

Sri Lanka Rubber Research Board - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Rubber Research Board for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of Financial Performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the Rubber Research Ordinance No. 10 of 1930, National Audit Act No. 19 of 2018, and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards .

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in Paragraph 1.5 of this report.

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

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

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

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

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board 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 Board.

1.4 Audit Scope (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 report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Board and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board,
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the Relevant Standard	Comments of the Management	Recommendation
(a) Due to the following observations, the cash flow statement had not complied with Sri Lanka Public Sector Accounting Standard 02 .		
(i) Adjustment of the interest of Rs.6,421,170 received on investments during the year under review as Rs.5,320,211 by understating Rs.1,100,959 under investment activities in the statement of cash flows.	As the relevant amount of Rs.222,977 had been brought to accounts for provisions for interest receivable and bad debts of previous year within the interest income received in the year 2023, actions have been taken to be deducted from the relevant balances and shown in the cash flow statement.	Total interest received during the year should be adjusted in the cash flow statement.

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| (ii) When adjusting working capital, the difference in other current assets has been adjusted by understating Rs.619,963 in the cash flow statement. | -do- | Working capital changes should be accurately adjusted while preparing the cash flow statement. |
| (iii) Failure of adjusting a sum of Rs.3,788,101 received from the sale of 03 vehicles in the year under review as receipts in the cash flow statement. | Steps will be taken to disclose cash inflows and outflows in the cash flow statement when accounting for these transactions in future. | The amount received from the sale of vehicles should be adjusted in the cash flow statement , as a cash inflow. |
| (iv) As a sum of Rs. 74,307,668 paid by the Board for the purchase of non-current assets in the year 2023 had been adjusted as Rs.95,266,009 under investment activities in the cash flow statement, the amount received from investment activities had been undervalued by Rs. 20,958,341 . | Since the actions have been taken to account for the value of new assets as per the register of property, plant and equipment as newly added assets during the year, the value has been taken to the cash flow statement. | The money used to purchase of assets should be accurately adjusted in the cash flow statement. |
| (b) Although the value of closing stock should be shown in the financial statements at the lower of cost or net realizable value in accordance with Paragraph 15 of Sri Lanka Public Sector Accounting Standards 09 and in accordance with the accounting policies of the Board, the stock of rubber to be sold had been stated in the financial statements at a market value of Rs 10,989,087, without such calculation. | Since the expenses incurred for the production of the rubber stocks of the Board has not been calculated separately, the value of the rubber stock has been shown at market value and it will be corrected and presented in the year 2024 . | The value of closing stock should be shown at the lower value of cost or net realizable value in the financial statements according to the Accounting Standards. |

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| (c) | In calculating the gratuity value of the employees of the Board, the actuarial valuation method had not been used in accordance with Sri Lanka Public Sector Accounting Standards 19 . | Since a recognized actuarial valuer should be selected to use the actuarial valuation method here, a huge cost for that had to be incurred. Therefore, it will study about this and actions will be taken to calculate the gratuity values in accordance with the Standard from the year 2024 . | According to the standard, the actuarial valuation method should be used in calculating the employee gratuity value. |
| (d) | Bearer and consumable biological assets amounting to Rs. 24,985,636 had been accounted for as property, plant and equipment without separately identifying in the financial statements as per the Sri Lanka Public Sector Accounting Standards 18. | Steps will be taken in the year 2024 to show the value of bearer and consumable biological assets separately in the accounting statements. | Actions should be taken to indicate biological assets separately in the financial statements as per the Standard . |
| (e) | As the actions had been taken to apply a sum of Rs.11,000,000 from the income of Dartonfield and Kuruvita Estates owned by the Board for the expenses of the Board considering as income of the Rubber Research Institute, this value had been accounted for twice as income and expenditure in the financial statements of the Board. | Approval of the Board of Directors have been obtained by the budget of the year 2023 for obtaining Rs.11 million from the revenue generated from Estate Divisions as an income of the Rubber Research Institute. | Income and expenditure should be accurately stated in the financial statements. |
| (f) | It had not been disclosed in respect of the case filed in the Colombo Court of Appeal against the Board by two persons for claiming five acres of land owned by the Rubber Research Board in the financial statements. | The case was filed by the Estates Division and its information had not been reported to the Administrative Division. Actions will be taken to reveal in the future. | It should be disclosed in respect of cases filed by and against the Board in the financial statements. |

