Kiribati Audit Office

PERFORMANCE AUDIT REPORT OF THE AUDITOR GENERAL

KCDL MANAGEMENT OF THE COPRA

REPORT NO. 1/2025

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Audit for an impact for the public

File ref: 30/2

December 3rd, 2025

The Speaker
Maneaba ni Maungatabu
Ambo, Tarawa

Dear Madam Speaker

I am pleased to forward to you a Performance Audit Report titled 'Management of Copra by KCDL' for tabling in the Maneaba ni Maungatabu pursuant to Subsection 41(2) of the Kiribati Audit Act 2017.

The audit has been conducted in accordance with the requirements of the Kiribati Audit Act 2017 and relevant professional standards, including ISSAI 3000- Performance Audit Standard.

A copy of this report is also sent to His Excellency Te Beretitenti, and the Honourable Vice President and Minister of Finance and Economic Development, as required under Section 114 (3) of the Constitution.

Yours sincerely

Eriati Tauma Manaima
Auditor General

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LIST OF ACRONYMS

CEO – Chief Executive Officer

CFMO - Copra Fund Management Officer

CPR – Copra Purchase Return

CPS – Copra Price Scheme

CS – Cooperative Society

GL – General Ledger

KAO – Kiribati Audit Office

KCCS - Kiribati Copra Cooperative Society

KCDL – Kiribati Coconut Development Limited

KCMCL - Kiribati Copra Mill Company Ltd

KDP – Kiribati Development Plan

KNSL – Kiribati National Shipping Line

MFED - Ministry of Finance & Economic Development

MOA – Memorandum of Agreement

PV – Payment Voucher

SOE – State Owned Enterprises

SOEMAU - State-Owned Enterprise Monitoring and Advisory Unit (SOEMAU)

TWC – Test Weight Certificate

EXECUTIVE SUMMARY

Background of the Audit

In line with the Kiribati Audit Office's (KAO) mandate under section 24 of the Kiribati Audit Act 2017, KAO carried out a performance audit of how the Kiribati Coconut Development Limited (KCDL) manages the copra obtained under the copra price scheme.

This audit examined the management of copra by KCDL, focusing on processes from weighing and storage on outer islands to shipment and handling at headquarters, and how waste is controlled throughout the copra value chain. KCDL, a state-owned enterprise formed in 2015 through the merger of Kiribati Copra Mill Company Ltd (KCMCL) and Kiribati Copra Cooperative Society (KCCS), is mandated under the Copra Marketing Ordinance 1977 to oversee the copra industry and support the development of the coconut sector. Between 2019 and 2024, the Government spent about *158.8 million* on the copra price scheme, representing the total value of copra purchased and managed by KCDL. A Copra Weighing Policy was introduced in 2023 to standardize weighing and quality control, though it has yet to receive Board and Cabinet approval. The audit provides insight into KCDL's operational management, policy compliance, and waste control measures to ensure efficiency, accountability, and sustainability in copra operations.

Motivation

Effective management of the copra price scheme is essential to its ongoing success and sustainability. This includes ensuring that the processes for weighing, storing, transporting, and handling copra are carried out efficiently and with minimal waste. The copra price scheme is a major government intervention and a key topic of parliamentary discussion due to its impact on the living standards of outer island communities. The scheme fund is managed by MFED, with KCDL overseeing operational processes. Since 2019, increasing government expenditure on the scheme has led KCDL to handle larger volumes of copra, with greater risks due to the islands' dispersion and fragmented monitoring and reporting. A comprehensive performance audit of the scheme is crucial to ensure efficient management by KCDL, minimize inefficiencies and waste, and safeguard the sustainability of public investment.

Key Findings

a) Inadequate and obsolete legal framework

A review of the legal framework and an interview with the officers of KCDL and the Ministry of Finance and Economic Development (MFED) revealed that there was no formal policy in place since the introduction of the copra price support scheme, until the government increased the copra price to $4.00. Both KCDL and MFED have unofficial and ad hoc policies in place.

Through our discussions with KCDL on the overall process of the copra management, the Audit Office found that the Copra Marketing Ordinance is out of date and does not reflect current management and operational practices, and regulatory conditions. For example, KCDL is not mentioned anywhere in the Act; instead, it still recognizes distinct responsibilities of the Kiribati Copra Mill Company Ltd (KCMCL) and the Kiribati Copra Cooperative Society (KCCS). In addition, the Act mandates the use of a prescribed sieve and a moisture content of less than 6.5% for copra, which are both no longer practiced as part of a quality control procedure.

b) Weaknesses in Copra Quality Control and Weighing Procedures

Based on our observations on South Tarawa and Abemama, the audit found that copra inspectors carry out quality checks using a copra moisture tester and physical inspections of the copra's colour, size, and quality. However, a prescribed sieve was not used, and the copra moisture test did not comply with the 6.5% moisture criteria laid out in the Copra Marketing Ordinance. Discussions with KCDL officers revealed that a sieve was not provided to the copra inspectors. Additionally, KCDL's unofficial policy sets the moisture limit at less than 7%, which inspectors now use as their standard for moisture testing instead of 6.5%.

Based on interviews with copra inspectors, copra cutters, and Island Council Clerks, the planned weighing schedule is inconsistent and lacks important element of a good plan. This is because weighing dates are often influenced by factors such as: villagers and the local council, the availability of a storage space in the copra shed, and the timing of ship arrivals for loading copra. Where storage sheds are full, weighing is delayed until space becomes available. Furthermore, schedules are developed without proper consultation with shipping vessels and without proper assessment of the condition of the weigh station or copra shed.

The audit conducted observations of the weighing equipment and interviewed copra inspectors and copra farmers. A total of five weighing equipment were inspected during the audit. None displays a verification mark as required under Section 26 of the Metrology Act 2021. Additionally, no maintenance or calibration records were maintained for this equipment. Although KCDL management reported that 10 kg fixed test weights are provided to inspectors to verify the accuracy of digital hanging scales, these test weights were not used during observations of weighing in South Tarawa and Abemama. Instead, inspectors relied solely on zeroing the scale prior to weighing. Anecdotal evidence suggests that there are variations in copra weights recorded by different inspectors using different equipment. Such inconsistencies undermine confidence in the copra measurement and trade fairness.

c) Inadequate Copra Storage and Inventory Controls

The audit conducts in-person observation of storage facilities on South Tarawa and Abemama, and remote observation via Zoom video calls with copra inspectors on North Tabiteuea and Nikunau. A total of 15 storage facilities were observed. The two storage facilities are big warehouses on KCDL premises in South Tarawa, and the remaining 13 were on the 3 sampled outer islands. Evidence showed that 7 out of 15 storage facilities have poor roofing, 4 have damaged walls, and 2 have dirty and broken concrete floors. The other 4 copra sheds' floor condition could not be observed as the shed is full of copra.

Based on the observation of the 15-copra sheds in the 4 sampled islands, the audit found 47% of the sampled copra sheds did not pack copra in jute or mesh bags, but instead poured it out inside the shed, 33% sheds used other bags, such as grain bags and green bags, and 20% used jute and mesh bags.

The audit requested inventory logbooks of the 15 selected copra sheds from the copra inspectors of the 4 four sampled islands. The audit found that inventory logbooks are not properly maintained and updated in the 15 selected copra sheds. This means there is poor control over the amount of copra stored in each copra shed. Therefore, copra inspectors cannot determine any short copra in each copra shed.

d) Inefficient Copra Shipment, Handling, and Documentation

The audit found that there is a lack of proper planning and scheduling for the transportation of copra from the outer islands to South Tarawa. The collection of copra is dependent on the availability and routing of ships, which vary over time. Also, there is no dedicated person who is responsible for the arrangement of shipping vessels to collect copra. KCDL headquarters sometimes arranges charters to collect copra, but on most occasions, the copra inspector on the outer island coordinates copra collection with the shipping vessels.

On the 9th of June 2025, the audit conducted direct observation at Betio Jetty to observe how the copra was being stored on the ship until it reached the KCDL's warehouses in Betio. During the observation, copra was found stacked above the hatch. This creates a high risk of exposure to rain or seawater, leading to spoilage and reduced quality.

The audit found that from 2019 to 2024, there were significant and rising losses of copra during its shipment, totaling an estimated $2.48 million based on short landings identified in 282 freight forms. These losses indicate serious weaknesses in copra management, particularly in transportation and handling processes, with no evidence of recovery or accountability measures taken. This reflects poor oversight and a lack of effective controls in managing public resources.

The audit obtained shipment data for 2019-2020 and 2022-2024. However, there was no shipment data for 2021. Furthermore, shipment documents were obtained for these years, but there is no register for issuing all these documents. This means there is no accurate record number of shipping documents issued, creating a risk of data manipulation leading to inaccuracies in recording and fraud in the copra transportation process. In addition, receipts were missing from the freight forms obtained, payment vouchers (PV) were not serially numbered, and did not contain supporting documents, such as a weighbridge receipt and invoices. Without a weighbridge receipt, we cannot verify the quantity of copra that is transported from the shipping vessel to the main copra storage on Tarawa, and as a result, short landed cannot be detected. Also, invoices on these freight forms are not attached to receipts, creating a risk of double payments.

e) Ineffective Monitoring and Governance

The audit found consistent and material discrepancies between the quantity of copra reported by MFED as purchased and the quantity recorded by KCDL as received and processed at the mill. From 2019 to 2023, MFED's reported purchases exceeded KCDL's physical records of copra milled each year, resulting in a total unaccounted variance of 13,528 tonnes equal to 13,528,000 kg. With copra priced at $2 per kg in 2019–2021 and $4 per kg in 2022–2023, the financial impact of this shortage is estimated at $22 million to $30 million. This equates to an average annual loss of $6.8 million during 2019–2021 and $4.65 million per year during 2022–2023. Additionally, in 2024, KCDL processed 201.94 tons of copra that was not reported as purchased in the General Ledger. This indicates that previously unaccounted stock is now being milled while simultaneously revealing persistent weaknesses and delays in purchase recording and the posting of Copra Purchase Returns (CPR), with some 2024 purchases only appearing in the 2025 General Ledger.

During the audit fieldwork, the Audit Office requested board minutes from KCDL's management; however, the minutes for the years 2019-2023 have not yet been received. Without these minutes, the audit cannot determine whether the oversight of copra management is effective.

During the interview with KCDL's Operations Manager, the audit confirmed that no stock take of copra inventory has been conducted at the end of every financial year for KCDL's headquarters warehouses from 2019-2024. Furthermore, the Operations Manager claims that stock takes were conducted in outer island copra sheds from 2019-2021; however, no evidence of these stock takes was provided to the KAO.

Based on our review of 100 sampled Copra Purchase Receipts (CPR) (25 from each of the four islands: Abemama, Tab North, Nikunau, and South Tarawa) for the year 2022–2023. We identified a significant weakness in control during the weighing. Specifically, within the 25 CPRs sampled from Abemama in 2022, two cooperative society agents, who were also engaged as copra weighers, weighed and certified their own copra. This is shown in CPR numbers 47830, 47835, 47841, 47848, and 50480 and involves 12,608.2 kg of copra valued at $50,432.80. As a result, this creates a conflict of interest that undermines the integrity of the weighing process.

