

Head 293 - Department of Rubber Development

1. Financial Statements

1.1 Opinion

Head 293 - The audit of the financial statements of the Department of Rubber Development for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Department of Rubber Development was issued to the Accounting Officer on 30 May 2024 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department was issued to the Accounting Officer on 08 July 2024 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements prepared give a true and fair view of the financial position of the Department of Rubber Development as at 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

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

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are consistent with those of the preceding year.
- (b) The recommendations made by me regarding the financial statements of the preceding year had been implemented.

2. Financial Review

2.1 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Out of the total allocation of Rs. 55,000,000 made for 02 recurrent expenditure objects in the year under review, a sum of Rs. 3,741,177 from the provision of overtime and holiday pay (1002) and a sum of Rs. 43,875,969 from the provision of grants and contributions (1505) equal to 53 per cent and 91 percent respectively had been saved from the net provision.	According to the National Budget Circular No. 02/2023 issued on 02.02.2023 regarding expenditure control and National Budget Circular No. 01/2023 issued on 27.01.2023 regarding curtailment of recurrent expenditure by 6%, this saving of provision has occurred due to actions were taken for expenditure control. Similarly, only the essential vehicles have been repaired and put into use without obtaining vehicles on rent or lease basis.	Actions should be taken to prepare the annual estimates as accurately as possible and to utilize the provisions in the relevant work.
(b) Out of the allocation of Rs. 5,000,000 made under the expenditure object No. 293-2-1-2106 for software development in the year under review, 50 per cent equal to Rs. 2,501,177 had not been utilized.	In the first two months of the year 2023, the related procurement activities were initiated through a Departmental Consultation Procurement Committee and out of the received bids, it was decided to get the related	Actions should be taken to utilize the allocations in the relevant works and to get the maximum use of the development tasks.

works done from the qualified private company for an amount of Rs.4,353,300/- (without VAT) .

As the appointment of Consultancy Service Provider had delayed till August 2023 as the respective entity had failed to develop and complete all outputs of the respective task, the related amount of Rs.2,498,823/- has been paid only for first and second outputs after development.

2.2 Non- compliance with Laws, Rules and Regulations

Reference to the Laws, Rules, Regulations etc.	Audit Observation Non-compliance	Comments of the Accounting Officer	Recommendation
Paragraph 02 (b) of Assets Management Circular No. 04/2022 dated 25 January 2022	Although the completion of the repair process of such vehicles should be done expeditiously as per circular instructions, due to defects in 02 vehicles owned by the Department, those had remained idle for more than 02 years without doing any repair.	Vehicles numbered KO-8627 and 32-7486 owned by the Department, have been sent to get recommendation of Mechanical Engineer.	Repairs of vehicles that can be done and put into running condition should be promptly completed and put to effective use.

3. Operational Review

3.1 Losses and Damages

Audit Observation	Comments of the Accounting Officer	Recommendation
The Department had taken actions to recover or write off losses and damages totalled to Rs.2,086,351 in relation to 07 cases that had elapsed between 04 and 09 years since the damage occurred by 31 December of the year under review.	Out of the 07 cases where these damages had occurred the investigations carried out in connection with 02 incidents which had not been investigated in the F.R. 103 and 104 are in the final stage and 03 cases have been sent for legal advices. It has to charge the offender in connection with one more incident and as the other incident is being heard in the court, the proceedings have been kept pending.	It should act efficiently and effectively in respect of losses and damages in terms of Financial Regulations.

3.2 Uneconomic Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though the Department had purchased a land of 75 perches valued at Rs.66,700,000 owned by the Urban Development Authority in 2009 by paying Rs.59,304,347 for the construction of administrative building of Department of Rubber Development, this land had not been handed over to the Department of Rubber Development even by the end of the year under review and although more than 14 years had elapsed, this land had not been used for any productive purpose.	Actions have been taken in the year 2019 to formally take possession of the land purchased from the Urban Development Authority and accordingly, the Urban Development Authority has directed the Divisional Secretary to hand over the land on 28 August 2020 and the surveys has been done in February 2024 accordingly and the plan has not been received so far. Although requests for necessary provision for construction has been made, it was not received from the Treasury.	These lands, for which payments were made 14 years ago, should be taken over without delay and necessary construction should be done and the assets should be utilized effectively.