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) As the "Dumbbell Die Equipment" which was purchased for Rs.1,020,600 in the year 2021 to the Tyre Centre of the Board had been adjusted to the statement of financial performance as consumables, the fixed assets had been understated by that amount.	Fixed assets were not accounted for due to incorrect entry of account code numbers while issuing GRN from warehouse. Therefore corrections will be made in the year 2024 .	Purchases should be properly classified and accounted for.
(b) Even though 03 capital works valued at Rs.2,617,462 had been completed in the year 2023, the value of this improvement had been accounted for as work-in-progress in the year 2023 as well because an Engineering Certificate had not been issued for that.	As the Resident Engineer had not reported that the works of these contracts had been completed in the year 2023 it has been disclosed in the financial statements of the year 2023 as work -in – progress.	Those costs should be capitalized upon completion of the construction work immediately based on the Engineer's Certificate.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
Due to the release of research reports prior to receipt of cash, a debtor balance of Rs 1,017,114 was shown as at 31 December 2023 and the balance of the debtors over 5 years was Rs. 33,398 and the debtor balance between years 1 and 2 was Rs.206,800 .	A sum of Rs.12,822 have been recovered from debtor balances of more than 5 years and the balance is Rs. 20,575. Steps will be taken to discuss in the next audit and management committees of the organization in order to settle those balances.	Steps should be taken without delay to recover the amounts receivable.

1.7 Non-compliance with laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka			
(i) Chapter VII	Two Research Officers had been appointed to perform the duties of Head of Departments and were paid a special allowance of 1/9th with the approval of the Board of Directors.	It will be reported regarding this back to the Board of Directors and steps will be taken to correct it.	Only approved allowances should be paid as per formal instructions.
(ii) Chapter XII	Although there is no entitlement to sick leave in addition to vacation and casual leave except for in special cases, in addition to vacation and casual leave for the employees of the Rubber Research Institute, a medical leave entitlement has also been granted and instead of 45 days leave of 21 casual leave and 24 vacation leave in a year for a government officer, 58 days of leave were granted to officers of executive grades and 53 days of leave to officers of other grades for a year as per the	Since the organization has not received approval for the Procedural Rules Manual currently being used, this information will be reported to the Board of Directors in accordance with the instructions given accordingly and steps will be taken in the future to take actions with leave in accordance with the guidelines of the Establishments Code.	Leave should be approved in accordance with the Establishments Code.

unapproved Manual for Procedural Rules of the Rubber Research Institute.

- (iii) Paragraph 4.7 of Chapter XV The sum of Rs. 4,256,552 to be received to the Board for a period of 01 to 33 years from 05 officers who violated the bond conditions after taking paid leave for academic activities had not been recovered up to 31 July 2024. Actions should be taken to recover an amount of Rs.729,047 from the officers who violated the conditions and two have arranged to pay the amount payable in instalments. Since there is a problematic situation of balance of two officers, actions will be taken to take future steps to report the matter to the Institutional Audit Management Committee and take further actions. The relevant money should be recovered from the officers who breached the bond conditions or their guarantors.
- (b) Financial Regulations 571 (3) of the Democratic Socialist Republic of Sri Lanka. Actions had not been taken to be refunded or credited a sum of Rs.3,086,087 retained from contracts from 2018 to 2022 and Rs.1,227,700 deposits received for tenders on repayment terms to the revenue in terms of the Financial Regulation. The amounts which were confirmed that cannot be refundable within the deposits to be refunded pertaining to previous years have been adjusted and appropriate adjustments will be made once the remaining balances are verified. Actions should be taken in respect of retentions and tender deposits as per Financial Regulations.
- (c) F.R. 371(5) as amended by Public Finance Circular No. 01/2020 dated 28 August 2020 Although the sub - imprests should be settled within 10 days after the completion of the tasks given to it, the Board had delayed the Actions will be taken to correct late settlement of most of the advances in the future. Actions should be taken to settle advances in accordance with relevant Financial Regulation and

settlement of 39 ad hoc sub-impressts given in the year 2023 totalled to Rs. 544,200 for a period of between 14 and 68 days.

circular instructions.