Conclusions

a) KCDL's copra management is weakened by an outdated legal framework and an unofficial, ad hoc copra policy. This results in inadequate governance, inefficiencies, a lack of accountability, and a risk of misuse of public funds in the copra price scheme.

b) KCDL did not adequately conduct effective and efficient weighing and quality checks of copra on the outer islands and in South Tarawa. The findings show non-compliance with the Copra Marketing Ordinance 1977 and Metrology Act 2021. KCDL failed to conduct quality checks of copra in accordance with Section 7(3)(f) of the Copra Marketing Ordinance. This incompliance creates a risk of substandard copra being accepted and weighed, potentially undermining copra quality. Furthermore, weighing schedules are inconsistent and lack proper planning, leading to prolonged weighing periods, overcrowded sheds, and copra deterioration and waste before shipment. Lastly, weighing equipment lacked the required verification marks under the Metrology Act 2021, so its accuracy across the islands was not assured. Overall, Inadequate oversight and management of the weighing process undermine the accuracy, reliability, and fairness of weighing and quality control procedures.

c) KCDL failed to ensure effective and efficient storage of copra on both the Outer Islands and in South Tarawa. The findings reveal that KCDL failed to maintain adequate copra storage facilities on South Tarawa and demonstrated weak enforcement of contractual agreements with cooperative societies. As a result, copra was often stored and packed poorly across all copra sheds. Furthermore, KCDL lacks an effective inventory management system to monitor copra storage and movement across sheds on Outer Islands and South Tarawa. The absence of reliable, up-to-date stock records indicates a systemic failure in copra inventory management, contributing to waste, fraud, and abuse during copra storage and therefore exposing KCDL to reputational and operational risks.

d) KCDL did not ensure the effective and efficient transportation of copra from the outer island and South Tarawa. The findings show the absence of formal shipping schedules, dedicated coordination personnel, and ad hoc arrangements of copra collection results in delays of copra shipments. Additionally, copra is stored improperly on ships, posing risks of exposure to rain and seawater spray, leading to spoilage and waste. These operational failures, compounded by poor record-keeping of shipment data and documents, have led to an increase in short landings totaling 2.48 million from 2019 to 2024, with no evidence of recovery or accountability. Collectively, these failures indicate KCDL's inadequate accountability and oversight over the copra shipment, resulting in increased preventable copra waste and public funds.

e) KCDL lacked effective monitoring and reporting of copra, as evidenced by the absence of stocktakes and a stock monitoring system. Additionally, unaccounted copra of approximately 22 to 30 million reflects serious weaknesses in monitoring and reporting, posing a risk to the integrity, accountability, and sustainability of the copra price scheme. Furthermore, the absence of board minutes during this audit undermines transparency, accountability, and good governance within KCDL, posing risks to proper organizational management and compliance. This lack of proper monitoring and reporting increases the risk of copra loss, theft, and inaccurate financial reporting, undermining the organization's ability to effectively manage and safeguard copra stock and the overall copra price scheme.

Recommendations

		Finding ref
a)	It is recommended that KCDL, after consultation with MFED, should: (a) urgently finalize and formally implement the copra policy; (b) Conduct training for all stakeholders on the requirements of the policy.	4.1.1
	KCDL should prioritize updating the Copra Marketing Ordinance of 1977 to ensure it remains relevant and can effectively respond to emerging issues that have evolved over time.	4.1.2
b)	KCDL should provide a prescribed sieve to copra inspectors and enforce its consistent use during the weighing process to ensure compliance with the Copra Marketing Ordinance 1977 and fairness.	4.2.1
	KCDL should develop a weighing schedule that aligns with the shipping schedule of all shipping agents and include it in the policy to prevent prolonged weighing time and copra storage on the outer islands. This schedule should be clearly communicated to all relevant stakeholders.	4.2.2
	KCDL should obtain official verification marks for all weighing equipment and ensure regular verification and maintenance in compliance with the Metrology Act 2021. A documented maintenance and verification log should also be maintained to ensure equipment accuracy, reliability, and accountability.	4.2.3
c)	KCDL should prioritize the improvement of copra storage facilities on South Tarawa to ensure proper protection and reduce risks of loss or spoilage. A camera should be installed, and doors should be locked. As for copra storage on outer islands, contractual agreements with cooperative societies should be revised and enforced to include the design requirements of copra sheds, for example, having two doors and a penalty for noncompliance. Moreover, KCDL Management should ensure that Copra Inspectors follow their job description, carry out weekly inspections of all copra sheds to ensure they are clean, well-maintained, and suitable for storage.	4.3.1
	Copra inspectors must take immediate action to replace the current packaging with a more durable and sustainable alternative to prevent further waste. KCDL should ensure an adequate supply of copra bags is made available to ensure proper packing of copra and evenly distributed among copra farmers to ensure equitable distribution of copra funds among the copra cutters.	4.3.2
	KCDL should immediately develop and implement policies related to copra storage and inventory control. A robust digital inventory management system should be used, where copra bags were recorded by their date, weight, and serial number. This system should be updated daily and reviewed weekly by KCDL supervisors to strengthen control, prevent theft, and also to ensure timely reporting of copra stock. KCDL copra inspectors should maintain regular monitoring of copra stocks and consider implementing a First-In, First-Out (FIFO) inventory system. This approach would help ensure that older copra is dispatched first, reducing the risk of spoilage and minimizing potential waste.	4.3.3
d)	KCDL should establish a Memorandum of Agreement (MOA) with shipping agencies that specifies fixed payment rates for transporting copra from outer islands to incentivize collection and a mandatory copra collection schedule for the Northern, Central, and Southern regions of Kiribati, coordinated with shipping agents and cooperative societies.	4.4.1

	KCDL and cooperative societies should develop a standard operating procedure (SOP) for copra loading, including clear roles, timelines, and repacking requirements.	
	KCDL should establish agreements or contracts with shipping agencies that include specific storage requirements for transporting the copra.	4.4.2
	KCDL management should conduct a comprehensive process to optimize logistics processes, enforcing stricter control for shipping copra and charging shipping vessels the value of short-landed copra.	4.4.3
	KCDL shall maintain a register for issuing shipping dockets, weighbridge receipts, test weight certificates, and Copra Shipping Receipts (CSRs), recording recipient, date, and purpose for traceability. Also, all shipment data should be properly archived for easy location and retrieval, and note that the 2021 records are unavailable. In addition, the Finance Manager shall ensure to serially number all payment vouchers (PVs), require original receipts and weighbridge tickets, and use a checklist to verify attachments before freight claim approval.	4.4.4
e)	KCDL to lead the reform of the copra subsidy management to streamline the copra system and process and minimize waste of public resources. Finally, KCDL should strengthen its internal audit function. An internal audit function is essential for independent assurance, risk management, and strengthening internal controls across operations.	4.5.1
	KCDL management should ensure timely preparation, approval, and secure storage of Board meeting minutes, with immediate retrieval of all missing minutes from 2019 to 2023, to support audit and oversight functions	4.5.2
	KCDL should implement an integrated inventory management system to automate copra stock data collection and tracking, and train copra inspectors on the system. KCDL should ensure that the copra inspector regularly conducts an annual year-end stocktake for copra inventory in all copra sheds, with clear documentation, staff accountability, and reconciliation procedures to strengthen internal controls and prevent potential theft.	4.5.3
	KCDL should ensure that copra inspectors are rotated to avoid familiarity and conflict of interest between copra inspectors and copra weighers, and farmers. In addition, KCDL must ensure proper segregation of duties by prohibiting individuals from acting as both copra cutters and weighers, while introducing independent oversight and reporting mechanisms during weighing transactions to prevent conflicts of interest and potential manipulation.	4.5.4

CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND OF THE AUDIT

This audit examined how the Kiribati Coconut Development Limited (KCDL) manages the copra from weighing to storage at its headquarters, and controls waste in each process. KCDL is a state-owned entity (SOE) established in late 2015 following the merger of the former Kiribati Copra Mill Company Ltd (KCMCL) and the Kiribati Copra Cooperative Society (KCCS). It is required to implement the Copra Marketing Ordinance 1977. KCDL is responsible for managing the overall operation of the copra industry in Kiribati and promoting the development of the coconut sector as a key contributor to the economy of Kiribati. The entire management of copra, in which KCDL is involved, begins with the weighing of copra from copra cutters to storage in copra shed of cooperative societies in outer islands, and transportation to the main warehouse in South Tarawa.

From 2019-2024, the Government spent a total of 158.8 million on the copra price scheme (equals to a total value of copra purchased as KCDL raw material). The purchased copra is then left under the control and management of the KCDL.

A Copra Weighing Policy was developed in 2023 to ensure control over the process of Copra Weighing and quality checks in compliance with the Copra Marketing Ordinance 1977. The policy aims to standardize the copra weighing process and provide clear guidelines for weighing and quality checks of copra. The policy is not yet submitted to the Board of Directors and Cabinet members for approval but has been effective since 2023. This audit is important because it provides insight into KCDL's management of copra, adherence to established policies and best practices, aimed at ensuring minimal waste in each process.

1.2 MOTIVATION

Effective management of the copra price scheme is essential to its ongoing success and sustainability. This includes ensuring that the processes for weighing, storage, transportation, and handling of copra are carried out efficiently and with minimal waste. The scheme continues to be a key topic of interest in parliamentary discussions due to its significant impact on improving the standard of living for people in the outer islands. Government expenditure on the copra price scheme has steadily increased, reflecting a growing volume of copra being purchased, weighed, stored, and transported. Given the relatively high volume and value of copra, the geographic dispersion of the islands and fragmentation of monitoring and reporting, this creates risks of inefficiencies in the system and fraud, waste, and abuse of public resources. This audit was conducted to provide assurance to the Parliament regarding the processes carried out by the KCDL for the weighing, storage, transportation, and handling of copra, with a focus on minimizing waste.

1.3 AUDIT OBJECTIVE

The objective is to assess whether the Kiribati Copra Development Limited (KCDL) is efficient and effective in managing the Copra Price Scheme, from weighing to storage at its headquarters, while ensuring minimal waste in accordance with established policy and best practices.

1.4 AUDIT CRITERIA

a) Did the KCDL adhere to the established policy and guideline for the Copra Price Scheme?
b) Did the KCDL ensure effective and efficient weighing, storage, and transportation of copra from the outer island and South Tarawa?

c) Did KDCL effectively monitor, report risks & complaints identified, and address them?

1.1 AUDIT SCOPE

i. The audit will review the efficiency and effectiveness of the KCDL's process and ensure it is in accordance with the established copra weighing policy.
ii. The audit will consider the Copra Price Scheme for 2019 – 2023.
iii. The audit will also look at the Copra Purchase Register (CPR), Test Weight Certificate (TWC), Shipping Docket, and Weighbridge receipts, plus copra inventory records in the copra sheds.
iv. The audit will consider internal controls in place during the copra weighing, payment, shipment/transportation, and storage.
v. Among all the islands, only 4 will be chosen, which have the highest copra production and actual spending, which are Abemama, North Tabiteuea, Nikunau & South Tarawa.

CHAPTER TWO: DESIGN OF THE AUDIT

2.1 LIMITATIONS ON OUR AUDIT WORK

Board meeting minutes

The Audit Office's audit procedures included reviewing the Board meeting minutes to:

(i) Understand the Board's actions on copra waste that were identified in management reports, and
(ii) Understand how the Board monitors KCDL's performance as part of its oversight functions.

The Audit Office was unable to review the Board meeting minutes from 2019 to 2023 due to management's failure to provide all of them for our review. As a result, this hindered our ability to fully assess governance oversight on copra management.

Responsiveness to audit requests

The management failed to provide the requested information, documents, or access within the timeframe specified by the auditors, despite numerous follow-ups. These delays affected the audit schedule and ultimately led to limited findings and presented scope limitations.

2.2 AUDIT APPROACH AND METHODOLOGY

a) Document review
The Audit Office reviewed the Act and policies to assess whether the current practice is in line with the established policies and guidelines. We reviewed documents and reports that contain KCDL and copra information and data. We also reviewed financial statements and budgets to assess the government's spending on copra. A detailed list of documents reviewed is shown in **Appendix 1.**

b) Interview
The Audit Office conducted interviews with those charged with Governance and Management of the Scheme, including management and officers of KCDL, MFED officers, Outer Island cooperative societies, and copra cutters. We conducted these interviews to corroborate and clarify information that we obtained from the documents reviewed. We also used interviews to

assess the consistency of the copra weighing, storage, and transporting across all selected islands. A complete list of interviews is attached in **Appendix 2:**

c) Observation and Inspection
The Audit Office conducted direct observation of copra sheds, weighing processes, and handling from Ships to the main copra shed in South Tarawa.

d) Email correspondence
The Audit Office exchanged emails with the Chief Executive Officer (CEO) of KCDL, the Accountant of the Ministry of Finance, the officer from the State-Owned Enterprise Monitoring and Advisory Unit (SOEMAU), the Editor from the House of Parliament, the Secretary, and the Director of the Ministry of Tourism, Commerce, Industry, and Cooperatives(MTCIC).

2.3 DATA VALIDATION

The Audit Office has presented the management report to the KCDL Management, including the Board of Directors, to confirm the accuracy of the information and to respond to our audit findings. KCDL Management has read and provided their comments on the findings. Their responses are included in this report.

Response from KCDL OIC

I wish to express my sincere gratitude to the audit team for the successful completion of this report, particularly to those who conducted the on-site visits and observations that have provided a clear understanding of the key issues facing KCDL.

