

Sri Lanka Rubber Research Board - 2025

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Rubber Research Board (“Board”) for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the statement of financial performance, statement of changes in net assets, and cash flow statement, for the year then ended, and notes to the financial statements, including material accounting policy information, 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, the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2025, 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 Opinion

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

1.3 Responsibilities of 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, 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 intend 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 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 Board's 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 Company'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 the Company 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 the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Section 4:7 of Chapter XV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	No action had been taken to recover the outstanding amount of Rs. 2,761,933 ,which had been due for over 35 years as at 31 December 2025, from two officers who had gone abroad on paid study leave and violated the terms of their bonds.	A letter had been forwarded to the Attorney General's Department to seek advice regarding the officials liable for the settlement of guarantee bonds. Further action will be taken accordingly.	Action should be taken in accordance with the provisions of the Establishments Code.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 55,345,347 and the corresponding deficit in the preceding year amounted to Rs. 120,923,726. Therefore an improvement amounting to Rs. 65,578,379 of the financial result was observed. The reasons for the improvement are the increase of government grants by Rs. 134,082,395 and the estate income by Rs. 28,037,108.

2.2 Trend Analysis of major Income and Expenditure items

Item	Year Under Review	Preceding Year	Difference compared to Preceding year	Percentage of Difference
	Rs.	Rs.	Rs.	
Government Grants	578,291,838	444,209,443	134,082,395	30

Other Income	14,398,947	37,972,808	(23,573,861)	(62)
Estate Income	147,119,126	119,937,401	27,181,725	23
Salaries, Wages and Employee Benefits	425,650,467	373,984,958	51,665,509	14
Supply and Consumption Costs	32,234,697	38,963,837	(6,729,140)	(17)
Depreciation and amortization expenses	121,470,968	127,053,972	(5,583,004)	(4)
Other Expenses	129,694,605	120,945,903	8,748,702	7

The following observations are made.

- (a) Other income had decreased by 62 percent during the year under review compared to the preceding year, and the decline in training and consultancy revenue directly contributed to this situation.
- (b) Government grants were amounting to Rs. 578.29 million in the year under review, i.e. a 30% increase compared to the preceding year.

2.3 Ratio Analysis

Current Assets Ratio and Quick Assets Ratio were 3.48:1 and 2.69:1 respectively in the year under review and the figures were 2.9:1 and 2.3:1 respectively in the preceding year. The increase in current assets by Rs. 6,358,829 and the decrease in current liabilities by Rs. 4,285,590 had led to improvement in the current ratio and quick asset ratio.

3. Operational Review

3.1 Identified Losses

Audit Issue	Management Comment	Recommendation
A total loss of Rs. 1,798,298 had been incurred by the end of the year under review due to allowing all rubber trees to be removed without verifying advance payment receipts amounting to Rs. 1,677,284 uncollected by 16 July 2026; there was a shortfall of Rs. 71,064 out of the Rs. 2,369,275 due for 472 trees in the 1993 plantation and due to the deduction of sums amounting to Rs. 16,700 and Rs. 33,250 respectively, contrary to the terms, for dead or decayed trees that had been counted and	The Senior Estate Manager has directed that the outstanding sum of Rs. 731,469.00, payable to the contractor based on the final physical status I terms of the original Kuruwita Estate agreements, be paid immediately. Although payment of an amount of Rs. 2,369,275 had been proposed at the commencement of the contract in terms of the 1993 cultivation agreement, the outstanding amount of Rs. 51,015 has now been settled	The loss incurred due to acting in violation of the terms of the agreement should be recovered from the relevant parties.

accepted by the buyers according to the section 16 of the agreement for the 1994 and 1988 plantation plots in terms of the Article 12 of the agreement to remove rubber trees planted in the 6.5 hectare plot of Kuruwita Estate in 1991. due to the physical changes that had occurred in the trees.

3.2 Management Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	The relevant building along with computers, software, machinery, furniture, and office equipment cost Rs. 38,918,694, remained idle as the operations of the FEAS Center had been completely suspended for nearly two years. Although an amount of Rs. 8,141,743 had been earned by the Sri Lanka Plastics and Rubber Board, the second party to the agreement, during the relevant agreement period according to the report outlining the progress of that FEAS center from 2018 to 2023, no funds had been received by the Board, the first party to this agreement.	The responsibilities of both parties had been separately outlined in the Memorandum of Understanding signed between PRISL and RRISL. There, the Rubber Research Institute agreed to purchase the necessary equipment for the center and to provide facilities equipped with the essential amenities required for its operation. Accordingly, action has been taken in accordance with the agreement.	Idle assets should be put to productive use.
(b)	The Rubber Development Department utilizes more than 43 land plots and buildings belonging to the Board and no action had been taken to either reclaim these properties for the Board or formally vest them in the Department.	Board approval will be obtained for that in the future, and action will be taken accordingly.	The ownership of the lands and buildings belonging to the Board should be cleared.
(c)	Out of the 86 official quarters belonging to the Board, 17 units had remained unoccupied for periods ranging from one to six years and were in need of repair.	Arrangements will be made to carry out essential repairs to these official residences, subject to the availability of future funds.	Official residences should be utilized effectively.