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| <p>(d) Guideline on Corporate Governance issued in accordance with Treasury Secretary's Public Enterprises Circular No. 01/2021 dated 16 November 2021</p> | <p>The organization's objectives, strategies, activities, monthly targets and responsible officers had not been included in the Action Plan prepared for the year 2023 and a Human Resource Development Plan had also not been prepared.</p> | <p>The Sri Lanka Rubber Research Institute prepares the Action Plan every year based on the format provided by the Ministry and actions have been taken in accordance with it. Actions will be taken to prepare and implement a formal Human Resource Development Plan in the future.</p> | <p>The Action Plan should be prepared by including the information in the relevant circular and a Human Resource Plan should also be prepared.</p> |
| <p>(e) Public Enterprises Circular No. PED 01/2021 (iii) dated 27 September 2023</p> | <p>Although all public enterprises should prepare administrative and financial manuals as applicable to that institution and obtain the approval of the Director General of the Department of Public Enterprises, and also the Manual of Procedural Rules of the Rubber Research Board had not been approved, actions had been taken as per the said Manual.</p> | <p>Since the institution has not received approval for the Manual of Procedural Rules currently being used, the information will be reported to the Board of Directors and accordingly, action will be taken in the future to act in accordance with the terms of the Establishments Code as per the instructions given.</p> | <p>The approval should be obtained for Manual of Procedural Rules as per the circular.</p> |

- (f) Public Administration Circular No. 09/2009 (1) dated 17 June 2009
- Although all government employees, including heads of institutions, should confirm their arrivals and departures from their workplaces through finger scanner recording machines, arrivals and departures of 51 officers of Rubber Research Board had not been recorded by finger scanner machines.
- As finger scanner of certain officers of the institution are rejected by the machine, there is a method for those officers to sign a separate document at present. Nevertheless, a formal system will be prepared in consultation with the institution that provided the finger scanner recording machine.
- Arrivals and departures of all the staff should be recorded on the finger scanner machine.
- (g) Public Administration Circular No. 30/2016 dated 29 December 2016
- (i) Paragraph 3.1
- Although a re-fuel check should be done after a period of 12 months after each fuel check or after a mileage of 25,000 km or after a major overhaul of the engine, whichever occurs first, actions had not been taken accordingly, in respect of 08 vehicles in the Board.
- The Resident Engineer has been instructed to carry out the fuel combustion tests relating to the vehicles used in the Board in accordance with the instructions mentioned therein.
- Fuel combustion tests on vehicles should be done in terms of the Circular.
- (ii) Paragraph 3.3
- Due to the failure to maintain records in the format of the circular in respect of 39 vehicles that were fuel tested by the Board, it was impossible to check in audit whether there have been any changes
- The Resident Engineer has been instructed to maintain the relevant information so as to be able to check whether there has been any change in the amount of fuel used since the date of fuel test was
- Actions should be taken in terms of the Circular.

in the amount of fuel done and the amount used since the date of of fuel used in the last the fuel test and the month. amount of fuel used in the last month.

- (h) Section 2 of Public Administration Circular No. 02/2018 dated 24 January 2018
- Although the Annual Action Plan should assign specific responsibilities to each officer of the staff to achieve the desired outcome, actions had not been taken to provide formal Duty List for officers of Rubber Research Institute.
- Most of the assignments have been given to departmental units and actions will be taken immediately to provide assignments to Divisions for which the assignments were not provided and to correct the internal control system in the organization.
- Separate Duty Lists should be given to each officer of the staff.

1.8 Cash Management

Audit Observation

The fixed deposit of Rs.3,000,000 kept at Bank of Ceylon Agalawatta Branch had been maintained in the name of Estate Superintendent without using the name of the institution.

