had conducted on the remaining 2 floors of these premises. The head office of the authority is also conducted in 27,531 square feet building at Narahenpita. The surplus space of these premises with a commercial value of Rs.340 million had not been utilized to any useful purpose.

which contribute the most for fulfilling the needs of exporters of coconut-related products, have been established in the Fort Office building. The internal audit department and library were also established in this building apart from this.

A business service centre has been installed on the ground floor of this office building and actions have been done to establish the information technology unit, planning unit, media unit, customer service centre, office of the president and office the president secretary in the ground floor.

- (b) The High Performance Liquid Chromo to graph (HPLC) machine purchased at a cost of Rs.15,574,140 from the year 2017 to 31 December 2022, for the purpose of testing the sugar level, vitamin level (PAH) parameter contained in coconut products and testing the aflatoxin present in the exported chopped coconuts and coconut oil according to SLS 98: 2013 Sri Lanka standard and has been reported with errors since the day of purchasing and the machine was idling due to the purchase of the machine when the modernization work of the laboratory had not completed and the presence of vacancies of the analyst employee and the warranty period of the machine had also expired in the year 2018. Only 83 tests had been conducted as at 31 December 2022.

The Sri Lanka Standard (SLS 98:2013) for desiccated coconut was revised in 2013 and the Aflatoxin parameter was included for the first time. The recommended method is the Aflatoxin testing method using HPLC equipment. Accordingly, the authority has purchased an HPLC device in the year 2016. The problems have arisen in fixing it permanently due to the maintenance work carried out in the laboratory during this period. It has not been possible to use this equipment efficiently to carry out these tests due to the high number of vacancies at that time despite the completion of the modernization work in 2019.

It is possible to use the HPLC equipment to conducting the tests included in the standards, but the requests have not been received for these tests since the authority does not directly regulate these products.

An investigation should be conducted in relation to this procurement made in the absence of a suitable background to be utilized.

- (c) Although fertilizer should be applied once in 06 months after planting coconut plants according to the manual of Coconut Cultivation Board for coconut cultivation, the last application of chemical fertilizer had been applied on 13 October 2020 for the 25-acre Dunkannawa coconut plantation. accordingly, the productivity of 8 shifts of 1,147 coconut trees in Dunkannawa Estate was 72,460 coconuts in the year 2021 and it was 65,365 in the year under review and it was observed that this was a decreased of about 10 percent compared to the year 2021.
- The coconut yield is decrease or increase due to environmental factors and climatic factors. Although the climatic factors in the respective years were at a suitable level for cultivation, the yield in the year 2022 has decreased due to non-fertilization in the year 2021.
- Action should be taken to increase the yield by using fertilizers at the right time for coconut plantations.
- (d) The Dunkannawa Coir Development and Training Centre was established in the year 2006 as a training centre for industrialists, new entrepreneurs, student community etc. regarding the knowledge required for the development of the coir industry and the machinery and production methods used and it had been aimed to become the pioneer in introducing high quality coir products by providing new knowledge and technology to the coir industry. Nevertheless (according to the letter of the Director (Acting) - Processing Development No. CDA/PD/FM/2020/Program -003 dated August 26, 2020) The activities of the factory related to coir development had stopped from 01 September 2020 for the purpose of leasing to an external party. The activities of the training centre had not been resumed or the coir factory had been leased to an outside party according to the on-site audit conducted on 02 June 2023.
- It was directed during the Progress Review Meeting in 2022 of Ministry of Plantation Industry to restart the Dunkannawa Coir Research and Training Centre and to be placed in the position of earning income, implement training programs, and study and report on the feasibility of developing it as a public-private partnership program. Accordingly, Rs. 2.48 million has been allocated in the action plan of the year 2022 to operate the coir mill at the centre at a minimum cost and an approval has been obtained to re start the repair work.
- The activities of the Dunkannawa Training Centre should be activated by starting the activities or applying any other appropriate program.
- (e) The payment had not been made through the payment gate way until May 2023 ,although a current account was opened at Seylan Bank on 23 November 2022 based on Board of Directors Decision No. 603/DG/01 dated 25 May 2022 No. 607/09/03 to make payments to the Authority by coconut-related industries through a payment gateway.
- The method of receiving money through the "Payment Gateway" proposed to be implemented through Seylan Bank has not yet been implemented, but it is expected to be implemented in the future after preparing the computer system of the authority.
- The payment gate way should be activated to make the payment to the authority.