I fully accept the report and its findings regarding performance shortcomings and instances of non-compliance on the part of KCDL, our copra inspectors, and the cooperative societies. The report has highlighted critical areas that previously went undetected.

The new Board and management of KCDL are fully committed to addressing all issues identified and to implementing the necessary corrective measures.

CHAPTER THREE: DESCRIPTION OF THE COPRA MANAGEMENT SYSTEM AND PROCESS

3.1 SYSTEM DESCRIPTION

Background Of the Copra Price Scheme (CPS)

The Copra Price Scheme was first introduced in the mid-1990s. The subsidy takes the form of a minimum support price, guaranteeing farmers a fixed price per kilogram of copra sold. The support price started from $1 per kilogram, then increased to $2 per kilogram in 2016. And later doubled to $4 per kilogram in 2022 to date.

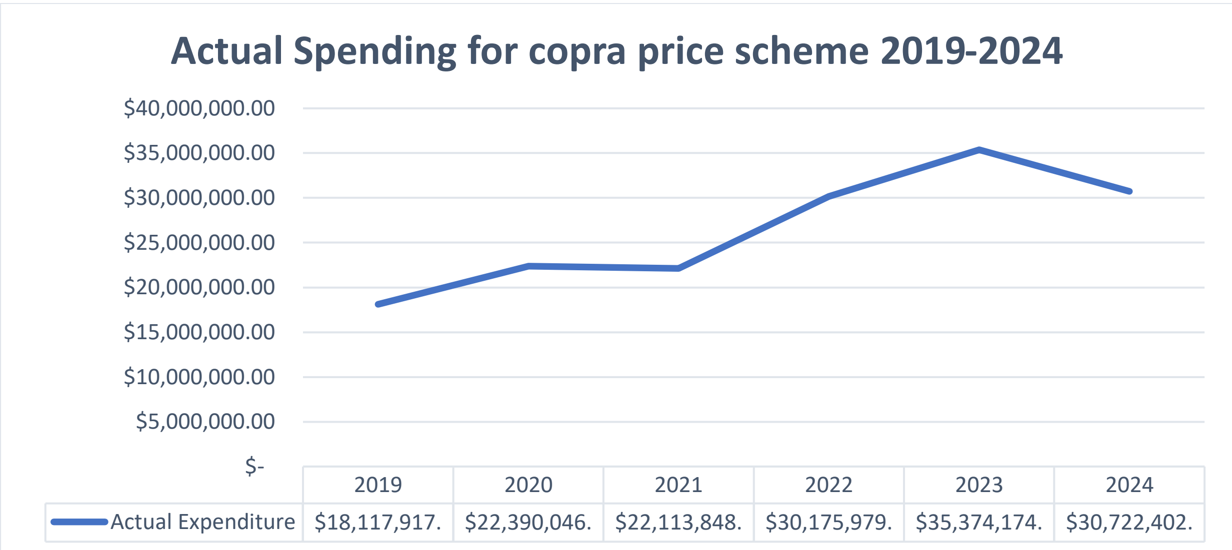
Since it started, the scheme is governed by the Copra (Marketing) Ordinance 1977. The Ordinance has not yet been reviewed or revised. In 2023, the Kiribati Copra Development Limited (KCDL) established the Copra Weighing policy for copra quality control, but this has not yet been submitted to the KCDL Board and Cabinet for approval. However, KCDL has been internally implementing this unapproved policy to date, using it as a better practice guide for copra management.

According to the Kiribati Development Plan (KDP) 2023 – 2024, the intended outcomes of this scheme are to:

- reduce the proportion of people of all ages living below the international (extreme) poverty line US$1.90,
- support the unemployed to remain in the Outer Island, thus countering the rural-urban drift,
- support the welfare and livelihood of people in the Outer Islands, given the abundance of coconut plantations,
- enable people who are unable to secure formal employment, due to inadequate employment opportunities, to make a living from a commodity that is in abundance on their islands, and
- reduce income inequalities and alleviate poverty.

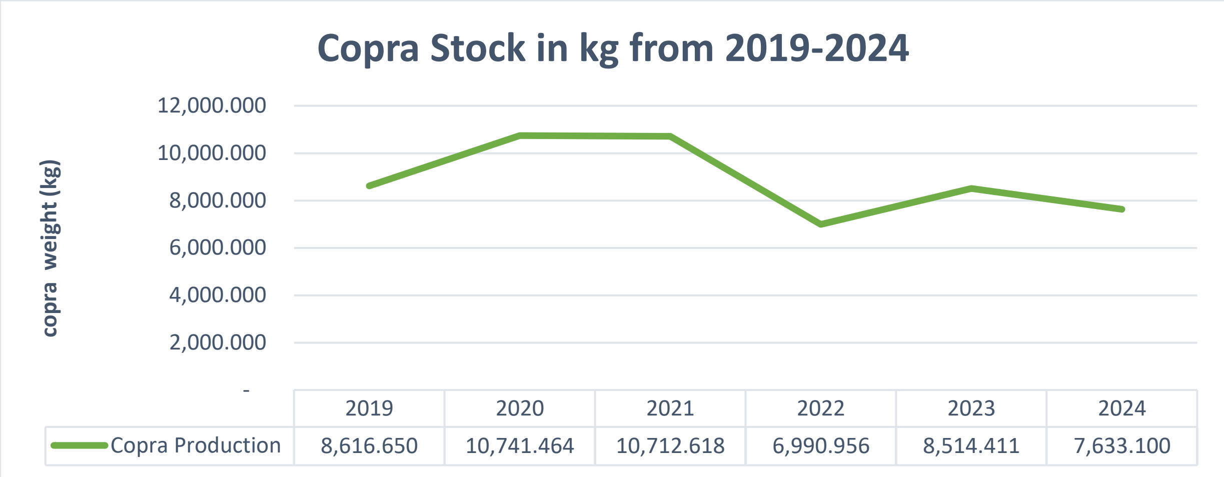
From 2019 to 2024, the Government spent a total of $158m on the copra price scheme (a total value of copra to be produced by KCDL).

Figure 1 Actual Expenditure for Copra 2019-2024



(Extracted from MFED Annual Account Report, 2019-2024)

Figure 2 Copra Stock in kg from 2019-2024



(Extracted from KCDL's Operation Manager data)

Governance & Management of the Copra Price Scheme (CPS)

In selecting this audit topic, the following Government agency, non-public sector, and other stakeholder roles and responsibilities have been identified.

(i) **Kiribati Coconut Development Limited (KCDL):** A state-owned enterprise responsible for the development of the coconut industry in Kiribati.

- **Copra Inspector:** A staff member from KCDL who is responsible for ensuring the quality of copra purchased from farmers, supervising the loading and unloading of copra, and maintaining accurate records.

- **Assistant Copra Inspector**: A staff member from KCDL who assists in the oversight of copra quality and inventory management, ensuring compliance with company standards and supporting the smooth operation of copra production and storage while contributing to a clean and organized work environment.

- **Copra Coordinator:** A staff member from KCDL who is responsible for effective oversight of the weighing, loading, and transport of copra from outer islands to Tarawa, ensuring accurate reporting, maintaining the integrity of storage facilities, and addressing the needs and concerns of farmers and cooperative members.

(ii) **Cooperative societies:** non-governmental organizations on the island that provide copra storage services and handling of copra to ships. They are compensated by KCDL based on the tonnage of copra they store and handle.

(iii) **Kiribati National Shipping Line Limited (KNSL) & Other Private Shipping Companies:** The KNSL provides most shipping facilities for transporting copra from outer islands to Kiribati, while other private shipping companies also facilitate copra shipment.

(iv) **Ministry of Finance and Economic Development (MFED):** Responsible for distributing and paying out of the copra fund to copra cutters on South Tarawa and Outer Islands

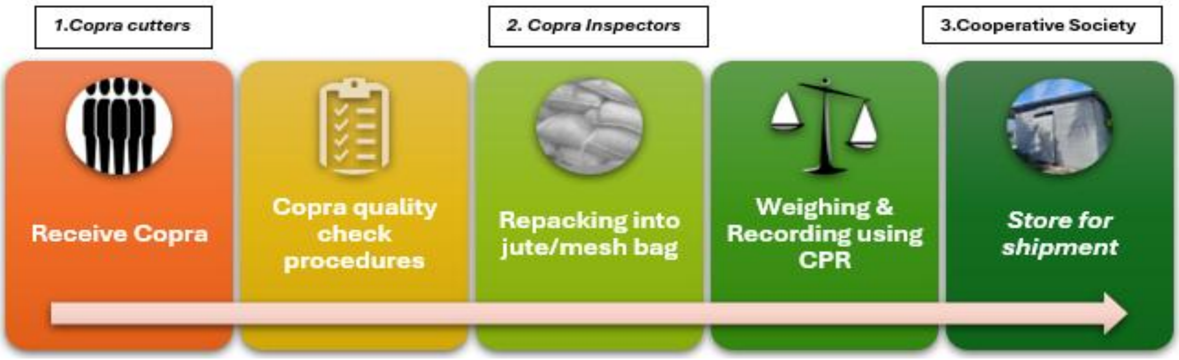
3.2 COPRA MANAGEMENT SYSTEM AND PROCESS

Weighing Process

Copra weighing happens in several stages in the supply chain of copra. First, during the initial weighing of copra by copra inspectors, and then during the loading of copra into the ships for transportation, they are weighed again using the same weighing measurement. When the copra reaches South Tarawa, another weighing equipment is used, called a weighbridge. And then, before production, the production department extracts the amount of copra required for processing and weighs it again.

The copra weighing policy outlines the following procedure for weighing and quality checks of copra during the **initial weighing process**.

Figure 3 Weighing Process

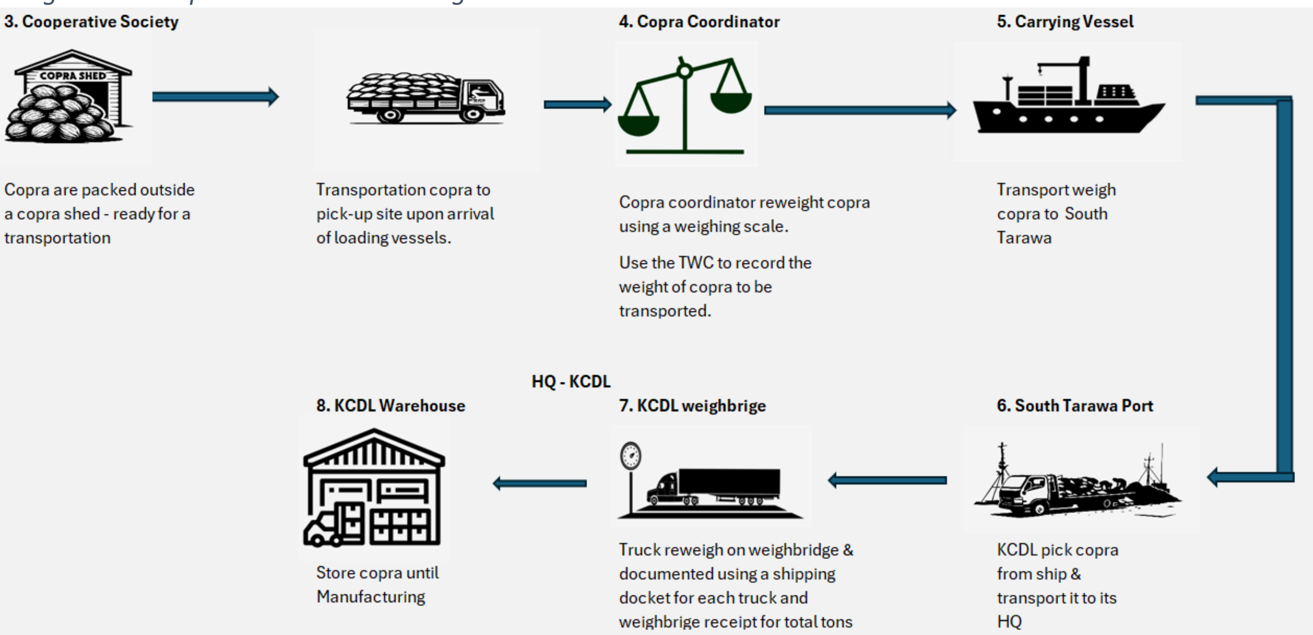


Copra Quality Check Procedures

1. Copra is poured onto the mat or tarpaulin.
2. Copra inspectors assess the copra and remove any materials found among the copra.
3. The copra inspector chose 7 samples from one bag and used a moisture tester.
4. A copra with 6.5% moisture is a good quality copra, so when the sampled copra's have 6.5% moisture, all the copra in the bag is accepted.