Comments of the Management

Actions will be taken to change the name of Dartonfield Estate Fixed Deposit Account to Director Sri Lanka Rubber Research Institute in the reinvesting the deposit.

Recommendation

Fixed deposits should be maintained in the name of the institution.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a deficit of Rs 70,609,994 and the surplus as against to that in the preceding year was Rs 6,367,158. Accordingly, a deterioration of Rs. 76,977,152 was observed in the financial result. The increase in other expenses by Rs 15,122,498 and depreciation and amortization expenses by Rs 43,880,177 had mainly attributed to this deterioration.

2.2 Trend Analysis of Major Revenue and Expenditure Items

Item	Year Under Review	Preceding Year	Difference compared to Preceding year	Percentage of Difference
	Rs.	Rs..	Rs.	Per cent
Government Grants	512,367,455	394,650,000	117,717,455	30
Other Income	47,534,038	21,242,083	26,291,955	124
Deferred Income	-	174,271,891	(174,271,891)	100
Estate Income	117,584,111	133,143,628	(15,559,517)	12
Salaries, Wages and Employee Benefits	354,446,535	394,187,004	39,740,469	10
Supply and Consumption Costs	41,862,017	29,029,011	(12,833,006)	44
Depreciation and amortization expenses	163,536,107	119,655,930	(43,880,177)	37
Other Expenses	131,018,063	115,895,565	(15,122,498)	13

2.3 Ratio Analysis

Current Assets Ratio and Quick Assets Ratio were 5:1 and 4:1 respectively in the year under review and the figures were 5:1 and 5:1 respectively in the preceding year.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) A Main Research Register containing detailed information on researches conducting by the Rubber Research Board had not been maintained by the Board.	Detailed information of all research results, research papers, evaluations, patents etc. conducted by the Rubber Research Institute have been summarized in the Annual Review and as it is an annual publication of the Rubber Research Institute, it has also been used as a research review of the Rubber Research Board.	A register containing the main research carried out by the Rubber Research Board should be maintained.

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| (b) | As the Board had not maintained a formal register regarding the complaints submitted by the individuals and organizations related to the Rubber Industry, actions taken on complaints could not be ascertained during the audit. | The complaints were being maintained separately by the respective Divisions up to now, and a brief report file on this will be maintained under the respective Deputy Directors. | A register regarding complaints should be maintained. |
| (c) | A Register of Fixed Assets had not been prepared for the fixed assets of Rs.5,285,109,496 held by the Board as at 31 December 2023 . | Register of Fixed Assets of the Board is currently being prepared and actions will be taken to be submitted for audit immediately after completion. | A Register of Fixed Assets should be maintained in an updated manner. |
| (d) | As the activities of Finite Element Analysis and Simulation Centre (FEAS CENTER), which had been started at a cost of Rs.49.7 million to plan and evaluate the performance of rubber products as a business model through public private partnership had been entirely stopped from October 2023, the related building and all the computers and software, machines, furniture and office equipment cost at Rs. 38,918,694 had remained in idle. Accordingly, it had been impossible to achieve the development of skills required to use FEAS for design and simulation of rubber products to add value to natural and synthetic rubber in Sri Lanka to compete effectively in the target market and to become | The entire operation of this Finite Element Analysis and Simulation Centre has been handed over to the Plastics and Rubber Institute through a Memorandum of Understanding entered into between the Rubber Research Board and that Institute on 23.08.2018. The Plastics and Rubber Institute operated the rubber works from then until October 2023, and its work has been stopped due to a problem in the software in October 2023 and after informing the software suppliers about it, it has been restored from January 2024. Nevertheless, it has been informed that Plastics and Rubber Institute will leave the administration of this Centre from 10.08.2024. A Committee consisting of members of the Ministry of Plantation Industry Rubber Research Board, officers of the Plastic Rubber Institute and representatives of Sri Lanka | The functions of the institution should be properly planned and implemented with proper study as per agreements entered into between public and private partners. |

a centre of excellence in FEAS service delivery to the region which were the objectives establishment of the Centre.

rubber and rubber goods manufacturers and exporters who submitted this proposal have met to discuss this matter. Accordingly, it has been planned to implement this project with another professional organization by issuing invitations for expression of interest as a joint proposal for reactivation of this Centre. The plan will be discussed with the Ministry and implemented with the approval of the Rubber Research Board.

