

Head 293 – Rubber Development Department - 2024

1. Financial Statements

1.1 Opinion

Head 293-The audit of the financial statements of the Rubber Development Department for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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. In accordance with Section 11(1) of the National Audit Act, No. 19 of 2018, the Summery report containing my comments and observations on the financial statements of the Rubber Development Department was issued to the Accounting Officer on 09 May 2025. The Annual Detailed Management Audit Report related to the Department will be issued to the Accounting Officer on 05 June 2025 in terms of Section 11(2) of the National Audit Act, No. 19 of 2018 in due course. 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 Rubber Development Department as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is 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 Emphasis of Matter- Basis of preparation of financial statements

The attention is drawn to Note 1 to the financial statements, which describes the basis of preparation of these financial statements. The financial statements have been prepared for the need of the Rubber Development Department, the Treasury and the Parliament in accordance with Government Financial Regulations 150 and 151 and Government Accounts Guideline No. 06/2024 dated 16 December 2024, as amended on 21 February 2025. Accordingly, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Rubber Development Department, the Treasury and the Parliament of Sri Lanka. My opinion in this regard is not modified.

1.4 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 Government Financial Regulations 150 and 151 and Government Accounts Guideline No.06/2024 dated 16 December 2024 as amended on 21 February 2025 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 at 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.

1.5 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 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 judgment and maintain professional scepticism 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.

2. 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 made by me on the financial statements of the preceding year had not been implemented

Paragraph reference from the report for the preceding year	Recommendation implemented	not	Paragraph reference in this report
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3.1	Losses and damages should be dealt with efficiently and effectively in accordance with financial regulations.		4.1
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3. Financial Review

3.1 Expenditure Management

Audit Issue	Comments of the Accounting Officer	Recommendation
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Out of the total provision of Rs. 18,500,000 allocated for five recurrent expenditure items during the year under review, a total of Rs. 6,311,556 had not been utilized. Accordingly, by the end of the year, the remaining balance of those expenditure items ranged from 17 percent to 98 percent of the net provision.	According to Section 06 of the National Budget Circular No. 01/2024, the savings of provisions had occurred due to reasons such as expenditure restrictions and the inability to participate in foreign study tours and international conferences.	Annual estimates should be prepared as accurately as possible, and the provisions should be utilized for the relevant activities.
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4. Operational Review

4.1 Losses and Damages

Audit Issue	Comments of the Accounting Officer	Recommendation
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As at December 31 of the year under review, no action had been taken either to recover or to write off losses and damages amounting to Rs. 2,049,606 relating to 5 incidents that had occurred over a period ranging from 5 to 8 years.	The loss related to the vehicle bearing number 56-8223 has been referred to the Attorney General for recovery. With regard to the losses and damages of three lorries, a request has been made to the court to obtain the case records pertaining to the case filed by the Legal Officer for write-off purposes. Recovery of the loss related to the vehicle bearing number KE-7525 is being pursued from the driver.	Action should be taken efficiently and effectively in accordance with the Financial Regulations regarding losses and damages..
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4.2 Uneconomic Transactions

Audit Issue	Comments of the Accounting Officer	Recommendation
Although the Department had purchased a 75-perch land valued at Rs. 66,700,000 belonging to the Urban Development Authority in 2009 by paying Rs. 59,304,347 for the construction of the administrative building of the Rubber Development Department, this land had not been transferred to the Department up to the end of the year under review. Further, the land had not been utilized for any productive purpose for over 15 years.	The Urban Development Authority has referred the transfer of the land to the District Secretary, and the District Secretary has directed the Department of Survey to inspect and measure the land. Although provisions had been requested from the Treasury for the construction of a building on this land, the Treasury has informed that there is no possibility of allocating funds for the construction of new buildings..	The lands should be promptly transferred, necessary constructions carried out, and those assets should be utilized effectively.