Transportation and Handling

Figure 4 Transportation and Handling Process.



CHAPTER FOUR: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

4.1 INADEQUATE AND OBSOLETE LEGAL FRAMEWORK

Criteria 1: Did KCDL Adhere to the Established Policy and Guideline for the Copra Management?

KCDL's management of copra is weakened by an outdated legal framework and an unofficial, ad hoc copra policy. This results in inadequate governance, inefficiencies, a lack of accountability, and a risk of misuse of public funds in the copra price scheme.

4.1.1 Absence of a Structured and Endorsed Formal Policy

Context

A copra policy is a living document that comprises a set of rules and guidelines, as well as roles and responsibilities, that govern how KCDL will manage and administer the overall copra management supply chain, starting from copra purchase, weighing and quality checks, storage and transportation, documentation, and monitoring.

Finding

A review of the legal framework and interviews with the officers of the Kiribati Coconut Development Limited (KCDL) and the Ministry of Finance and Economic Development (MFED) revealed that there was no formal policy in place since the introduction of the copra price support scheme, until now, when the government increased the price of copra to $4.00 per kilogram. Both KCDL and MFED have unofficial and ad hoc policies.

KCDL's internally developed policy is called a Copra Weighing Policy (2023), which focuses mainly on the quality control of copra and the weighing process. Review of the Copra weighing policy (2023) shows that the policy was never approved by the KCDL Board; however, KCDL has been implementing the policy since 2023 and has mandated their staff on the outer islands to follow this policy.

MFED's internally developed policy is called 'Procedures for Weighing and Payment for Copra, which focuses mainly on recording the weight of copra in a Copra Purchase Receipt (CPR) for payment purposes. Further, MFED's 'Procedures for Weighing and Payment for Copra Policy' was unofficial because there was no evidence of its approval.

The absence of a structured, endorsed formal policy results in an unclear copra management process regarding copra handling and transportation, and reporting. In addition, it also creates conflicting roles and responsibilities of all stakeholders involved in the copra management and weakens accountability. For example, MFED is responsible for managing the copra price scheme according to the copra price scheme project document. However, KCDL is also responsible for managing the whole copra price scheme process according to the cabinet decision (reference). The absence of a formal policy can also create inconsistency and confusion in copra management practices.

The impact of a poorly structured and endorsed copra policy disrupts the effectiveness and efficiency of copra management. The consequence of which is the inefficient copra management system, including weak governance, lack of transparency and accountability, and increased risk of fraud, waste, and abuse of the copra fund.

4.1.2 Obsolete Legal Framework

The management and regulation of copra operations continue to rely on the Copra Marketing Ordinance (1977)[1].

Through our discussions with the Kiribati Coconut Development Limited (KCDL) on the overall process of the copra management, the Audit Office found that the Copra Marketing Ordinance is out of date and does not reflect current management and operational practices, and regulatory conditions. For example, KCDL is not mentioned anywhere in the Act; instead, it still recognizes distinct responsibilities of the Kiribati Copra Mill Company Limited (KCMCL) and the Kiribati Copra Cooperative Society (KCCS). In addition, the Act mandates the use of a prescribed sieve and a moisture content of less than 6.5% for copra, which are both no longer practiced as part of a quality control procedure.

Conclusion

KCDL's management of copra is weakened by an outdated legal framework and an unofficial, ad hoc copra policy. This results in inadequate governance, inefficiencies, a lack of accountability, and a risk of misuse of public funds in the copra price scheme.

Recommendation

Finding Ref	**Recommendations**
4.1.1	It is recommended that KCDL, after consultation with MFED, should urgently finalize and formally implement the copra policy. And conduct training for relevant stakeholders on the requirements of the policy.
4.1.2	KCDL should prioritize updating the Copra Marketing Ordinance of 1977 to ensure it is relevant and can effectively respond to emerging issues that have evolved over time.

Management response:

Management will formally propose to the Board to review the Act and to process it through the Attorney General's Office. KCDL highlights the quality standard for copra as stated in the ICC to be reflected in the revised copra marketing ordinance. Also, Management will revise and formally implement the copra weighing policy.

[1] Copra Marketing Ordinance (1977) https://www.paclii.org/cgi-bin/sinodisp/ki/legis/consol_act/co211/co211.html?stem=&synonyms=&query=copra%20marketing

4.2 WEAKNESSES IN COPRA QUALITY CONTROL AND WEIGHING PROCEDURES

Criteria 2a: Did the KCDL ensure effective and efficient weighing of copra from the outer island and South Tarawa?

KCDL did not adequately ensure effective and efficient weighing and quality checks of copra on the outer islands and in South Tarawa. The findings show non-compliance with the Copra Marketing Ordinance 1977 and Metrology Act 2021. KCDL failed to conduct quality checks of copra in accordance with Section 7(3)(f) of the Copra Marketing Ordinance. This incompliance creates a risk of substandard copra being accepted and weighed, potentially undermining copra quality. Furthermore, weighing schedules are inconsistent and lack proper planning, leading to prolonged weighing periods, overcrowded sheds, and copra deterioration and waste before shipment. Lastly, weighing equipment lacked the required verification marks under the Metrology Act 2021, so its accuracy across the islands was not assured. Overall, Inadequate oversight and management of the weighing process undermine the accuracy, reliability, and fairness of weighing and quality control procedures.

4.2.1 Inadequate Copra Quality Check Procedures

Context

Copra quality refers to the physical and chemical condition of copra that enables it to be processed into high-grade coconut oil and other products. The quality check procedures are usually carried out before weighing.

Relevant Act/Policy

According to the Copra Marketing Ordinance, quality copra should meet all of the criteria stated below:

- contain moisture of less than 6.5%,
- be no darker in color than light brown,
- contain no mold,
- show no sign of damage by insects,
- contain not more than 1% of extraneous matter, and
- not be capable of passing through the prescribed sieve.

Finding

Based on our observations on South Tarawa and Abemama, the audit found that copra inspectors carry out quality checks using a copra moisture tester and physical inspections of the copra's color, size, and quality. However, a prescribed sieve was not used, and the copra moisture test did not comply with the 6.5% moisture criteria laid out in the Copra Marketing Ordinance. Discussions with KCDL officers revealed that a sieve was not provided to the copra inspectors. Additionally, KCDL's unofficial policy sets the moisture limit at less than 7%, which inspectors now use as their standard for moisture testing instead of 6.5%.

The absence of a prescribed sieve during the weighing shows that no measurement was in place to check the size of the copra, whether small or large, before it was accepted for weighing. This indicates non-compliance with the Copra Marketing Ordinance and creates a risk of any other objects passing through the quality checks and being allowed to be weighed and purchased. As a result, copra production machines are prone to failure if these materials, especially if they are metals, are processed together with copra.

Furthermore, the use of a 7% copra moisture constitutes a non-compliance with the Copra Marketing Ordinance. According to the International Coconut Community (ICC)[2] which KCDL is a member of, the 7% moisture meets a standard for export-grade copra. This standard is included in the informal policy and informally adopted as the acceptable copra moisture limit in practice. However, this practice directly contradicts the Copra Marketing Ordinance, which is the primary law and must take precedence over any informal practice or policies.

4.2.2 Inadequate planning and communication of the copra weighing schedules.

Context

Based on the interviews conducted and the review of the schedules from the 4 sampled islands, we found that 3 islands (Abemama, North Tabiteuea, and Nikunau) carry out weighing schedules from Monday to Thursday. We further found that the copra inspector on the outer island is responsible for preparing and managing the schedule, and the weighing station is assigned to the cooperative societies that will store copra after weighing. As for Tarawa, the weighing is only carried out on every Wednesday at Temaiku.

Better practice

Good practice requires organizations to carefully plan and communicate schedules to stakeholders in advance to ensure efficiency, consistency, and fairness. In addition, proper planning, and communication for KCDL. As the responsible entity, KCDL should ensure that weighing schedules are developed and communicated with the island communities in a timely manner in order to minimize the risk of inefficient practices, delays in weighing, and complaints from the public that could cause reputational risks.

Finding

The audit revealed, based on interviews with copra inspectors, copra cutters, and Island Council Clerks, that the planned weighing schedule is inconsistent and lacks important element of good scheduling. There is no specific time set for weighing on the outer island, leading to inefficiencies and prolonged weighing periods that can start from morning till midnight. Furthermore, it is inconsistent because weighing dates are often influenced by factors such as: villagers and the local council, the availability of a storage space in the copra shed, and the timing of ship arrivals for loading copra. Where storage sheds are full, weighing is delayed until space becomes available. Furthermore, schedules are developed without proper consultation with shipping vessels and without proper assessment of the condition of the weigh station or copra shed.

As a result, weighing carried out every day leads to excessive copra being stored, copra sheds being overloaded, and shipping vessels cannot collect it all. This leads to the spoilage of copra that remains in the copra shed for a longer period.

[2] International Coconut Community https://coconutcommunity.org/products-detail/copra

4.2.3 No Verification of the Copra Weighing Equipment used by the KCDL.

Context

Copra weighing equipment is equipment used to measure the weight of copra. There are 2 different kinds of weighing equipment used by the Kiribati Coconut Development Limited (KCDL):

- a digital hanging scale, used by copra inspectors to weigh individual copra brought in by copra farmers, and
- a weighbridge**,** used to weigh copra loaded on a truck that transports it from the wharf to the main shed in Besio.

KCDL is responsible for providing digital hanging scales to copra inspectors for their work. Given that the current copra weighing policy does not specify the type or standard of weighing equipment to be used, the need for verified weighing equipment is essential to ensure the accuracy and reliability of measurements, which are critical to ensure fair trade and consistent weighing practices across different cooperative societies.

Relevant policy/Acts

According to Section 23 of the Metrology Act 2021[3] All *measuring instruments for use in trade and for the purposes specified in subsection (2) shall be subject to:*

(a) type approval as specified in section 27;
(b) initial verification in accordance with the requirements prescribed in regulations;
(c) in service verification in accordance with the requirements prescribed in regulations; and
(d) verification after alteration, repair, adjustment, or modification.

Section 26 of the Metrology Act states that, *"only the measuring instruments that bear the verification mark or obtain a verification certificate are considered legal*."

Findings

The audit conducted observations of the weighing equipment and interviewed copra inspectors and copra farmers. A total of five weighing equipment were inspected during the audit. None displayed a verification mark as required under Section 26 of the Metrology Act 2021. Additionally, no maintenance or calibration records were maintained for the equipment. Although KCDL management reported that 10 kg fixed test weights are provided to inspectors to verify the accuracy of digital hanging scales, these test weights were not used during observations of weighing in South Tarawa and Abemama. Instead, inspectors relied solely on zeroing the scale prior to weighing. Anecdotal evidence suggests that there are variations in copra weights recorded by different inspectors using different equipment. Such inconsistencies undermine confidence in the copra measurement and fairness in copra purchases from copra cutters.

[3] Metrology Act 2021 https://www.paclii.org/cgi-bin/sinodisp/ki/legis/num_act/ma2021142/index.html?stem=&synonyms=&query=metrology%20act

Conclusion:

KCDL did not adequately ensure effective and efficient weighing and quality checks of copra on the outer islands and in South Tarawa. The findings show non-compliance with the Copra Marketing Ordinance 1977 and Metrology Act 2021. KCDL failed to conduct quality checks of copra in accordance with Section 7(3)(f) of the Copra Marketing Ordinance. This incompliance creates a risk of substandard copra being accepted and weighed, potentially undermining copra quality. Furthermore, weighing schedules are inconsistent and lack proper planning, leading to prolonged weighing periods, overcrowded sheds, and copra deterioration and waste before shipment. Lastly, weighing equipment lacked the required verification marks under the Metrology Act 2021, so its accuracy across the islands was not assured. Overall, Inadequate oversight and management of the weighing process undermine the accuracy, reliability, and fairness of weighing and quality control procedures.