(e) Although the company has a Mahendra type cab suitable for transporting latex, instead of using that vehicle, a vehicle on rent had been used for the related work from the year 2021 and, the Board had incurred an expenditure of Rs 1,825,520 for that vehicle in the year 2023. Similarly, the cab owned by the Board had not been driven in the year 2023 and the vehicle was not being used for the entire year without being sent for repairs. The transportation of latex is being done by this same rental vehicle in the year 2024 .

As the Technical Evaluation Committee had reported that the maintenance cost of cab No. LC-6743 was high, it was cost effective to use a vehicle obtained on hire basis, therefore, latex was transported till 31 December 2023. Nevertheless, a cost analysis report has been called from the transport officer based on the facts indicated in the audit inquiry. The latex transportation contract has been extended by 2 months until the report is received. Steps will be taken to use the company vehicle or to use a vehicle on rental basis based on the facts of the report .

The vehicles of the Institution should be used effectively for the tasks of the Rubber Research Board.

(f) The estates of Monaragala Kumarawatta and Alawwa Narampolawatta had not been taken over to the Rubber Research Board even by 03 July 2024 .

Necessary arrangements will be made to take over the estates of Monaragala Kumarawatta and Alawwa Narampolawatta.

Acquiring activities of lands should be expedited.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Even though the Rubber Research Institute had used Rs.10,000,000, Rs.8,000,000 and Rs.13,740,000 in the years 2021, 2022 and 2023 respectively, to carry out epidemiological studies and biological studies of pathogens related to Pestalotiopsis Leaf Spot Disease which had arisen in the period 2019-2020 and to improve efficient disease management methods, leaf fall disease had spread to 11,482.59 hectares by the end of 2023 .</p>	<p>Actions have been taken to use all the funds received for the relevant projects.</p>	<p>Steps should be taken without delay to control the spread of disease by effectively using the money received for control of Pestalotiopsis Leaf Spot Disease.</p>
<p>(b) Due to the failure of successfully completion of the pilot project to introduce biofuel wood species for small rubber landowners, which was to be completed in the year 2022 as contracted with the Food and Agriculture Organization of the United Nations in 2017, out of the amount of Rs. 10,457,200 received for that purpose, a sum of Rs 4,283,644 equivalent 40 per cent had saved even by 31 December 2023 .</p>	<p>As there is currently an investigation at the Ministerial Level regarding the balance to be paid of this Project, further action will be taken based on the recommendations given after the proceedings.</p>	<p>Steps should be taken to achieve the contractual tasks within the relevant period.</p>
<p>(c) Even though it had been planned to identify 100 species of microorganisms (Cultures) to maintain the</p>	<p>Although only 30 important microbial species have been identified for small-scale cottage industries, about 150</p>	<p>Actions should be taken to achieve planned goals.</p>

national collection for encouraging small scale cottage industries under the Plant Pathology and Microbiology Division as per the Action Plan, out of the Rs.520,000 allocated for only 30 cultures, a sum of Rs.420,000 equivalent to 80 per cent, had been spent.

plants have to be studied to select 30 .

- (d) Even though it had been planned as per the Action Plan, to establish 02 model clearings, 02 rain protection demonstration plots and 02 intercropping demonstration plots for the plantation sector by the Advisory Services Division of the Board, those works had not been done in the year 2023 .

Establishment of Model Clearings –

This has been introduced in 2023 as a new business to increase the productivity of the Estate Division. The estate companies who expressed their interest in this project were reluctant to implement the related activities, so the progress was also declined. It will be discussed again with the top management of estate companies to implement this Project again in the year 2024 .

Actions should be taken to achieve planned goals within specific time period.

Establishment of Rain Shelter Demonstration Plots-

With the increase in the price of raw materials required for the installation of rain shelters last year, the reluctance of plantation companies to install new rain shelters has caused to slow progress.

