

## **Resettlement Authority - 2015**

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The audit of financial statements of the Resettlement Authority for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 20(4) of the Resettlement Authority Act, No. 09 of 2007. My comments and observations, which I consider should be published with the annual report of the Authority in terms of Section 14 (2)(c) of the Finance Act, appear in this report.

### **1.2 Responsibility of the Management for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal controls as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### **1.3 Auditor's Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **1.4 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Resettlement Authority as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Termination of the Operating Activities of the Authority**

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Even though action should have been taken to terminate the operating activities of the Authority as at 24 March 2016 in accordance with the decision of the Cabinet of Ministers No.BDHRD/145/CM 02/2016 dated 29 February 2016 , the financial statements for the year ended 31 December 2015 of the Authority presented for audit on 27 October 2016 , had been prepared and furnished on the going concern basis.

#### **2.2.2 Sri Lanka Public Sector Accounting Standards**

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In terms of Sri Lanka Public Sector Accounting Standard No.03, the amortization valued at Rs.1,749,444 relating to the year under review in respect of the assets handed over from the other institutions to the Authority had been shown in the cash flow statement as a cash flow generated from the investments instead of being adjusted to the operating result of the cash flow statement.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the operations of the Authority for the year ended 31 December 2015 had resulted in a surplus of Rs.115,230 as against the deficit of Rs.513,936 for the preceding year, thus indicating an improvement of Rs.629,166 in the financial result as compared with the preceding year. The grants received to the Authority from the Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Religious Affairs had been the main reason for the improvement in the financial results.

## **4. Operating Review**

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### **4.1 Management Activities**

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It was revealed at audit that the Authority had not taken action to maintain Accounts and other reports relevant to 66 various fixed assets such as motor vehicles, computers etc which had been handed over from the other institutions to the Authority, in an updated manner. Accordingly, the risk of problems arising in handing over those assets to the relevant institutions for the termination of the functions of the Authority cannot be ruled out in audit.

#### 4.2 **Staff Administration**

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Despite a problematic condition existing on the going concern of the Authority, it was revealed in audit that officers had been recruited in an improper basis as mentioned below.

- (a) The Authority had recruited an officer who had not satisfied the qualifications approved by the Department of Management Services for the post of Management Assistant on 01 November 2014.
- (b) Even though the approval of the Department of Management Services had not been given for the post of Internal Auditor of the Authority , an Internal Auditor had been recruited on 15 July 2015 and copies of the appointment letters of that appointments had not been furnished to the Auditor General.
- (c) An allowance of Rs.303,367 had been paid without establishing the arrival and departure of an officer who was appointed as a consultant of the Authority on 08 October 2015. Any document whatsoever relevant to the recruitment of the consultant had not been furnished to the Audit.

### 5 **Accountability and Good Governance**

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#### 5.1 **Action Plan**

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Even though the Authority had prepared an Action Plan which included 06 activities for each of the Districts of Batticaloa ,Ampara, Trincomalee, Mullaitivu, and Vavuniya , the period of execution of those activities had not been included in the Action Plan. Further, the activities had not been executed during the year under review.

#### 5.2 **Meetings of the Board of Directors**

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According to the Section 4.2.2 of the Public Enterprises Circular No. PED 12 of 02 June 2003, a performance report on financial and physical progress, reports on monthly operations, monthly cash flow statement and the report on cadre position are required to be presented for the meeting of the Board of Directors. However, such reports had not been presented to the Board of Directors for review . Further, only 08 meetings of the Board of Directors had been held by the Authority during the year under review.

#### 5.3 **Tabling of Annual Reports**

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Action had not been taken even up to 31 December 2015 to table the Annual Reports of the years 2013 and 2014 in Parliament.

### 6. **System and Controls**

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Deficiencies observed during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention of the management is needed in respect of the following areas.

**Areas of Systems and Control**

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(a) Accounting

(b) Assets Control

**Observations**

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Preparation of Accounts on dissolution of the Institution.

The assets should be physically verified for handing over to the relevant institution for the dissolution of the Authority.