Recommendation:

Finding Ref	Recommendations
4.2.1	KCDL should provide a prescribed sieve to copra inspectors and enforce its consistent use during the weighing process to ensure compliance with the Copra Marketing Ordinance 1977 and fairness.
4.2.2	KCDL should develop a weighing schedule that aligns with the shipping schedule of all shipping agents and include it in the policy to prevent prolonged weighing time and copra storage on the outer islands. This schedule should be clearly communicated to all relevant stakeholders.
4.2.4	KCDL should obtain official verification marks for all weighing equipment and ensure regular verification and maintenance in compliance with the Metrology Act 2021. A documented maintenance and verification log should also be maintained to ensure equipment accuracy, reliability, and accountability.

Management response:

In relation to the weighing schedule, KCDL will finalize it with island councils and copra cooperatives, but cannot incorporate shipping vessels, given that KCDL cannot dictate shipping vessels. The local farmers are cutting their copra into smaller pieces to maximize the space in their carrying bags.

The portable copra weighing scales (capacity 100kg) now in use in the outer islands are often replaced with new ones when they're reported defective by Copra Inspectors. However, KCDL will cease copra weighing at times when the weighing scales and moisture testers are faulty and inoperable. The Copra Inspectors know that they should calibrate their scales using the 10kg fixed test weights before copra weighing commences. However, due to the inability to maintain defective portable scales, they are typically replaced with new ones to ensure accuracy and accountability, and to prevent the cessation of copra weighing.

4.3 INADEQUATE COPRA STORAGE AND INVENTORY MANAGEMENT

Criteria 2b: Did the KCDL ensure effective and efficient storage of copra from the outer island and South Tarawa?

KCDL failed to ensure effective and efficient storage of copra on both the Outer Islands and in South Tarawa. The findings reveal that KCDL failed to maintain adequate copra storage facilities on South Tarawa and demonstrated weak enforcement of contractual agreements with cooperative societies. As a result, copra was often stored and packed poorly across all copra sheds. Furthermore, KCDL lacks an effective inventory management system to monitor copra storage and movement across sheds on Outer Islands and South Tarawa. The absence of reliable, up-to-date stock records indicates a systemic failure in copra inventory management, contributing to waste, fraud, and abuse during copra storage and therefore exposing KCDL to reputational and operational risks.

4.3.1 Poor storage facilities

Context

Storage facilities are buildings or specified spaces used to store copra. There are two stages for storage facilities. The first phase of the storage of copra is stationed on the outer islands. Storage facilities located on outer islands are referred to as copra sheds. In some islands, KCDL has its own copra shed, but most of the copra sheds are owned by cooperative societies that have signed an agreement with KCDL to store copra. The copra sheds that belong to cooperative societies store copra after being weighed by copra inspectors. The second phase of storage takes place in South Tarawa, at the KCDL headquarters, where all copra is stored before it is milled into various products. Storage facilities on South Tarawa are owned by KCDL.

Relevant Act/Policy

According to the Agreement between the KCDL with the Cooperative Society (CS), one of the conditions stated under the responsibilities of the CS is that *'the copra shed should have a concrete floor to help maintain the quality of dried copra.'* Further, section 4d(a) of KCDL unofficial policy states that the '*copra storage should be securely locked, and keys should be kept in the island council premises.'*

Finding

The audit conducted in-person observation of storage facilities on South Tarawa and Abemama, and remote observation via Zoom video calls with copra inspectors on North Tabiteuea and Nikunau. A total of 15 storage facilities were observed. The two storage facilities are big warehouses on KCDL premises in South Tarawa, and the remaining 13 were on the 3 sampled outer islands. Evidence showed that on outer islands, 7 out of 13 storage facilities have poor roofing, 4 have damaged walls, and 2 have dirty and broken concrete floors. The other 4 copra sheds' floor condition could not be observed as the shed is full of copra. Furthermore, the two storage facilities on South Tarawa were very poorly maintained. There were holes in the walls, along with rubbish, creating an untidy and unhygienic environment, as shown in images 1 and 2. Although a security guard was present, the warehouses were left unlocked and lacked CCTV surveillance to monitor activity.

These observations align with the Ministry of Finance and Economic Development's Internal Auditor's Report for Abemama in 2025[4], which reported that *'75% percent of weigh station storage facilities had broken floors, increasing the risk of insect infestation and stock contamination.'*

[4] MFED Internal audit report for Abemama 2025

The poor condition of these facilities can be attributed to poor maintenance, a lack of regular monitoring and inspection of copra sheds by copra inspectors, and strong political influence in matters related to copra. The pictures below illustrate three distinct situations:

- insecure and poorly maintained sheds – the shed is unlocked, damaged roof and floor.
- Secure sheds but with poor internal copra handling- copra is scattered, improper packing, etc.
- Secure and well-maintained sheds – copra properly packed and neatly stacked.

Figure 5 Examples of insecure and poorly maintained copra sheds

Source: KCDL warehouse 1 captured by the audit team in April 2025

Source: Copra sheds on Abemama captured by the audit team in May 2025

Figure 6 Examples of secure sheds but with poor internal copra handling

Source: copra sheds on North Tabiteuea captured by the audit team in May 2025

Source: KCDL warehouse 2 captured by the audit team in May 2025

Figure 7 Examples of secure and well-maintained copra sheds

Source: Copra sheds on Nikunau captured by the audit team in May 2025

According to interviews with copra inspectors on these islands, issues with copra sheds are reported to the headquarters on Tarawa. However, there is no documented evidence of complaints or reports made by the copra inspector on the copra sheds that are observed to be poorly maintained. This indicates a neglect of duty by the copra inspectors and a strong indication that they did not carry out regular monitoring and inspection of copra sheds to ensure the cooperative societies' compliance with the agreement.

In addition, anecdotal evidence shows that there is strong political influence in matters related to copra. And orders to close the reported copra shed by KCDL were usually weakened by the political influence in these islands. This allowed the cooperative societies' copra sheds to continue operating even though they are evidently not in good condition to store copra.

The continued use of poorly maintained and unsecured facilities exposes copra to significant quality risks, including insect infestation, contamination, and deterioration. The lack of adequate security measures also increases the risk of theft or loss. A World Bank report titled 'Cracking the Nut: A proposal for Reforming and Upgrading the Kiribati's Coconut Industry'[5] states that copra theft is an issue in the outer islands, and the poor condition of the copra sheds contributes to that. These conditions not only breach contractual and policy obligations but also present reputational and operational risks for KCDL.

[5] https://thedocs.worldbank.org/en/doc/065fbe707330d4b331180bb1d8cece51-0070012024/original/2024-WB-KIR-2-CrackingTheNut.pdf

4.3.2 Improper packing of copra

Context

The proper packing of copra starts after the quality check procedures. The Cooperative Society members will repack copra that passed the quality check into jute or mesh bags. The packed copra will then be weighed and immediately stacked properly in the copra shed.

Relevant Act/Policy

MFED ad hoc policy states that the Copra Inspector and the Copra weigher must ensure that copra which meets the quality standards (already purchased) must be re-packed, clearly marked with the farmer's registration number, and labelled as being passed inspection. In addition, Section 2(25) states that *'Cooperative societies must ensure that all copra are well kept and organized inside the copra shed.'*

Furthermore, the unofficial policy of KCDL states in section 4d that *'Copra meant to be of fair merchantable grade shall be packed in jute or mesh bags…' and section 4d (a) states that 'weighed and well-packed copra shall be well and stacked neatly by members of each Cooperative Society...'*

Finding

Based on the observation of the 15-copra sheds in the 4 sampled islands, the audit found 47% of the sampled copra sheds did not pack copra in jute or mesh bags, but instead poured it out inside the shed, 33% sheds used other bags, such as grain bags and green bags, and 20% used jute and mesh bags.

Interviews with copra inspectors and cooperative societies revealed that insufficient provision of jute and mesh bags is the main contributing factor to the improper packing. In addition, we observed that weighing is scheduled every day, which also contributes to improper packing. This is because even though the copra bag is unavailable, weighing is still conducted, resulting in pouring out copra inside the copra shed and using improper packing to store copra, as shown in image 6 below.

Figure 8 Improper packing of copra in the copra sheds

Source: picture taken from the copra sheds on the outer islands

The lack of proper packing of copra increases the risk of copra spoilage due to poor-quality bags being used, especially when the copra storage is in poor condition. For instance, during our observation in Abemama, we discovered disregarded copra visibly scattered across the cracked open copra shed floor shown in image 7 below.

Figure 9 Disregarded/wasted copra inside the copra shed.

Source: picture taken from one of the copra sheds on Abemama

The weight of 1 green bag full of disregarded copra is **25.44 kg.** And the estimated total quantity of wasted copra in one shed is between **70 to 100 kilograms.**

Improper packing led to deterioration of copra quality over time, depending on how long it remains in the shed, increasing waste and causing inefficiencies when loading copra onto the ship.

4.3.3 Inadequate inventory control of stored copra in the copra shed.

Context

After the weighing, copra is stored in copra sheds awaiting shipment to South Tarawa. While it is stored, it is important to keep track of it, given that copra sheds are dispersed on the island. Inventory control is a system used to keep track of the quantity of copra stored in every copra shed.

Relevant Act/Policy

According to the ad hoc unofficial policy of MFED section 2 (24), *'The Copra Coordinator/inspector must carry out an independent copra stock take and properly recorded on the stock sheet on a daily basis and certified by the Coop Society (Boboti).*

Also, KCDL unofficial policy states in section 4d(a) that *'Records of Copra in Storage is the responsibility of the Cooperative Society to maintain without using copra weights of CPRs. This will assist in verifying copra stock recorded by HQs through Copra Inspectors.'*

Additionally, the job description of the Copra Inspector states that one of their roles is managing the sheds to record the amount of copra transferred from different cooperatives to the main shed.

Finding

The audit requested inventory logbooks of the 15 selected copra sheds from the copra inspectors of the 4 four sampled islands. The audit found that inventory logbooks are not properly maintained and updated in the 15 selected copra sheds. This means there is poor control over the amount of copra stored in each copra shed. Therefore, copra inspectors cannot determine any short copra in each copra shed.

The inadequate copra inventory control is a result of the lack of policies regarding inventory control procedures and a standard template for recording copra stock. This leads to inconsistent recordkeeping and a lack of a standardized documentation process. Furthermore, weak stock monitoring and verification practices from KCDL headquarters have contributed significantly to this issue.

The absence of inventory logbooks indicates a significant deficiency in the management and oversight of copra stock across the islands. This creates risks of loss of copra stock and significant financial exposure due to undetected discrepancies, loss, or spoilage, as highlighted in the MFED Internal Audit Report following a copra inspection conducted on Abemama in January 2025.

The MFED Internal Audit Report reveals huge discrepancies between the recorded copra weights and the actual stock observed during the inspection, as shown in Table 1 below. This undermines the accountability and transparency of the copra management and compromises KCDL operational efficiency, posing risks to copra quality and financial accountability.

Table 1 Data Discrepancies (weight recorded vs actual stock)

Cooperative society Name	Net Weight Recorded by Copra Assistant (KG)	Net Weight Found During Inspection (KG)	Difference (KG)
Tanimainuku Cs	12,095.90	7,150.80	-4,945.10
Tauatea Cs	23,143.90	19,477.00	-3,666.90
Nei Bun Cs	12,611.60	11,025.40	-1,586.20
Tekatirirake CS	13,442.60	11,883.90	-1,558.70
Ueen Te Bonnano CS	22,966.10	21,504.70	-1,461.40
Moone Cs	18,954.60	17,752.12	-1,202.50
Beberiki Cs	16,546.90	15,880.50	-666.4
KUC Tokamauea CS	12,727.70	12,254	-473.7
Tokamarin te Rungannakoi Cs	13,648.20	13,241.20	-407
CCL Manoku Cs	6,291.20	6,008.90	-282.3
Nei Katura Cs	6,185.60	6,049.30	-136.3
Rerein Tokannano Cs	12,727.30	12,880.60	153.3
Total	**171,341.60**	**155,108.42**	**-16,233.20**

Source: Internal Audit report from the Ministry of Finance and Economic Development - Copra Inspection on Abemama January 2025

As shown in **Table 1**, the total recorded stock across 12 cooperative societies was **171,341.60 kg**, whereas the actual stock observed was only **155,108.42 kg**, resulting in an overall shortage of **16,233.20 kg valued at $64,932.80**.

