

Head 293 Department of Rubber Development

1. Financial Statements

1.1 Opinion

The audit of the financial statement of the Department of Rubber Development for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the 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. The summary report containing my comments and observations on the financial statements of the Rubber Development Department was issued to the Accounting Officer on 17 June 2022 in terms of section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 27 October 2022 in terms of section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Department of Rubber Development as at 31 December 2021, and its financial performance and cash flows 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, for the Financial Statements are further described in the Auditor's Responsibilities Section. 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 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:

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- 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 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 3.3 of this report had not been implemented.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

	Audit Observation	Comments of the Accounting Office	Recommendation
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(a)	Out of the allocation of Rs. 23,100,000 made for 02 recurrent expenditure subjects in the reviewed year, a total of Rs. 13,320,000 had not been utilized. By the end of the year, the saving of those budget subjects was in a significant range from 20 percent to 100 percent of the net allocation.	A saving due to offering to pay the vehicle rental bill in December 2020 at the end of the same year and controlling expenditure under the Public Expenditure Review in 2021.	Provided provisions should be fully utilized.
(b)	In the reviewed year, out of the total allocation of Rs.15,000,000 for 04 capital expenditure subjects, a total of Rs.7,263,677 had not been utilized. By the end of the year, the saving of those budget subjects was in a significant range from 30 percent to 100 percent of the net allocation.	Due to import restriction by the government, difficulty in procuring spare parts required for maintenance and repair of office machines and machinery, inability to carry out some essential repairs and corona epidemic situation led to the saving of this provision.	Provided provisions should be fully utilized.

2.2 Entering into liabilities and obligations

2.3	Audit Observation	Comments of the Accounting Officer	Recommendation
	<p>According to Financial Regulation 94(1) the amount of liabilities and expenditure should never exceed the allocation money for the year, although the balance of allocation under the expenditure subject for development assistance in the year ending 31 December 2021 is Rs.3,192,086, the value of the liability is Rs.45,622,099 Due to this, the value of liabilities exceeding the balance was Rs.42,430,013.</p>	<p>There are no obligations and liabilities beyond the limit of provisions mentioned in FR. 94(2). However, instructions have been given to the relevant officials not to exceed the remaining limit of liabilities.</p>	<p>Arrangements should be made not to incur obligations and liabilities beyond the provision limit.</p>

Non-compliance with Laws, Rules and Regulations

Observation		Comments of the Accounting Officer	Recommendation	
With reference to Laws, Rules and Regulations	Amount Rs.	Non-compliance		
Paragraph 7.6 of Public Accounts Guidelines Circular No. 2021 /03 dated 26 November 2021	3,519,253	Receipts and payments through cross entries should be included in the cash flow statement in the Government Officers' Advance Account, the receipts amount of Rs. 3,519,253 and the payment amount of Rs. 3,519,253 had not been included.	As per the circular, it is stated that a recording of non-cash advances (through bills of exchange) should be made as receipts and payments, mention that the recording will be included in the future.	Action should be taken as per circular instructions.

3. Operational Review

3.1 Failure to perform duties

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Rs. 2,000,000 had been estimated for the purpose of developing a rubber information management system software for the Rubber Development Department and it had not been possible to complete that task.</p>	<p>Under the project implemented under the consultancy of Sri Lanka Information and Communication Technology Agency (ICTA) with the aim of developing a rubber information management system software for the Rubber Development Department, the organization that was awarded the procurement to fulfill the relevant role withdrew from the project. There was no ability to do or pay money during that year.</p>	<p>Planned tasks should be carried out.</p>

3.2 Projects without progress despite the release of money

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The Department had given Rs. 15,210,090 to the government factory to purchase 42 multipurpose shredding machines for the preparation of compost by 31 December 2021, but in May 2022, 08 machines and 06 machines in August 14 machines had been received. Accordingly, by September 2022, 09 months had been passed since the payment, but the remaining 28 machines had not been received. Due to this delay, the compost project had not been completed as scheduled.</p>	<p>The government factory has stated that due to the delay in the import of the relevant machines, the supply will be delayed.</p>	<p>The planned activities should be performed properly.</p>

3.3 Losses and Damages

Audit Observation	Comments of the Accounting Officer	Recommendation
As at 31 December of the year under review, no action had been taken to recover or amortize the losses and damages amounting to Rs. 3,159,640 in respect of 09 cases in which a period of time between 03 to 07 years had been passed.	In relation to 09 cases between from 03 to 07 years, losses and damages amounting to Rs. 3,159,640 had not been completed and the legal proceedings for several vehicles had not been completed.	Arrangements should be made to recover the losses for the vehicles.