Establishment of Intercropping Demonstration Plots

The decrease in the extent of new cultivated lands in the plantation sector has caused to fall this progress .

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
<p>Since the Gas Chromatography-Mass Spectrometry (GC-MS) equipment of Rs. 20,034,200 and the ICP-OES equipment of Rs. 15,950,000 which were installed in the year 2020 belonging to the tire centre were used for testing samples only on a few occasions in the past years and due to the leaving of the research personnel operating the equipment from the institution, the equipment had remained underutilized. Accordingly, it was impossible to achieve the expected objectives by purchasing these 02 equipment and the amount of Rs. 35,984,200 used for the purchase had not been used sufficiently.</p>	<p>The purpose of purchasing these two equipment is to check the composition of rubber and rubber products (heavy metal ions and polyaromatic compounds, etc.) and to provide research and services required in the production of high quality rubber products for the domestic and international markets. In providing these services, avoiding the high cost and delay incurred by Sri Lankan industrialists in sending these services to foreign countries by charging the minimum fees for that is also a purpose of buying this equipment. Therefore, the purpose of the purchase is not to generate income but providing research services . However, due to the unexpected global and domestic instability in 2021 and 2022 and the leaving of the research officers operate this instrument, it is agreed that these machines remain underutilized and steps will be taken to get rid of that situation and develop that utility based on the existing provisions of the institution.</p>	<p>Purchased equipment should be used with maximum efficiency as planned.</p>

3.4 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) The post of Deputy Director (Administration) of the Sri Lanka Rubber Research Board has been vacant for more than 04 years and 26 persons had been recruited for the posts of Junior Assistant Field Officer and General Worker, which are not in the approved staff.</p>	<p>The post of Deputy Director (Administration) will be filled up as soon as the approval of the Department of Management Services is received.</p> <p>Check roll employees are recruited on the basis of the service requirement of the Estates Division, and arrangements have not been made to obtain the approval of the Department of Management Services for the same. Similarly, the money earned has been used to pay the salaries of such employees. However, arrangements have been made to obtain the services of the employees obtained by the Estates Division for the needs of the institution.</p>	<p>Recruitments should be done only on formal approvals.</p>
<p>(b) Out of the 12 Divisions that directly work for research in the Rubber Research Institute, the head positions of 05 Divisions had been vacant for a period of 04 months to 33 years and officers had been appointed on acting basis for that purpose.</p>	<p>A Memorandum to the Board of Directors regarding these recruitments has been forwarded to the second Board Meeting held on 28.02.2024. Officers have been appointed on acting basis to carry out the day-to-day operations until formal approval is received for this.</p>	<p>Recruitments should be expedited for essential posts in the Board.</p>
<p>(c) Daily wage workers had been recruited for the main duties of the organization without obtaining the</p>	<p>The check roll employees are recruited in the Estates Division on the basis of service requirement and all</p>	<p>Recruitments should be done only on formal approvals.</p>

approval of the Management Services Department and 32 employees were working in the Board from 02 months to 22 years.

their work is carried out by the Estates Department, and employees from the Estates Division are taken into the institution only in case of necessity.

- (d) A newspaper advertisement had been published only with the approval of the Board of Directors without obtaining the approval of the Department of Management Services or the Secretary of Line Ministries for the recruitment of a Project Officer, a post which is not in the approved staff for the Kuruwita Sub-centre and an expenditure of Rs. 47,092 had been incurred for that.

It had been decided in the Estate Management Committee to maintain the Kuruwita sub-station under formal estate management strategies in order to increase rubber production from 70,000 to 100,000 metric tons under National Natural Rubber Productivity Enhancement Programme. Although applications have been called to recruit for this in the years 2017 and 2018 after the retirement of Kuruwita Estate Manager who served under this, eligible officers had not applied. Similarly, as the approval has not been received at present to hire an Estate Manager, arrangements were made to hire a Project Officer on a temporary basis based on the approval of the Board of Directors.

Recruitments should be done only upon approval of the Department of Management Services.