Conclusion:

KCDL failed to ensure effective and efficient storage of copra on both the Outer Islands and in South Tarawa. The findings reveal that KCDL failed to maintain adequate copra storage facilities on South Tarawa and demonstrated weak enforcement of contractual agreements with cooperative societies. As a result, copra was often stored and packed poorly across all copra sheds. Furthermore, KCDL lacks an effective inventory management system to monitor copra storage and movement across sheds on Outer Islands and South Tarawa. The absence of reliable, up-to-date stock records indicates a systemic failure in copra inventory management, contributing to waste, fraud, and abuse during copra storage and therefore exposing KCDL to reputational and operational risks.

Recommendations:

Finding Ref	Recommendation
4.3.1	KCDL should prioritize the improvement of copra storage facilities on South Tarawa to ensure proper protection and reduce risks of loss or spoilage. A camera should be installed, and doors should be locked. As for copra storage on outer islands, contractual agreements with cooperative societies should be revised and enforced to include the design requirements of copra sheds, for example, having two doors and a penalty for non-compliance. Moreover, KCDL Management should ensure that Copra Inspectors follow their job description, carry out weekly inspections of all copra sheds to ensure they are clean, well-maintained, and suitable for storage.
4.3.2	Copra inspectors must take immediate action to replace the current packaging with a more durable and sustainable alternative to prevent further waste. KCDL should ensure an adequate supply of copra bags is made available to ensure proper packing of copra and evenly distributed among copra farmers to ensure equitable distribution of copra funds among the copra cutters.
4.3.3	KCDL should immediately develop and implement policies related to copra storage and inventory control. A robust digital inventory management system should be used, where copra bags were recorded by their date, weight, and serial number. This system should be updated daily and reviewed weekly by KCDL supervisors to strengthen controls, prevent theft, and also to ensure timely reporting of copra stock. KCDL copra inspectors should maintain regular monitoring of copra stocks and consider implementing a First-In, First-Out (FIFO) inventory system. This approach would help ensure that older copra is dispatched first, reducing the risk of spoilage and minimizing potential waste.

Management response:

Management notes the observation and has agreed to do the following.

1. Carry out repairs and improvements to both the BKL and old Port storage facilities to ensure the safe security of stored copra. Close any CS that failed to abide by their agreement.
2. Conduct an on-site visit to all CS on the outer island to implement requirements specified in the agreement. Ongoing public awareness will be carried out before the visit.
3. Provide loose identification cards to be provided with jute bags.
4. Implement an automated inventory system for copra stock and equipment.
5. Develop a template to monitor copra inspectors' performance.

Management clarifications

All copra inspectors update their daily stock records using a simple inventory system. This system provides details of the CPR for incoming copra and the TWC for outgoing copra, while headquarters maintains its records based on the weights specified in the CPR and TWC.

It is important to note that some of the issues stem from the quality of mesh bags, which are prone to breaking. Since these mesh bags are currently on a trial basis, KCDL has decided to halt their importation and back to using jute bags, which should effectively address the recurring concerns. KCDL now uses the jute bags, which just arrived in late April 2025. And repacking has been executed. However, more Jute Bags need to be delivered. KCDL plans to purchase a significant quantity of jute bags to supply farmers to avoid a shortage of copra sacks in the future. The members of the Cooperative Society have been informed to properly stack the weighed bags under the supervision of the Copra Inspector**.** The tasks of supervising proper stacking and maintaining cleanliness by members of Cooperative Societies are included in the Copra Inspectors' Job Description. However, strict compliance with clause 5.1.2(a) of the Policy remains applicable.

4.4 INEFFICIENT COPRA SHIPMENT, HANDLING, AND DOCUMENTATION

Criteria 2c: Did the KCDL ensure effective and efficient transportation and handling of copra from the Outer Island and South Tarawa?

KCDL did not ensure the effective and efficient transportation of copra from the outer island and South Tarawa. The findings show the absence of formal shipping schedules, dedicated coordination personnel, and ad hoc arrangements of copra collection results in delays of copra shipments. Additionally, copra is stored improperly on ships, posing risks of exposure to rain and seawater spray, leading to spoilage and waste. These operational failures, compounded by poor record-keeping of shipment data and documents, have led to an increase in short landings totaling 2.48 million from 2019 to 2024, with no evidence of recovery or accountability. Collectively, these failures indicate KCDL's inadequate accountability and oversight over the copra shipment, resulting in increased preventable copra waste and public funds.

4.4.1 Lack of proper planning and scheduling of copra collection from the outer island.

Context

Planning of copra collection from the outer islands refers to the strategic phase where decisions are made in advance to ensure a smooth copra collection process.

Scheduling is the operational phase that involves setting specific dates, times, and sequences for carrying out the collection. This includes:

Timetables	Creating a schedule for vessel departures and arrivals at each island
Resources	Allocating time and cost and dedicated personnels for handling copra at each stop.
Frequency	Determining how often each island is visited (e.g., monthly)
Contingency planning	Preparing alternative schedules in case of bad weather or mechanical issues.

Proper planning and scheduling help to reduce transportation costs, ensure timely copra transportation to prevent copra spoilage or loss, and improve logistics efficiency.

Findings

The audit conducted interviews with the shipping agencies, such as Kiribati National Shipping Line (KNSL), other private shipping agencies, and Kiribati Coconut Development Limited (KCDL). We also conducted direct observations on South Tarawa Port and interviewed cooperative societies and inspectors on Abemama to gather information.

The audit found that there is a lack of proper planning and scheduling for the transportation of copra from the outer islands to South Tarawa. The collection of copra is dependent on the availability and routing of ships, which vary over time. Also, there is no dedicated person who is responsible for the arrangement of shipping vessels to collect copra. KCDL headquarters sometimes arranges charters to collect copra, but on most occasions, the copra inspector on the outer island coordinates copra collection with the shipping vessels.

This poor planning is primarily due to the absence of a formal Memorandum of Agreement (MOA) between the Kiribati Copra Development Limited (KCDL) and shipping companies to ensure regular collection of copra on specified dates. Due to poor planning, copra shipments were usually delayed, increasing the risks of copra spoilage, and reducing copra quality.

4.4.2 Poor Copra Storage during shipment

Context

Copra storage during shipment refers to the proper handling, stacking, and protection of collected copra from outer islands inside the ship during its transport by sea, to prevent damage, spoilage, or loss of the product.

Finding

On the 9th of June 2025, the audit conducted direct observation at Betio Jetty to observe how the copra was being stored on the ship until it reached the KCDL's warehouses in Betio. During the observation, copra was found stacked above the hatch. This creates a high risk of exposure to rain or seawater, leading to spoilage and reduced quality.

Figure 10 Copra storage during its shipment

Source: picture taken at Besio Wharf by audit staff

4.4.3 Short landed copra from shipment for the years 2019 to 2024.

Context

Short-landed copra refers to the quantity of copra missing or reduced upon arrival at the KCDL's warehouse in Betio compared to the recorded weight shipped from the outer islands.

The two important documents that are essential for determining short-landed copra are the Test Weight Certificate (TWC) and the weighbridge receipt (WBR). A TWC records the quantity of shipped copra from the outer island, and a WBR records the quantity of copra arrived at the KCDL warehouse. Both documents are included as supporting documents in the freight form. Freight forms are documents used to record shipping companies' freight claims for transporting copra.

Relevant Act/Policy

According to Section 6(h) of the unofficial Copra Weighing Policy, the carrying vessel is responsible for the cost of short-landed weights detected, whereby recovery must be deducted from the freight and handling charges claimed.

Finding

The audit reviewed documents and conducted a quantitative analysis of 282 sampled freight forms from 2019 to 2024 to ensure all copra shipped from outer islands reached the KCDL warehouse in Betio. The results reveal a significant amount of copra missing during shipment, as detailed in Table 2 below.

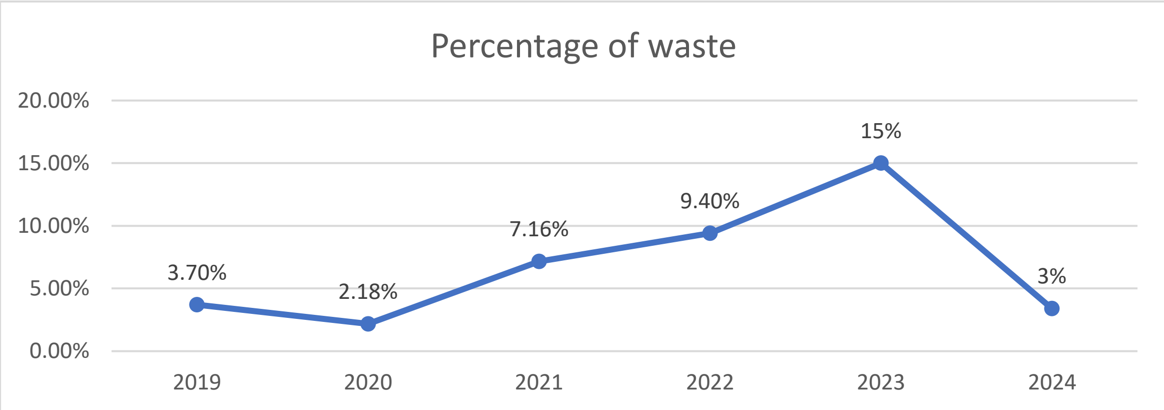
Table 2 Short-landed copra from 2019-2024

		2019	2020	2021	2022	2023	2024
a.	Total tons of Copra Shipping Receipts (CSR)[6]	1128.441	1266.475	3446.09	2981.653	1244.785	1703.969
b.	Total tons of Weight Bridge Receipts (WBR)[7]	1086.227	1239.917	3199.43	2701.4718	1063.7	1646.114
c.	Short landed of copra (tons) (a-b = c)	42.214	27.738	246.66	280.1	181.085	57.86
d.	**% of Short Landed copra (c /a = d)**	**3.7%**	**2.18%**	**7.16%**	**9.4%**	**15%**	**3%**
e.	Copra price per kg	$2.00	$2.00	$2.00	$4.00	$4.00	$4.00
f.	Short-landed copra in kg (c*1000 = f)	42214	27738	246660	280181.2	181085	57860
g.	**Short-landed copra ($) (e * f = g)**	**$ 84,428**	**$ 55,476**	**$ 493,320**	**$ 1,120,724.80**	**$ 724,340**	**$ 231,440**

Source: data extracted from the CSR and WBR attached to freight forms

A year-by-year analysis was conducted to identify patterns in copra waste, with percentages calculated against the initial shipped amount of copra in tons. This is illustrated in Graph 1 below.

Figure 11 Percentage of short landings from 2019-2024



- In **2019**, a sample of **30 freight forms** shows a short-landed of 42.214 tons of copra, equivalent to $84,428.00 and 3.7% of the initial amount of copra shipped to South Tarawa.
- In **2020**, a sample of **24 freight forms** shows a waste of 27.738 tons of copra, equivalent to $55,476.00 and 2.18% of the initial amount of copra shipped to South Tarawa.
- In **2021**, a sample of **90 freight forms** shows a waste of 246.66 tons of copra, equivalent to $493,320.00 and 7.16% of the initial amount of copra shipped to South Tarawa.

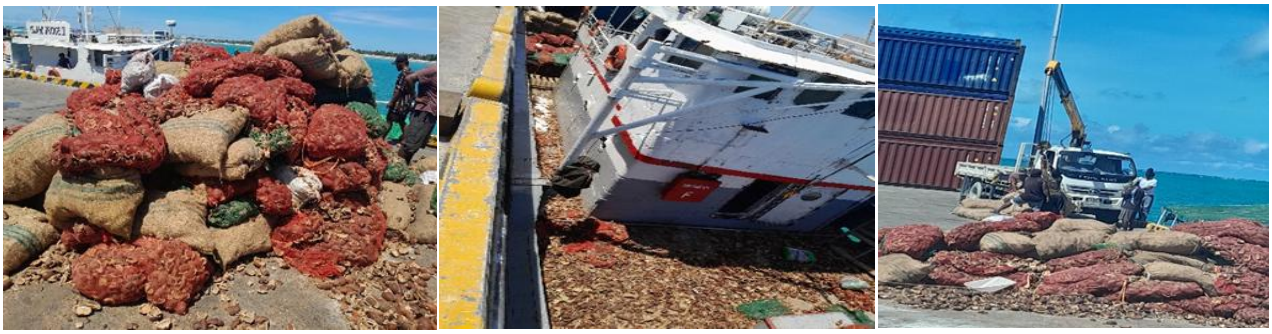
[6] A CSR records the quantity of shipped copra from the outer island.
[7] A WBR records the quantity of copra arrived at the KCDL warehouse.

