

Head 293 Department of Rubber Development

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Department of Rubber Development for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and statement of financial performance and cash flow statements 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. In terms of section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Department, was issued to the Accounting Officer on 03 August 2021. In terms of section 11(2) of the Audit Act, the Annual Detailed Management Audit Report relating to the Ministry was issued on 21 September 2021 to the Accounting Officer. This report is submitted to Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Rubber Development as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 Of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of the Chief Accounting Officer and the 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 annual and periodic financial statements to be prepared of the Department.

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 Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary 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 exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
Evaluate that underline them in an appropriate and fair manner.
- Evaluate the appropriateness and reasonableness of the structure and content of financial statements, including disclosures as well as the transactions and events which were based on.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 express 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 the preceding year,

- (b) The recommendations contained in my report on the financial statements for the previous year regarding the observations in paragraphs 1.6.2 (a) and 1.6.2 (b) of this report had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Financial Performance Statement

Audit Observation	Comments of the Accounting Officer	Recommendation
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According to the balance sheet, other receipts during the year were Rs. 346,625,662, but according to the financial performance statement, the receipts were Rs. 346,962,149 and a difference of Rs. 336,487 was observed.	According to the trial balance, the non-revenue receipt is Rs. 346,962,149. It is correct in terms of the performance statement.	The reasons for the change need to be found and corrected.

1.6.2 Failure to maintain documents and books

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) As per F.R. 891 (i), a security register containing the details of the officers and employees to be secured had not been prepared.	Kindly note that these documents and books will be maintained in a regular and up-to-date manner.	A security register should be maintained of the officers to be secured.

- (b) According to F.R. 110, no damage record was maintained. Kindly note that these documents and books will be maintained in a regular and up-to-date manner. A loss and damages register should be maintained in accordance with the provisions of F.R. 110 of the Form under it.

2. Financial Review

2.1 Expenditure management

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Out of the net allocation of Rs. 14,500,000 for the three recurrent expenditure items, an amount of Rs. 8,692,131 that was 85% to 28% of the net allocation had not been utilized during the year under review.</p>	<p>From March 2020, due to the corona epidemic, the office had to operate with various restrictions. Savings are incurred as a result of being able to keep the recurring costs of office work to a minimum.</p>	<p>Provisions should be utilized efficiently as provided.</p>
<p>(b) Out of the Rs. 15,000,000 allocated for Capital Expenditure No. 293-2-1-2507 (Research and Development), Rs. 5,589,294 had not been utilized during the year under review, which was 37% of the allocation.</p>	<p>It is kindly stated that despite the closure of the country due to the epidemic situation in the country and the travel restrictions, 62.7% financial progress has been made in the activities of the Annual Action Plan under expenditure 2507 at a cost of Rs.9,410,706.35.</p>	<p>From the beginning of the year, the action plan should be in line with the utilization of the provisions made for capital expenditure subjects.</p>

2.2 Non-compliance with Laws, Rules, Regulations

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>According to Section 6.2 of the Establishments Code of the Democratic Socialist Republic of Sri Lanka xix chapter, officers residing in the official quarters shall leave the official quarters upon retirement. However, two Rubber Development Officers residing in two official quarters in the Ratnapura and Kalutara districts had retired from June 2017 and 13 December 2015 respectively but had not left their quarters and returned by the year under review.</p>	<p>In the Ratnapura (Getahetta official quarters) and Kalutara (Matugama quarters) districts, it is a problem that the department does not own the lands of retired Rubber Development Officers who are still staying in the quarters after retirement. At present, the land where the Getahetta official residence is located has been handed over to the department by the Divisional Secretary. Therefore, the case has been referred to the Legal Officer of the Ministry for legal action.</p>	<p>All necessary arrangements should be made to take back the official quarters before the officers residing in the official quarters retire.</p>

3. Operating Review

3.1 Non- performance of Functions

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The Department of Rubber Development is required to maintain statistics on the total area under rubber cultivation on the island and although Rs. 5,000,000 had been allocated for this purpose during the year under review, this work had not been completed.</p>	<p>It is kindly stated that due to the Covid-19 epidemic that has occurred across the country on several occasions throughout the year, the relevant activity could not be carried out due to the restrictions imposed on travel and quarantine laws.</p>	<p>Accurate statistics should be maintained on the total area under rubber cultivation.</p>