4.3 Management Inefficiencies

Audit Issue	Comments of the Accounting Officer	Recommendation
(a) The Rubber Development Department provides cultivation subsidies to rubber growers, and when a cultivation is abandoned, the subsidy paid should be recovered from the growers. Accordingly, it was revealed that out of 6,021 replanting rubber growers in 15 districts, 727 growers had abandoned their cultivations, making a sum of Rs. 27,845,066 recoverable to the Department. Similarly, out of 5,605 new rubber growers, 2,844 had abandoned their cultivations, and a further sum of Rs. 24,699,721 was recoverable to the Department.	At present, action is being taken at the regional office level regarding unsuccessful cultivations in accordance with the Rubber Replanting Subsidy Act No. 36 of 1953 and Departmental Circular No. 2024/02.	The reasons for abandoning cultivations after receiving rubber cultivation subsidies should be investigated, and action should be taken promptly to recover the amounts due.
(b) According to the inspection carried out on rubber plant production in 08 nurseries owned by the Department, it was observed that the plant production of 05 nurseries had recorded a decrease in 2024 compared to 2023, and this decrease ranged between 36 percent and 74 percent.	Although plant production had been planned according to the plant production schedule, the production had decreased due to the insufficient availability of budded shoots from the recommended clones.	Plant production should be carried out in accordance with the demand for rubber plants.

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| (c) | <p>Due to the issues that arose concerning the RRISL 2001 clone introduced to the nurseries of the Rubber Development Department by the Rubber Research Institute, the distribution of these plants had been temporarily suspended by the end of 2023. As the said clone was found to be unsuccessful, the remaining plants of this clone in the nurseries, except for the dead plants, had been destroyed in 2024. According to the information submitted for audit, the average cost of producing a plant is about Rs. 225, and accordingly, a total of 28,521 plants under the unsuccessful RRISL 2001 clone, valued at Rs. 6,417,225, had been destroyed in 03 nurseries.</p> | <p>It was decided to suspend new budding of plants using the RRISL 2001 and RRISL 203 clones in government rubber nurseries, and to issue plants of these clones only to smallholders who agree to adopt the S/2d3 tapping system (tapping once every three days) and follow the relevant agronomic practices. Accordingly, since plants could not be issued to farmers who did not agree to these conditions, the related plants were destroyed. Successful clone varieties should be introduced to the nurseries.</p> | <p>Successful clone varieties should be introduced to the nurseries.</p> |
| (d) | <p>Although licenses had been issued for rubber cultivation for the year 2024, due to the shortage of plants, 41 farmers who had requested 13,064 plants from the Monaragala Regional Office had not been provided with the plants.</p> | <p>The decrease in plant production had occurred due to several reasons, including the inclusion of a certain amount of seeds that had fallen only during the final stage of seed fall, resulting in unsuccessful plant production; the difficulty in separating the bud from the rootstock during the budding process due to high temperatures, which reduced the number of plants that could be budded; and the inability to sow the estimated quantity of seeds due to the insufficient supply of seeds.</p> | <p>Sufficient plants should be produced to meet the annual plant demand.</p> |
| (e) | <p>It was observed during the audit that although licenses had been issued by the Kegalle Regional Rubber Development Office to four farmers who had requested 1,232 plants, the plants had not been provided due to the unavailability of plants. Similarly, licenses and plants had not been</p> | <p>By the end of the year 2023, due to the decision taken not to bud plants using the RRISL 2001 clone, there had been an insufficient number of budded shoots in the nurseries, making it</p> | <p>As the production and distribution of rubber plants is a main function of the Rubber Development Department,</p> |

issued to 26 farmers who had requested 7,649 plants because of the shortage of plants. Further, although licenses for the year 2024 had been issued to 151 farmers, they had been informed not to submit plant requests due to insufficient plant production in nurseries. It was also observed that although the production and distribution of high-quality budded rubber plants through government nurseries is a main function of the Rubber Development Department, in certain instances, the Department had failed to fulfill that responsibility.

impossible to achieve the targeted plant production. As a result, plants could not be issued to the licensed farmers.

sufficient plants should be produced to supply all farmers who have submitted plant requests.

- (f) The leaf fall disease affecting rubber cultivation had spread over an area of 3,981 hectares in smallholdings and estates across 04 districts; however, treatment had been carried out only for an extent of 220 hectares.

