

Office for Reparations - 2020

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Office for Reparations for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 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 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, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, 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 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 ability of the office 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 office or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the office.

As per sub section 16(1) of the National Audit Act No. 19 of 2018, the office 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 office.

1.4 **Audit Scope (Auditor's Responsibility 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 scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 ability to continue as a going concern of the office. 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 office 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 office, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the office has complied with applicable written law, or other general or special directions issued by the governing body of the office;
- Whether the office has performed according to its powers, functions and duties; and
- Whether the resources of the office 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
(a) No. 4(2) 2006 of the Government Procurement Guideline	Although it should be prepared a procurement plan for a period of at least three years and a detailed management procurement plan for the next year, a procurement plan only for the year 2020 was prepared including procurement worth Rs. 10,500,000.	The detailed procurement plan had not been prepared. However, action has been taken to submit a procurement plan in detail for the year 2021.	A detailed procurement plan should be prepared in accordance with the Government Procurement Guidelines.

1.6 Cash Management

Audit Observation	Management Comment	Recommendation
<p>Excess money in the current account was automatically transferred through a savings account, according to the standing order issued to the bank by the Office for Reparations. For this, a savings account had been opened since June 2013 without approval of the treasury and the imprest amount had been withheld for future activities contrary to Financial Regulations 215.</p> <p>Also, interest income of Rs. 39,749,629 from June 2013 to 31 December 2020 had been collected to the above savings account. It was observed that if manage the imprest properly and obtain imprest</p>	<p>I would like to inform that the interest received from the savings account is not spent on any illegal action and managed very transparently. As the Secretary to the Ministry of Justice, which is current ministry included the office for reparations, did not agree to maintain this saving account, the institution closed Account No. 747557297 of the Metropolitan branch of the Bank of Ceylon on 01 March 2021 and transferred the entire balance to the Account of office for reparations No. 0002026495 of the</p>	<p>According to public Financial Regulations 156(7), all public officers should be frugal in their financial transactions.</p>

from the treasury as required, the financial cost would not exceed the benefit to the General Treasury due to the treasury will have to bear a higher cost as a short term borrowing cost to provide this imprest facility to the Office for Reparations.

Thaprobane branch of the Bank of Ceylon. This interest money was utilized for the effective expenses of the institution.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 14,195,306 and the corresponding surplus in the preceding year amounted to Rs. 679,698. Therefore an improvement amounting to Rs. 13,515,608 of the financial result was observed. The reasons for the improvement are decreasing the expenses by Rs. 604,521,491 and decreasing the income by Rs. 591,005,883.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Management Comment	Recommendation
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(a)	Although the files of 2,861 beneficiaries have been approved for the payment of compensation of Rs. 172,364,105 as at 31 December of the year under review, compensation money of Rs. 163,256,305 for the 2,757 beneficiaries had not been paid by 31 March 2021 due to lack of allocations.	Compensation is paid based on the annual provisions provided by the General Treasury. Out of approved 2,861 files as at 31 December 2020, Rs. 7,372,500 for 83 severely victims, Rs. 1,735,300 for 21 ordinary public property beneficiaries and Rs. 2,050,000 for 08 religious places has been paid as compensation as at 31 March 2021.	According to the action plan, the budget estimates should be prepared correctly and allocations should be made accordingly.
(b)	Although cheques were issued for compensation during the year under review, the compensation process was not properly done due to the recommendation of files based on the information not updated and payment of compensation. Accordingly more than one year passed 34	I acknowledge that receiving information to this institution has been slowly, although action has been taken to send the letters back to the unclaimed beneficiaries and obtain the relevant updated information.	Compensation should be recommended based on the updated information of the relevant beneficiaries.

beneficiaries as at 31 December 2020 had not yet claimed for the compensation of Rs. 1,860,758 as at 31 March 2021.

Therefore, I will expedite this process in future and take action to provide compensation to the relevant beneficiaries.

(c) When compensation for the Easter attack, Rs. 300,000 had been overpaid exceeding the approved compensation due to the paid advance amount of Rs. 300,000 to each beneficiary was not deducted and the balance has been paid on 15 May 2019. There was no further action had been taken in this regard by 31 March 2021.

His wife came to the office and paid an advance of Rs. 300,000 for the application and there was an excess due to later she had fraudulently submitted another application and then Divisional Secretariat had also paid.

The Accounting officer should be act in accordance with Financial Regulations 128(1) "J" regarding losses incurred by the government due to delays, negligence, mistakes or frauds of the officers/ employees.

4. Human Resources Management

----- Audit Observation -----	----- Management Comment -----	----- Recommendation -----
<p>At the end of the year under review, there were 21 vacancies in the board, including 19 vacancies at the secondary level and 02 vacancies at the primary level due to the inability to maintain an effective service level and review the number of employees. In addition, acting appointments were made for 02 posts of Director General and Director without being recruited on a permanent basis.</p>	<p>All recruitments were cancelled on the instructions of the Secretary to the Treasury.</p> <p>In the discussion with the Secretary to the Ministry, it was decided to recruit graduate trainees for the posts of assistants and to recruit only for the posts which are currently required.</p> <p>Further, recruitments have been made for the vacant post of Internal Auditor.</p>	<p>In order to maintain an effective level of service, a timely review should be done and necessary action should be taken accordingly.</p>