3.2 Non-achievement of expected Output Level

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>(a) Although small rubber estate owners and plantation companies had expected to replant 512 and 820 hectares of rubber during the year under review, only 456 hectares and 499 hectares had been replanted. Accordingly, the unfulfilled amount was 10 percent and 40 percent of the planned amount respectively.</p>	<p>The target area for small rubber estates is 456.68 ha and for plantation companies 498.73 ha, which is 87% and 60% of the planned area respectively.</p>	<p>Rubber replanting targets should be met.</p>
<p>(b) Although the department had planned to cultivate 260 hectares of land in 15 districts under the subsidy for the year under review, only 190 hectares of land had been cultivated. Accordingly, the unfulfilled amount was 26 percent of the planned amount.</p>	<p>It is kindly pointed out that due to the adverse effects of the Corona epidemic spreading across the country by 2020, the target areas of replanting and new cultivation targets have not been able to reach the relevant percentages as planned.</p>	<p>New rubber planting plans should be completed.</p>

(c) The Smallholders Division had issued permits to 966 cultivators for 771 hectares of land for re-cultivation under the Rubber Replanting Subsidy Scheme but only 640 recipients of 456 hectares of land had been re-cultivated. Accordingly, 33 percent of the licenses issued had not been cultivated.	- above mentioned -	Planned goals should be achieved.
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3.3 Security of Public Officers

Audit Observation

No action had been taken to identify the number of officers belonging to the categories mentioned under F.R. 880 (i) and to give security.

Comments of the Accounting Officer

It is kindly informed that some of the officers who are required to give securities have been kept on security and other securities are proceeding from other officers.

Recommendation

In accordance with financial regulations, security should be arranged.

3.4 Losses and Damages

Audit Observation	Comments of the Accounting Officer	Recommendation
The total loss due to accidents involving 08 vehicles belonging to the department as at 31 December of the year under review was Rs. 2,466,640 and no action has been taken to recover these losses so far.	Legal action has not been taken against several vehicles belonging to our department due to losses incurred after the accident. It is informed that further action will be taken according to the investigations under F.R.	Action should be taken to recover damages for vehicles.

3.5 Uneconomic Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
In 2009, Rs. 59,304,347 was paid to the Urban Development Authority for the purchase of 75 perches of land worth Rs. 66,700,000 for the construction of a building for the Rubber Development Department. Also, an estimate of Rs. 249 million had been prepared in 2009 by paying Rs. 150,000 to the Building Department to construct and plan the building on that land. About 11 years have passed since the completion of this preliminary work, but the land acquisition and construction work of the land has not been done yet after paying the	The land purchased from the Urban Development Authority was formally acquired in the year 2019 and accordingly, the Urban Development Authority has directed the Divisional Secretary to hand over the land on 28.08.2020. The Divisional Secretary has referred the land to the Survey Department for inspection and survey. It is kindly stated that it is planned to commence the construction of the building after surveying and handing over the land.	Acquisition of land and construction of the building should be fulfilled immediately.

arrears. From February 2017 until the end of the year under review, the Department was operating in a rented private building.

3.6 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Out of 9398 cultivators who were given rubber cultivation subsidy in 9 districts under the rubber replanting and new cultivation subsidy scheme, 603 cultivators had to pay Rs. 21,702,451 due to abandonment of cultivation.	Although the Department does not currently have a mechanism for recovering subsidies paid to rubber growers, it is informed that the Department is focusing on recovering subsidies through the reactivation of the Rubber Replanting Advisory Board.	Action should be taken to recover the dues from the cultivators who have abandoned the cultivation of rubber subsidy without delay.
(b) Out of the 77 official quarters belonging to the department, 11 official quarters were in a state of disrepair and had been in a state of disrepair for 13 years. Also, 23 official quarters were maintained as offices without being given to the officers	It has been stated that these repairs have been delayed for a period of 06 months to 13 years due to the lack of adequate provisions for the repairs identified to be carried out in the relevant year and therefore have been out of use.	Should take action to repair the official quarters and make them available for the use of the officers.

4. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) As at 31 December 2020, the approved staff of the Department was 478 out of which 96 posts were vacant. Out of those vacancies, 5 posts of Director of the Sri Lanka Administrative Service and 02 posts of Accountants were vacant.	The five posts of Director of the Administrative Service have been approved by the Public Service Commission to serve on a full-time acting basis.	Vacancies should be filled considering the service requirements.
(b) It was observed that the vacancies of 10 Senior Rubber Development Officers and 50 Rubber Development Officers who directly contribute to the operational process of the Department may make it difficult to achieve the project objectives.	10 Senior Rubber Development Officer Vacancies and 50 Rubber Development Officer Vacancies have been submitted to the Public Service Commission and the Secretary to the Ministry for approval and it is expected to recruit officers for these vacancies in the year 2021	- above mentioned -