- In **2022**, a sample of **72 freight forms** shows a waste of 280.1812 tons of copra, equivalent to $1,120,724.80 and 9.4% of the initial amount of copra shipped to South Tarawa.
- In **2023**, a sample of **29 freight forms** shows a waste of 181.085 tons of copra, equivalent to $724,340.00 and 15% of the initial amount of copra shipped to South Tarawa.
- In **2024**, a sample of **37 freight forms** shows a waste of 57.86 tons of copra, equivalent to $231,440.00 and 3.4 % of the initial amount of copra shipped to South Tarawa.

The audit found that from 2019 to 2024, there were significant and rising losses of copra during its shipment, totaling an estimated $2.48 million based on short landings identified in 282 freight forms. These losses indicate serious weaknesses in the copra management, particularly in transportation and handling processes, with no evidence of recovery or accountability measures taken. This reflects poor oversight and a lack of effective controls in managing public resources.

The significant copra waste is a result of poor copra handling and storage during shipment. Anecdotal evidence shows that a high volume of copra loss is a result of a capsized boat when it collects copra from the island to the ship. Furthermore, observation at Betio jetty revealed that the use of non-durable mesh bags contributes to copra waste from shipment, as shown in Image 9 below.

Figure 12 Copra waste due to poor-quality bags.



Source: picture taken at Besio Wharf by the audit team

4.4.4 Poor record keeping and filing of shipment data and documents.

Context

Shipment data is a detailed log of all copra shipments from outer islands in a year, which includes, quantity of the copra shipped, origin, the cooperative society that stores it, and the quantity shipped from each cooperative society.

Shipments documents refer to freight forms, receipts, payment vouchers, invoices, shipping dockets, weigh bridge receipts, test weight certificates, and copra shipping receipt (CSR). Freight forms are documents used to record shipping companies' freight claims for transporting copra. And a freight form contains all the above shipment documents as supporting documents. Weighbridge receipt is the document that contains the weight of copra upon arrival in Tarawa. The document is issued when a vehicle carrying copra from the port is weighed at the weighbridge upon entry into KCDL premises before offloading copra at the designated copra warehouse.

Finding

During the audit fieldwork, the audit team requested all the shipping documents from 2019 to 2024 and conducted a comprehensive document review in collaboration with the Financial Manager and Operations team.

The audit obtained shipment data for 2019-2020 and 2022-2024. However, there was no shipment data for 2021. Furthermore, shipment documents were obtained for these years, but there is no register for issuing all these documents. This means there is no accurate record number of shipping documents issued, creating a risk of data manipulation leading to inaccuracies in recording and fraud in the copra transportation process. In addition, receipts were missing from the freight forms obtained, and payment vouchers (PV) were not serially numbered and did not contain supporting documents, such as a weighbridge receipt and invoices. Without a weighbridge receipt, we cannot verify the quantity of copra that is transported from the shipping vessel to the main copra storage on Tarawa, and as a result, short landed cannot be detected. Also, invoices on these freight forms are not attached to receipts, creating a risk of double payments.

Conclusion

KCDL did not ensure the effective and efficient transportation of copra from the outer island and South Tarawa. The findings show the absence of formal shipping schedules, dedicated coordination personnel, and ad hoc arrangements of copra collection results in delays of copra shipments. Additionally, copra is stored improperly on ships, posing risks of exposure to rain and seawater spray, leading to spoilage and waste. These operational failures, compounded by poor record-keeping of shipment data and documents, have led to an increase in short landings totaling 2.48 million from 2019 to 2024, with no evidence of recovery or accountability. Collectively, these failures indicate KCDL's inadequate accountability and oversight over the copra shipment, resulting in increased preventable copra waste and public funds.

Recommendations:

Finding Ref	Recommendation
4.4.1	KCDL should explore establishing a Memorandum of Agreement (MOA) with shipping agencies and specify fixed payment rates for transporting copra from outer islands to incentivize collection and a mandatory copra collection schedule for the Northern, Central, and Southern regions of Kiribati, coordinated with shipping agents and cooperative societies. KCDL and cooperative societies should develop a standard operating procedure (SOP) for copra loading, including clear roles, timelines, and repacking requirements.
4.4.2	KCDL should specify in the MOA with shipping agencies specific storage requirements on the ships for transporting the copra.
4.4.3	KCDL management should conduct a comprehensive process to optimize logistics processes, enforcing stricter control for shipping copra and charging shipping vessels the value of copra loss upon its arrival at South Tarawa.
4.4.4	KCDL shall maintain a register for issuing shipping dockets, weighbridge receipts, test weight certificates, and Copra Shipping Receipts (CSRs), recording the recipient, date, and purpose for traceability. Also, all shipment data should be properly archived for easy location and retrieval, and the 2021 records should be noted that they are unavailable. In addition, the Finance Manager shall ensure to serially number all payment vouchers (PVs), require original receipts and weighbridge tickets, and use a checklist to verify attachments before freight claim approval.

Management response:

Management notes the observation and has agreed to do the following.

1. Order mesh bags and require farmers to purchase the bags using a revolving fund model.
2. Issue invoices to shipping companies regarding short-landed copra.
3. Implement PV serial numbering via Reckon software.
4. Enhance documentation by ensuring backup of shipment data and documents for easier tracing.

Management Clarifications:

KCDL has no mandate to transport copra from outer islands to South Tarawa, but incurs costs to transport Copra Coordinators for weighing, repacking into new jute bags, and loading vessels. Coordinators arrange empty jute bag drop-offs for repacking before vessel return. To minimize berthing fees, shipping lines pre-secure cargo and prioritize selective loads. Copra is always available but loaded only when space exists; vessels may discharge cargo elsewhere to create room, leading to accumulation at nearby islands (e.g., Maiana, Kuria). As of 17 July 2025, Nikunau and Tamana are cleared.

The Rechargeable costs shown in the freight form include freight/handling, copra at $4/kg ($4,000/ton), jute bags, and $50/ton agency fee. KCDL reimburses shipping lines $30/ton for handling ($10 beach-to-boat, $10 loading, $10 Tarawa discharge); shipping lines pay $20 to outer-island stevedores; and Cooperative Societies pay for storage-to-pickup transport handling.

Mesh bags were trialled for organic certification but discontinued due to tearing and contamination concerns; reverted to jute bags (≤30 kg per labour rules). Three containers are expected to arrive in August/September 2025.

4.5 WEAKNESSES IN MONITORING AND GOVERNANCE

Criteria 2: Did KDCL effectively monitor, report risks & complaints identified, and address them?

KCDL lacked effective monitoring and reporting of copra, as evidenced by the absence of stocktakes and a stock monitoring system. Additionally, unaccounted copra of approximately 22 to 30 million reflects serious weaknesses in monitoring and reporting, posing a risk to the integrity, accountability, and sustainability of the copra price scheme. Furthermore, the absence of board minutes during this audit undermines transparency, accountability, and good governance within KCDL, posing risks to proper organizational management and compliance. This lack of proper monitoring and reporting increases the risk of copra loss, theft, and inaccurate financial reporting, undermining the organization's ability to effectively manage and safeguard copra stock and the overall copra price scheme.

4.5.1 Unaccounted and Unprocessed Copra.

Context

Unaccounted or unprocessed copra refers to the copra that is already purchased from copra farmers but has not been processed by KCDL, with no record of the remaining stock. To determine unaccounted or unprocessed copra, the audit compared:

1. **Actual copra spending** derived from the General Ledger (GL) used in formulating the annual account of the government.
2. **KCDL's production input records** - the quantity of copra used as inputs in the manufacturing process.

It is expected that the actual copra spending should align with the total quantity and value of physical copra taken for inputs into manufacturing.

Finding

Based on an analysis of this data, there are discrepancies between the actual copra spending (recorded by MFED in the General Ledger) and the volume of copra processed by KCDL. This is further elaborated in Table 3 and Graph 2 below.

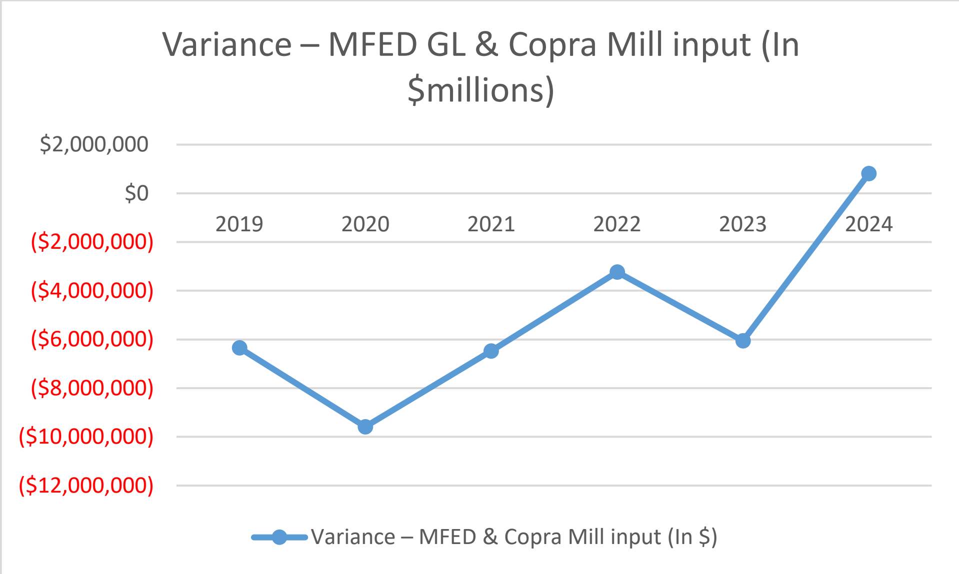
Table 3 Variance of KCDL's record (copra mill input) and MFED record (GL) on Copra 2019-2024

Data/ year	2019	2020	2021	2022	2023	2024
a. **Copra Mill input (tonnes)**[8]	5888	6403	7818	6734	7328	7881.94
b. MFED (GL) (tonnes)[9]	9059	11195	11057	7544	8844	7680
c. Variance – (a-b)	-3171	- 4792	-3239	-810	-1516	201.94
d. Copra price	$2.00	$2.00	$2.00	$4.00	$4.00	$4.00
Variance – (In $)	$6,341,271.21	$9,584,046.89	$6,477,848.89	$3,239,979.47	$6,062,174.21	**$807,760**

Source: data extracted from the General Ledger (GL) and KCDL record of copra inputs

[8] Volume of copra used as input in the manufacturing process.
[9] Estimated tonnes of copra calculated from the actual expenditures reported in the government's General Ledger (GL)

Figure 13 Unaccounted/Unprocessed copra in dollars ($)



Source: derived from table 3 above

- In **2019**, a variance of 3,171 metric tons of copra, valued at **$6.3 million**, was recorded as purchased in the General Ledger but never entered the KCDL mill. This is unaccounted or unprocessed copra.
- In **2020**, a variance of 4,792 metric tons of copra, valued at **$9.5 million**, was recorded as purchased in the General Ledger but never entered the KCDL mill. This is unaccounted or unprocessed copra.
- In **2021**, a variance of 3,239 metric tons of copra, valued at **$6.4 million**, was recorded as purchased in the General Ledger but never entered the KCDL mill. This is unaccounted or unprocessed copra.
- In **2022**, a variance of 810 metric tons of copra, valued at **$3.2 million**, was recorded as purchased in the General Ledger but never entered the KCDL mill. This is unaccounted or unprocessed copra.
- In **2023**, a variance of 1,516 metric tons of copra, valued at **$6 million**, was recorded as purchased in the General Ledger but never entered the KCDL mill. This is unaccounted or unprocessed copra.
- In **2024**, a variance of 201.94 metric tons of copra, valued at **$807,760**, was recorded as processed by KCDL but is not reflected in the General Ledger (GL) for 2024.