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| (d) | The Monaragala Kumarawatta and Alawwa Narampolawatta estates utilized by the Board had not been formally vested in the Board even by the end of the year under review. | Divisional Secretaries have been informed regarding the acquisition of the land. Further actions will be taken accordingly. | Steps must be taken to acquire ownership of the plantations. |
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3.3 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
A balance of Rs. 4,283,644, out of the amount of Rs. 10,457,200 received for this purpose, representing 40 percent of the amount remained as at the end of the year under review due to the failure to successfully complete the activities of the pilot project initiated in 2017 in agreement with the United Nations Food and Agriculture Organization and scheduled to conclude in 2022 aimed at introducing biofuel wood varieties to small-scale rubber landholders.	Project activities had been adversely affected by the COVID-19 pandemic and the fuel crisis that prevailed in the country during the project period.	Steps should be taken to accomplish the contractual tasks within the relevant timeframe.

3.4 Idle or underutilized Property, Plant and Equipment

	Audit Issue	Management Comment	Recommendation
(a)	No action had been taken to repair and put it into use from the year 2018 up to the date of the audit due to a software error in the Mooney Viscometer machine used for rubber research activities, which had been purchased for Rs. 4,052,300 in the year 2014.	Arrangements have been made to secure the service of an expert to determine whether the Mooney Viscometer can be repaired.	Equipment should be used effectively.
(b)	The GC-MS machine, purchased on 11 August 2020 for an amount of Rs. 20,034,200 for rubber research purposes, remained unused as at 13 February 2026.	Following the building maintenance work, this equipment should be installed according to specifications and pre-testing should be conducted.	Arrangements should be made to use the machine for research purposes.
(c)	Even though the repairs of the Fume Hood unit purchased on 29	Repair work on the fume hood is currently underway.	The machine should be utilized effectively.

October 2021 at a cost of Rs. 2,064,855 were due starting from the year 2024, those repairs had not been carried out even by 5 March 2026.

3.5 Defects in Contract Administration

	Audit Issue	Management Comment	Recommendation
(a)	The buyer has not taken steps to remove the stumps of 1,000 out of the 1,156 rubber trees in terms of the Clause 07 of the agreement for the removal of rubber trees from the 4.83 hectare cultivated section of Dartonfield Estate in 1988, and the administrative authority has also failed to take appropriate action against it in accordance with Section 04. Consequently, the security deposit amounting to Rs. 200,000 proved insufficient to cover the high costs the Rubber Research Institute would incur to remove the relevant roots.	The Senior Estate Superintendent had stated that this forest area will be cleared and burnt during the dry weather expected this coming August since there is an area featuring a dense forest with streams.	Action should be taken in accordance with the terms of the agreement.
(b)	No action had been taken regarding the delay and the financial loss incurred by the government by allowing rubber trees to be felled contrary to the terms of the agreement without any written request or approval exceeding the contractual period (20/10/2025) for the removal of rubber trees in the Kuruwita section, where 6.5 hectares had been cultivated in year 1991, and failure of the Senior Estate Manager to have the contract cancelled through the additional director in accordance with term 04 of the agreement.	The uprooting and removal of trees have been delayed under the natural conditions, such as the prevailing rainy weather. However, it has been stated that the final stage had been proceeded with, without cancelling the contract, because the trees had been awarded to the contractor at a value higher than the initial estimated price.	Disciplinary action should be taken against the officials responsible for violating the terms of the agreement.

3.6 Human Resources Management

	Audit Issue	Management Comment	Recommendation
(a)	It was observed that there were 209 vacancies out of the 460 approved posts as at 31 December 2025. There were 59 out of 88 approved positions of senior-level officers were vacant.	No answers have been provided.	Necessary measures should be taken to fill the vacancies promptly.
(b)	25 officers with service periods, ranging from 1 to 11 years and employed on a daily-wage basis, had been employed attached to the board for main duties (Management Assistants and Laboratory Assistants) without the approval of the Department of Management Services.	No answers have been provided.	Recruitment should be carried out only with the approval of the Department of Management Services.

4. Accountability and Good Governance

4.1 Objectives and Corporate Plan

	Audit Issue	Management Comment	Recommendation
(a)	Although boosting domestic natural rubber production to meet rising demand is an objective of the organization, it was not possible to achieve that goal as rubber production had dropped to 62 million kilograms by the year 2025 although rubber production in 2024 was 69 million kilograms according to the Ministry's annual performance report.	No answers have been provided.	Steps should be taken to meet production targets.
(b)	Although a comprehensive plan needs to be prepared in terms of the Section 2.3 of the Guideline Manual for Public Enterprise Circular No. PED 01/2021 dated 16 November 2021, a corporate plan had not been prepared by the Board for the year 2025.	No answers have been provided.	Action should be taken in accordance with the circular instructions.

4.2 Annual Action Plan and Progress of targeted Activities

	Audit Issue	Management Comment	Recommendation
(a)	Although it had been estimated that Rs. 200,000 would be spent to develop 200 new genetic varieties in accordance with the 2025 annual action plan of the Department of Genetics and Plant Breeding's annual Hand Pollination (HP) program, only 30 genotypes had been developed according to the physical progress, and it was a low figure of 15 percent.	Seed development and germination had been severely affected by adverse weather conditions and diseases.	The proposed project should be implemented effectively.
(b)	Although the full estimated sum of Rs. 300,000 had been spent to introduce an automated micro-irrigation system for the rubber nurseries of the Department of Botany, only a prototype system had been developed and it had not been introduced for field use.	This project had been carried out in collaboration with the University of Moratuwa, and the system has been handed over to them for further enhancement. Future research will be planned based on the results.	The proposed project should be completed on schedule.