Although the spread of this disease was observed in the Ratnapura, Colombo, Kegalle, and Kalutara districts due to heavy rainfall experienced throughout the past year, it had not been possible to carry out the task of spraying fungicides because of that heavy rainfall. Furthermore, although fungicide spraying machines were available, their effectiveness had been low due to the limited height to which they could spray. In addition, the high cost involved in those treatment methods and the difficulty of applying treatments in hilly and rocky areas had also reduced the interest of farmers in implementing such treatment measures.

Action should be taken promptly to control the spread of the leaf fall disease.

- (g) Ownership of 66 official quarters under the control of the Rubber Development Department had not been formally transferred.

A request has been made to the Land Reforms Commission to transfer the ownership of the lands on which the official quarters are situated, and further actions are being carried out accordingly. The transfer of lands under the custody of

Action should be expedited to legally transfer the ownership of the official quarters.

Divisional Secretaries is being carried out in accordance with the government land allocation procedures. Requests have also been made to obtain the lands belonging to the Rubber Research Institute, and the transfer process is to be carried out upon receiving the concurrence of that institution.

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| <p>(h)</p> | <p>According to the information submitted for audit, out of 77 official quarters under the Department, 7 quarters had remained idle for periods ranging from 2 to 22 years. It was observed that 57 of those quarters required repairs, and due to the lack of repairs over several years, the Pussella Regional Official Quarters-02, Bandaragama, Itthevana, and Millewa quarters had deteriorated to a very poor condition. It was further observed that approval had been sought to demolish the Pussella Regional Official Quarters-02.</p> | <p>The Department should manage the allocations received for building repairs by identifying the official quarters and offices that need repairs on a priority basis and carry out repair work annually.</p> | <p>Official quarters that require repairs should be repaired promptly and made ready for use.</p> |
| <p>(i)</p> | <p>Although legal action had been filed in the Matugama Magistrate's Court to evict a retired Rubber Development Officer who is residing unlawfully in the official quarters of the Matugama Rubber Development Officer belonging to the Kalutara Regional Office, and an order had been issued on July 20, 1997, the fiscal order had not been executed up to now.</p> | <p>Further action regarding the execution of the fiscal order related to the official quarters of the Matugama Rubber Development Officer is to be taken based on the advice of the Legal Officer.</p> | <p>Action should be taken promptly to execute the fiscal order and evict the retired officer from the official quarters. .</p> |
| <p>(j)</p> | <p>Three cab vehicles and sixteen motorbikes received by the Department from other departments and ministries, which have been in use by the Department for a period ranging from 9 to 12 years, had not been registered under the name of the Rubber Development Department up to the end of the year under review.</p> | <p>The vehicle transfer documents related to three cab vehicles and sixteen motorbikes received from other departments and ministries have been submitted to the Department of Motor Traffic for transferring them under the name of the Rubber Development Department.</p> | <p>Action should be expedited to transfer the ownership of these vehicles and motorbikes received and currently used by the Department.</p> |

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| (k) | By the end of the year under review, 16 motorbikes, 4 scooters, one cab provided on 05 October 2023 under the STARR project, and another cab provided in January 2024 had not yet been transferred under the name of the Department. No relevant documentary evidence was submitted for audit to confirm that the Department had taken over those vehicles. | The vehicle transfer documents related to 2 cab vehicles and 20 motorbikes received from the STARR Project have been submitted to the Department of Motor Traffic for transferring them under the name of the Rubber Development Department. | Action should be expedited to transfer the ownership of these vehicles and motorbikes received and currently used by the Department. |
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5. Human Resource Management

Audit Issue	Comments of the Accounting Officer	Recommendation
There were vacancies in 8 Senior Rubber Development Officer posts and 68 Rubber Development Officer posts, which directly contribute to the operational process of the Department. No action had been taken either to recruit officers or to revise the recruitment procedure during the period from 2021 up to the year under review.	The increase in vacancies of Rubber Development Officers has occurred due to the Government's suspension of granting approval for recruitment to replace officers who retired or left the service. A request has been submitted to the Prime Minister's Committee on Public Sector Staff Review seeking approval to recruit 41 Rubber Development Officers. Recruitment for those vacancies will be possible upon receiving approval from the said Committee.	The need for existing staff vacancies should be properly identified, discussed with the Administrative Division, and recruitment should be expedited accordingly.