The audit found consistent and material discrepancies between the quantity of copra reported by MFED as purchased and the quantity recorded by KCDL as received and processed at the mill. From 2019 to 2023, MFED's reported purchases exceeded KCDL's physical records of copra milled each year, resulting in a total unaccounted variance of 13,528 tonnes equal to 13,528,000 kg. With copra priced at $2 per kg in 2019–2021 and $4 per kg in 2022–2023, the financial impact of this shortage is estimated at $22 million to $30 million. This equates to an average annual loss of $6.8 million during 2019–2021 and $4.65 million per year during 2022–2023. Additionally, in 2024, KCDL processed 201.94 tons of copra that was not reported as purchased in the General Ledger. This indicates that previously unaccounted stock is now being milled while simultaneously revealing persistent weaknesses and delays in purchase recording and the posting of Copra Purchase Returns (CPR), with some 2024 purchases only appearing in the 2025 General Ledger.

The significant amount of unaccounted/unprocessed copra indicates that significant quantities of copra purchased by government funds were not reflected in production records. This indicates potential issues such as inaccurate record-keeping, overpayments, and loss of copra throughout the copra supply chain from the point of purchase through to milling. And

Furthermore, these discrepancies reveal serious deficiencies in financial and operational controls, specifically in the areas of record-keeping, monitoring, physical safeguarding of stock, and coordination between the Ministry of Finance and Economic Development (MFED) and the Kiribati Coconut Development Limited (KCDL). Therefore, compromises the integrity and accountability of the entire copra management process and creates an elevated risk of fraud, waste, and misuse of public funds.

4.5.2 Poor documentation of Board Minutes from the year 2019 to 2023

Context

Board minutes are the official written records of the discussions, decisions, and actions taken during a meeting of an organization's board of directors. They document every decision made by the board that affects the operation of KCDL. Board minutes serve as a formal and legal record to ensure transparency, accountability, and reference for future meetings. It is also essential for good governance, compliance, and effective organizational management.

Finding

During the audit fieldwork, the Audit Office requested board minutes from KCDL's management; however, the minutes for the years 2019-2023 have not yet been received. Without these minutes, the audit cannot determine whether the oversight of copra management is effective.

4.5.3 No copra stock take for the end of the year

Context

Stocktake is the physical counting and verification of copra inventory stored in copra sheds at a specific point in time. It involves checking actual quantities against recorded amounts in the inventory system to identify discrepancies.

It is important because it ensures the copra records are accurate and reliable, helping to detect any losses, theft, or damage. Additionally, regular stock takes aid in better planning and decision-making and inventory management, ultimately strengthening control over copra stock and overall on KCDL's organizational assets.

Finding

During the interview with KCDL's Operations Manager, the audit confirmed that no stock take of copra inventory has been conducted at the end of every financial year for KCDL's headquarters warehouses from 2019-2024. Furthermore, the Operations Manager claims that stock takes were carried out in outer island copra sheds from 2019-2021; however, no evidence on these stock takes was provided to the Audit Office.

The reported cause of not carrying out a stock take is due to heavy workloads in counting copra and a lack of labor. This implies that there is a weakness in the internal control of the copra inventory. This could also lead to copra theft as the copra inventory is not properly monitored and controlled. Also, this indicates the lack of accountability by KCDL and poor oversight and management over the overall copra supply chain.

4.5.4 No segregation of duty between a copra cutter and a copra weigher – a copra cutter and a copra weigher are one and the same person.

Context

The weighing of copra is a labor-intensive and time-consuming task. It involves carrying more than 20kg bags of copra and pouring them all for quality checks, then repacking them again and putting them on a scale one bag at a time. The process also involves carrying and stacking of copra in the copra shed. This process is overseen by a KCDL officer (Copra Inspector), who is responsible for copra quality checks and recording of weights in the Copra Purchase Return (CPR). The CPR is a document that is used to record the weights of copra by individual copra farmers and acts as the main supporting evidence for copra claims by farmers.

To support this role, a copra weigher—jointly appointed by the Cooperative Society and the Island Council—assists in weighing copra. Both the copra inspector and the copra weigher are required to certify the CPR to validate the recorded weights for payment.

Relevant Act/Policy

The copra purchase return (CPR) requires the copra weigher and the copra inspector to certify the weights and claims of copra farmers.

Findings

Based on our review of 100 sampled Copra Purchase Receipts (CPR) (25 from each of the four islands: Abemama, Tab North, Nikunau, and South Tarawa) for the year 2022–2023. We identified a significant weakness in control during the weighing. Specifically, within the 25 CPRs sampled from Abemama in 2022, two cooperative society agents, who were also engaged as copra weighers, weighed and certified their own copra. This is shown in CPR numbers 47830, 47835, 47841, 47848, and 50480 and involves 12,608.2 kg of copra valued at $50,432.80. As a result, this creates a conflict of interest that undermines the integrity of the weighing process.

Conclusion

KCDL lacked effective monitoring and reporting of copra, as evidenced by the absence of stocktakes and a stock monitoring system. Additionally, unaccounted copra of approximately 22 to 30 million reflects serious weaknesses in monitoring and reporting, posing a risk to the integrity, accountability, and sustainability of the copra price scheme. Furthermore, the absence of board minutes during this audit undermines transparency, accountability, and good governance within KCDL, posing risks to proper organizational management and compliance. This lack of proper monitoring and reporting increases the risk of copra loss, theft, and inaccurate financial reporting, undermining the organization’s ability to effectively manage and safeguard copra stock and the overall copra price scheme.

Recommendations:

Finding Ref	Recommendation
4.5.1	KCDL should strengthen its internal audit function and lead the reform of the copra management to streamline the copra system and process, and minimize waste of public resources.
4.5.2	KCDL management should ensure timely preparation, approval, and secure storage of Board meeting minutes, with immediate retrieval of all missing minutes from 2019 to 2023, to support audit and oversight functions.
4.5.3	KCDL should implement an integrated inventory management system to automate copra stock data collection and tracking, and train copra inspectors on the system. The process should ensure that the copra inspector regularly conducts an annual year-end stocktake for copra inventory in all copra sheds, with clear documentation, staff accountability, and reconciliation procedures to strengthen internal controls and prevent potential theft.
4.5.4	KCDL should ensure that copra inspectors are rotated to avoid familiarity and conflict of interest between copra inspectors and copra weighers, and farmers. In addition, KCDL must ensure proper segregation of duties by prohibiting individuals from acting as both copra cutters and weighers, while introducing independent oversight and reporting mechanisms during weighing transactions to prevent conflicts of interest and potential manipulation.

Management response:

Management notes the observation and has agreed to do the following.

1. Provide board minutes since 15/5/2021 and diligently maintain board minutes to be readily available for audit purposes.
2. Conduct quarterly stock takes and any immediate surprise audit for any issues.

Management clarifications

Typically, KCDL copra inspectors submit weekly reports to the HQ Division. These reports include copra weight values for both CPR and TWC, which are essential for calculating the copra stock available on each island.

Copra production records from January to April 2025 show an overpayment of $2.729 million in copra funds. Specifically, in January and February 2025, Teraina received copra fund payments totaling $498,703.20 despite no copra being weighed during those months due to limited storage. This highlights a need for greater consistency and accountability.

KCDL continues to collaborate with MFED to reconcile their records. KCDL must align the TW with the CPRs, given that MFED's system handles copra fund payments and island warranties. This reconciliation will ensure that tonnage and values, along with payment dates and issuance, are accurately matched.

APPENDICES

Appendix 1: Documents Reviewed.

Type of document	Document name	Reason for review
Acts & Policies	Copra Weighing Policy	To assess the procedures for copra management.
	Copra Marketing Ordinance 1977	To assess procedures for copra management.
National Planning	Kiribati Development Plan (KDP) 2023–2024	To assess the purpose of the scheme and its linkage to the development agenda.
Internal Reports	Internal Audit Reports	To identify key findings identified in the report.
	MFED – Copra Unit Reports	Review official reports from the Ministry of Finance and Economic Development.
International Reports	World Bank Reports	To understand how the copra price scheme affects the economy and assess issues identified in the reports.
Parliamentary Records	Copra Hansard 2019–2023	To assess parliament's interest in copra management.
State-Owned Enterprise Info	KCDL's Statement of Intent (SOI)	To identify the objectives of KCDL.
Financial Data	General Ledger Data for Scheme Spending (2019–2023)	To assess the actual financial expenditures under the scheme.
Budgetary Data	Departmental Warrant Data (2019–2023) – Outer Islands and South Tarawa	To assess the variances between budgets and actuals. To assess the budget trends over time.

Appendix 2: Interviews

Category	Interviewee	Reason for Interview
MFED Officer	Copra Fund Management Officer (CFMO)	Understand the management and financial operations of the Copra Price Scheme.
KCDL Officer	Chief Executive Officer (CEO)	Gain strategic insights into KCDL's role in the scheme.
	Operations Manager (OM)	Learn about KCDL's operational challenges and logistics.
	Engineering Manager (EM)	Discuss technical and engineering aspects of copra processing and storage.
KCDL Officer (outer island)	Copra Inspector	Learn about inspection standards and compliance monitoring.
	Copra Weigher	Understand weighing practices and related challenges in pricing.
Island Clerks	Abemama Clerk	Collect information on administrative processes and documentation on Abemama.
	Tabiteuea North Clerk	Collect information on administrative processes and documentation on Tabiteuea North.
	Nikunau Clerk	Collect information on administrative processes and documentation, Nikunau.
Shipping Agencies	Lu's Marine	Understand the copra shipping logistics and challenges in transport.
	Cargo Supervisor (KNSL)	Understand the copra shipping logistics and challenges in transport.
Copra Producers	Copra Cutter - Abemama	Gather first-hand experience of copra production at the community level.
	Copra Cutter - Tabiteuea North	Gather first-hand experience of copra production at the community level.
	Copra Cutter - Nikunau	Gather first-hand experience of copra production at the community level.
Cooperative societies	Members of Cooperative societies (Abemama)	Understand how community groups support and organize copra producers.
	Members of Cooperative societies (Tabiteuea North)	Understand how community groups support and organize copra producers.
	Members of Cooperative societies (Nikunau)	Understand how community groups support and organize copra producers.

Appendix 3: Audit Criteria and Audit Opinions

The table below identifies the audit opinion on the auditee's effectiveness and efficiency in managing copra. The column referring to the criteria is the basis of forming an audit opinion in which the KCDL's management of the copra is assessed.

Rating meaning:

- No- means not adhering to the criterion.
- Partially- means effort is recognized, but still did not fail to fully adhere to the criterion.
- Yes- means fully complying with the criterion.

Table B: Audit Opinion on the Copra Management

Criteria #	Criteria	Audit Opinion
1	Did the KCDL adhere to the established policy and guidelines for the Copra Price Scheme?	**No**, based on the findings stated in 1.1
1.1	Did the KCDL have the legislative acts/policies and a detailed documented process in place?	**No**, based on the findings stated in 4.1.1 and 4.1.2
2	Did the KCDL ensure effective and efficient weighing, storage, and transportation of copra from the outer island and South Tarawa?	**No**, based on the findings stated in 2.1, 2.2, 2.3, and 2.4
2.1	Did the KCDL efficiently manage the Copra weighing Process?	**No**, based on the findings stated in 4.2.2 and 4.2.3
2.2	Did KCDL have quality control over copra?	**Partially**, based on the findings stated in 4.2.1.
2.4	Did KCDL effectively and efficiently manage the storage of copra on South Tarawa and on Outer Island?	**No**, based on the findings stated in 4.3.1, 4.3.2, and 4.3.3
2.3	Did KCDL efficiently and effectively manage the transportation and handling process to minimize losses during this process?	**No**, based on the findings stated in 4.4.1, 4.4.2, 4.4.3, and 4.4.4
3	Did KDCL effectively monitor, report risks & complaints identified, and address them?	**No**, based on the findings stated in 3.1, 3.2, 3.3, and 3.4
3.1	Did KCDL has a data collection system in place?	**No**, based on the findings stated in 4.5.1
3.2	Did KCDL conduct regular audits and reports?	**No**, based on the findings stated in 4.5.1 and 4.5.3
3.3	Did KCDL ensure accountability and transparency?	**No**, based on the findings stated in 4.5.2 and 4.5.4
3.4	Did the KCDL effectively manage risk and have contingency planning?	**No**, based on the findings stated in 4.5.3