3.4 Uneconomic Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
Rs. 59,304,347 was paid to the Urban Development Authority to buy 75 perches of land worth Rs.66,700,000 in the year 2009 to construct a building for the Rubber Development Department. Also, to construct the building on that land and prepare the design, Rs.150,000 had been paid to the building department in the year 2009 and an estimate of Rs.249 million had been prepared. About 11 years had been passed since the completion of these preliminary works, but the land acquisition work and the construction work of the land had not been done until the end of February 2017 and the department was running in a rented private building.	The land purchased from the Urban Development Authority was formally taken over in 2019, and accordingly on 28 August 2020, the Urban Development Authority directed the Divisional Secretary to hand over the land, and the Divisional Secretary has been directed the Survey Department to inspect and measure the land. Kindly mention that it is planned to start construction of the building after surveying and handing over the land.	Land acquisition and building construction should be done without delay.

3.5 Management Weaknesses

 The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) The department was running 04 plantations nurseries of 152 acres of land in Ratnapura, Kegalle and Monaragala districts belonging to the People's Estate Development Board and the Land Reforms Commission and till the date of audit, these lands had not been acquired to the department.	The Rubber Development Department has made requests to the relevant agencies to take over these lands.	Land acquisition should be expedited.
(b) Out of 31,143 growers who received rubber cultivation subsidies in 10 districts under the rubber replanting and new planting subsidy system, 3,135 growers had to collect Rs. 116,551,556 from the subsidy amount given because growers abandoned rubber cultivation.	For those lands which are reported to have failed before reaching the milk cut-off level after receiving subsidies, the subsidy money paid to them should be recovered from the said land owners. Farmers will be informed in this regard. The Rubber Advisory Board is empowered to take legal action against defaulters. This advisory board has been inactive since 2009. A request has been sent to the Ministry of Plantation Industries to establish this Rubber Advisory Board. So far the Rubber Advisory Board has not been formed.	Actions should be made to recover the amount due from the farmers who have given up the rubber plantation subsidy..
(c) Out of the 315 acres of land owned to the department, 224 acres of land was used for 08 plantations nurseries and 19 acres of land was used for model rubber cultivation. Thus, 72 acres of land had not been used for nursery or model rubber plantations.	Based on the annual finished plant target given in the action plan, only the required land area had been utilized for the production of the finished plant target given to the 08 government rubber plants nurseries annually. Also, because of	The 72 unutilized acres should be utilized for productive purposes.

the huge cost of using machinery and labour to clear the remaining unused land, there was a severe shortage of workers, and due to the Covid situation, the workers in the nursery were also less available, so that land was used only for the production of plants.

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| (d) | 03 lorries and one cab belonging to the department remained inoperable for a period of 04 to 09 years and although the survey board had decided to dispose of these vehicles, no action had been taken to dispose of these vehicles. | Due to the covid epidemic situation in the country since the year 2020, it was difficult to carry out the disposal activities | Vehicle repairs should be done without delay. |
| (e) | Cab No. 53-9302 was involved in an accident in December 2018 and the car inspection report stated in January 2019 that the repair had not effective, but in January 2021, a repair of Rs.729,100 had been given to a garage and the repair work has not been completed yet. | Due to the covid epidemic, the repair of the vehicle had been delayed and the garage had been informed to carry out the repair within 06 months. | The recommendation of Motor Vehicle Inspector should be implemented. |
| (f) | 03 vehicles received to the department from other ministries and one vehicle received from the Bank of Ceylon under the financial lease system had not been taken over in the name of the institution. | It is inform that the actions will be done to acquire. | The vehicles received to the department should be done actions to acquire promptly. |

4. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) As on 31 December 2021, the approved cadre of the department was 484, of which 102 posts were vacant. Out of those vacancies, under 14 senior level vacancies, 02 director positions of Sri Lanka Administrative Service, 04 assistant director positions and 03 positions of accountant service had not been assigned from the year 2020.	Recruitment and filling of vacancies for senior level positions in the department is done by the Secretary of the Ministry of Public Services, Provincial Councils and Local Government, the Ministry of Public Services, Provincial Councils and Local Government had been informed about these vacancies.	These vacancies must be filled.
(b) In the year 2019, a written examination was conducted to recruit 19 rubber development officers and when the appointments had made in June 2021, 13 applicants had not accepted the appointment. In August 2021, the Ministry of Plantations again approved the recruitment of 55 rubber development officers and the department had published a newspaper advertisement for the recruitment in September 2021. Although 281 applicants appeared for the written examination in December, no one had been recruited so far.	The National Plantation Management Institute had conducted the examination for the recruitment of rubber development officers, but the results had not been released by the institute, and after the results are released, the recruitment activities are underway.	These vacancies must be filled.