### 3.2 Operational Inefficiencies

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
<p>It was observed that the heavy metal testing device (Atomic Absorption Spectrophotometer) which detects heavy metals such as zinc, copper and lead in the waste water discharged from coconut water and coconut product factories has been inactive since 15 July 2022 due to the defects on of the Nebulize device included in the device.</p>	<p>This device is about 17 years old and has earned Rs.17,284 million so far. The Committee on Public Enterprises held in 2023 (COPE Committee) has discussed in this regard and the Committee of COPE has given recommendations for the formal disposal of the instrument. Action will be taken accordingly.</p>	<p>The action should be taken for the disposal of inactive equipment and to providing the modern equipment for the testing process.</p>

### 3.3 Transactions of Contentious Nature

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
<p>A vehicle of the authority with a permanent driver had been released for the use of the Minister of State for the Promotion of Coconut, Kitul and Palm and Related Industrial Products Export Diversification by its private secretary on the request made by the chairman of the authority, but the said vehicle had not been handed over to the ministry in writing. It was observed during the audit that this vehicle was used for a conflict in Medical Faculty at Ragama during the relevant period and at that time the vehicle was driven by a driver hired on a temporary basis by the authority. It was further observed that the coordination secretary of the Minister and Ministry officials had also used this vehicle for a distance of 719 km from 4 December 2021 to 19 January 2022.</p>	<p>The chairman has arranged for a driver from this authority to be handed over the vehicle along with the running chart book on the night of 21.01.2020 due to the urgent need for a vehicle to go to the Hon'ble Minister for a supervisory duty related to the coconut and coconut-related industries outside of Colombo. This authority has provided this vehicle only for the duties of the minister in charge.</p>	<p>Such unauthorized releasing of vehicle should not be done.</p>

### 3.4 Procurement Management

Audit observation	Comments of the management	Recommendation
<p>(a) A contract of Rs.4,998,000 for the construction of a digital outdoor billboard in front of Narahempita Head Office was awarded to a private firm on 06 October 2021 without an agreement and an advance of Rs.999,600 had been paid. This notice board remains idle without being implemented as the relevant work was not completed in accordance with the specifications, and the performance bond of Rs.249,900 obtained from the supplier had also expired on 08 January 2022.</p>	<p>The Coconut Development Authority submitted an agreement regarding the providing of the said work to the Coconut Development Authority and to the private company and the private company did not agree providing the services to that. Both parties could not reach to the concurrence on the agreement until the end of this work.</p> <p>The performance security has expired on 08.01.2022, which presented by this private company but 80% - 90% of the total work had been completed by that time therefore, action have not been taken to extend it. But there have been various deficiencies since the day which the work was handed over.</p>	<p>Action should be taken immediately to completion of the contract or to recover the advance paid.</p>
<p>(b) The number of 3,251,722 stickers or 50 percent at the end of 2022 were in stock from the number of 6,588,831 stickers worth of Rs.11,639,811 which was printed since the year of 2016 to the year of 2018 with the aim of streamlining the monitoring and regulatory tasks assigned to the Coconut Development Authority regarding coconut related products. it was observed during the audit, that the funds of the authority were not effectively retained by printing a large batch of stickers at once and storing them for years without proper evaluation of the need.</p>	<p>The sticker-type labels are successfully used for regulatory purposes by the authority. The number of labels remaining in the authority is 1,733,870 as at 18.07.2023. It is estimated that it can be sold in the next two years, including the remaining months of this year.</p>	<p>The printed stickers must be used. A proper assessment of the need should be done before such activities</p>

### 3.5 Delays in Projects or Capital Work

<b>Audit observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
<p>The amount of Rs. 127,578,524 had been credited to a nursery project fund for the promotion of King Coconut from the year 2019 until to the year of 2022 by charging Rs.5 per King Coconut exported as per Board of Directors Decision No. 559/Marketing/05 dated 12 February 2018 and Rs.10 per King Coconut exported as per Board Decision No. 595/Marketing/01 dated 20 August 2021. There was a balance of Rs.101,122,525 in the fund as at 31 December 2022 due to the fact that an amount of Rs. 25 million was given to the Coconut Cultivation Board for the promotion of King Coconut in the year 2020 from that fund and any other activities had not been done related to the fulfilment of the desired objectives of the fund except for the purchase of 20,000 seed coconuts by paying Rs. 1,456,000 in the year 2022. Similarly, the amount of Rs.25 million which was given to the Coconut Cultivation Board had been invested in a fixed deposit without being used in the relevant work at the end of the year under review.</p>	<p>The Coconut Development Authority has expected to provide financial allocations to a special nursery project of the Coconut Research Board according to a discussion held by the Honourable Minister of the Ministry of Plantation with the presidents of the Coconut Cultivation Board, the Coconut Development Authority and the Coconut Research Board.</p>	<p>An effective program should be prepared and acted upon in order to fulfil the desired objectives of establishing the fund.</p>

### 3.6 Human Resources Management

<b>Audit observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
<p>The approved carder of the Authority was 259 and the actual carder was 187 as at 31 December 2022. There were 72 staff vacancies including the posts of Director (Administration), Director (System Development), Director (Marketing International) and Internal Auditor, but the action had not been taken by the authority to fill those vacancies.</p>	<p>The newspaper advertisements have been published for the post of Director (Administration), Internal Auditor. An interview to be held for the post of Director Processing Development.</p>	<p>The special approval should be taken for recruitment the essential posts.</p>