3.3 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Even though a sum of Rs.126,306,217 should have been received from 3,544 cultivators at the end of the year under review, due to 32,563 cultivators in 15 Districts had abandoned cultivation with the cultivation subsidy given for rubber replanting and new cultivation, the Department had not taken steps to collect the money.	A committee consisting of three officers of the Rubber Development Department has been appointed to make recommendations on action to be taken in respect of recovery and decommissioning of these subsidies and actions will be taken to take further actions based on the committee report.	Actions should be taken to check the factors that led to the abandonment of rubber cultivation after obtaining subsidies and to minimize those deficiencies in re-subsidizing and to recover the payments receivable promptly.
(b) A census regarding rubber lands had not been done after the year 2010/2011 and although the number of rubber land was given as 138,526 hectares as per the Performance Report 2022 of the Rubber Development Department, the number of rubber land was stated as 98,583.56 hectares as per the information of the Rubber Development Department.	The number of rubber land in Sri Lanka was calculated up to the year 2022 based on the number of rubber lands in the census of rubber land conducted in 2010/2011 and as an estimated value by adding the new cultivated area and subtracting the land area stopped cultivation in that year. Preliminary works had been done to conduct a rubber land census in connection with the Department of Census and Statistics and it has not been implemented due to a problematic situation in allocating the necessary provisions.	The Rubber Development Department should maintain accurate information about the amounts of rubber cultivated lands.
(c) Although 835 kg and 52 kg of carbendazim and hexaconazole fungicides respectively have been provided to regional offices	All the land that can be treated at the request of the farmers has been treated so far and farmers awareness	Prompt actions should be taken to use purchased fungicides before their expiration

in 2023 for Pestalotiopsis leaf spot disease in rubber plantations, as the disease has spread in more than 60 per cent of the land area, the disease control programme had not achieved the expected results even by the end of the year under review. A number of 597 kg and 22.87 kg respectively of these fungicides had remained at Regional Offices even by 31 January 2024.

activities will be done regularly by constantly giving the necessary instructions to the Regional Offices for the control of this disease.

date to control the spread of Pestalotiopsis leaf spot diseases.

(d) Arrangements had not been made to take over 03 motor vehicles and 16 motorcycles used by this Department, which had been received from other Departments and Ministries for 08 to 12 years, to the Rubber Development Department by the end of the year under review.

As the 03 motor vehicles and 16 motorcycles provided by the then Ministry of Plantation Industries were registered in the name of the Secretary, Ministry of Plantation Industries, requests have been made from the Ministry to hand over those vehicles to the Department.

The activities of taking over the ownership of these vehicles and motorcycles received to the Department and used should be done without delay.

4. Human Resources Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Officers have not been assigned since 2021 for 05 posts of Assistant Director in Sri Lanka Administrative Service and 01 posts in Accountant Service under senior level vacancies.	The appointment of officers for 05 vacant Assistant Director posts and 01 Accountant post in the Sri Lanka Administrative Service should be done by the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government and although the relevant Ministry has been informed about the vacancies, the officers have not been assigned so far.	Recruitment activities should be expedited identifying the requirement of staff vacancies accurately.

- (b) There are vacancies in 9 Senior Rubber Development Officers and 61 Rubber Development Officers who directly contribute to the operational process of the Department and a trend of increasing vacancies of Rubber Development Officers was observed during the period from 2021 to the year under review.
- An examination was held in the year 2021 to recruit Rubber Development Officers and, the recruitment was to be done in the year 2022 based on the results. However, only 06 people have been approved for recruitment based on the results of the above examination on the restriction of government appointments from the year 2022. Accordingly, the number of Rubber Development Officer vacancies has increased as a result of the government not giving approval to recruit for these vacancies due to reasons such as retirement and resignation.
- Recruitment activities should be expedited identifying the requirement of staff vacancies accurately.