

1.1 Adverse Opinion

The audit of the financial statements of the Office for Reparations for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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(3) 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. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, because of the significance of the matters discussed in the basis for Adverse Opinion section of my report, the accompanying financial statements do not give a true and fair view of the financial position of the Office for Reparations as at 31 December 2019, and of tis financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Adverse Opinion

In my opinion, because of the significance of the matters described in paragraph 1.5 of this report, the financial statements do not give a true and fair view.

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 this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse 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 Office for Reparations’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 Office for Reparations, or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Office for Reparations’s financial reporting process.

As per Section 16(1) of the National Audit Act No.19 of 2018, the Office for Reparations 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 by the Office for Reparations.

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 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 Office for Reparations'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 Office for Reparations'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 Office for Reparations 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings including any significant deficiencies in internal control that I identify during my audit.

1.5 Financial Statements

1.5.1 Non- compliance with Sri Lanka Public Sector Accounting Standards

Audit Issue	Management Comment	Recommendation
(a) Even though a Savings Account had been opened from the year 2013 for automatically transferring the surplus money in the Current Account, through a Savings Account on Standing Order made to the Bank, values of Rs.2,443,419,842 and Rs.2,682,743,454 had been noted as Debit and Credit through the Cash Book for noting in the Books the balance of the Savings Account by rectifying the error of adding to the balance of the cash book instead of indicating separately in the financial statements up to the preceding year, the Balance of the Savings Account, in the year under review. However, any evidence whatsoever had been presented to the audit for the confirmation of the relevant values in those Debit and Credit Notes and the value of Rs.239,021,499 stated as the Opening Balance relating to the year under review in the Savings Account had not been stated in the financial statements by reinstating the financial	Action would be taken to submit a Detailed Report on those added values in the future. Action would be taken to state the financial statements of the year 2020 again in the reconciled value for the period on which the error occurred.	Source documents should be used in adjusting between the Ledgers and the Detailed Notes should be kept to confirm these values. Action should be taken to prepare the financial statements in compliance with Sri Lanka Public Sector Accounting Standards.

statements in the preceding year by retrospectively adjusting, in terms of the Sri Lanka Public Sector Accounting Standard 03.

1.5.2 Accounting Deficiencies

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
<p>(a) Investments amounting to Rs.1,000,000 receivable as at 31 December, under the Loans Scheme implemented by the National Housing Development Authority had not been brought to account as a receivable balance. As such, the above Investments had been overstated in the financial statements from that value, as at 31 December of the year under review.</p>	<p>The above sum of Rs.one million had been received as an online payment, as at that date.</p>	<p>The sum of Rs.one million should be brought to account as a receivable balance.</p>
<p>(b) The surplus of the year under review had been overstated in the financial statements from the above value on the compensation paid in the year under review being indicated by deducting from the General Deposit Account. Moreover, a sum of Rs.15,927,540 payable to the beneficiaries of compensation relating to the year under review had not been stated as a Current Liability.</p>	<p>Action would be taken to disclose on these values by Accounts in the subsequent year.</p>	<p>Accurate Accounting Methods should be followed in a manner that Assets, Liabilities, Income, Expenditure could be accurately stated.</p>

(c) The loan balance had been stated as a zero value on a doubtful loan being provisioned for the total loan amounting to Rs.4,375,312 itself that remains not being recovered from the year 2015 from the loans provided under the Business Loan Scheme amounting to Rs.200,000 implemented by the Bank of Ceylon.

Action is being taken to cut off the above loan by referring to the Secretary to the Treasury.

The approval of the Treasury should be obtained if this Loan Balance is bring cut off from Books and the reasons for the loans not being recovered, should be reported to the Board of Control.

1.5.3 Documentary Evidence not made available for Audit

Item Available	Amount Rs.	Evidence not made available	Management Comment	Recommendation
(a) Property, Plant and Equipment	6,191,755	Assets Schedules	Schedules for the 04 Categories of Assets remains being prepared and action would be taken to provide information expeditiously.	Accurate Schedules should be submitted for the relevant value.
(b) Investments	873,410,713	Number of Beneficiaries who obtained loans, the loan amount that has been released and the Details on the Recoveries.	Action would be taken to obtain the Reports as soon as the relevant Bank Confirmations are being received.	Bank Confirmations should be provided.

1.5.4 Unreconciled Control Accounts

Item	As per Financial Statements Rs.	As per Corresponding Record Rs.	Difference Rs.	Management Comment	Recommendation
Non-current Liabilities	738,844,380	871,603,586	133,059,206	The relevant Letters had been referred to the Department of Treasury Operations for noting these balances as a single value, on the approval of the Department of Treasury Operations.	Accurate values should be accounted by making reconciliations.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs.679,698 and the corresponding surplus in the preceding year amounted to Rs.13,133,159. Therefore a deterioration amounting to Rs.12,453,461 of the financial result was observed. The decrease of the Recurrent Grants by a sum of Rs.557,512,000 and the increase of other expenditure by a sum of Rs.9,919,886 had been the main reasons for this deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) Action had not been taken either to return to the Treasury or to invest under another Loan Scheme on a proper approval a sum of Rs.26,650,000, the	Replies had not been received despite further instructions has been requested from the Department of Treasury Operations for the actions that should be taken relating thereto, in the future.	Action should be taken either to invest this amount in a Loan Scheme on a proper approval or to return to the Treasury.

investment value belonging to the Northern Development Authority received in cash in the year 2018 and the interest relating thereto amounting to Rs.7,830,740 and the sum of Rs.11,000,000 received from the National Housing Development Authority in the year under review.

- (b) A computer system had been established by incurring an expenditure of Rs.3,360,000 in the year 2016 with the objective of efficiently and properly executing the activities of the payment of compensation. The management had failed to obtain the contribution of the computer system even by the year under review. As such, the objectives of the establishment of a computer system by incurring a huge expenditure had not been achieved.
- The networking of computers has been cancelled at this moment due to not providing the capital continuously, by the Treasury.
- Action should be taken to expedite the networking, to establish the computer system and to achieve the intended objectives.
- (c) The compensation had not been received to the beneficiaries of compensation on payments not being made even by 30 June 2020 for 122 cheques amounting to
- The cheques of the beneficiaries remain not being cleared on reasons such as the Bank Accounts being closed by the relevant beneficiary, the Account being remained dormant over a long period of time and the retention of
- A procedure should be formulated to make the payment of compensation to the beneficiaries by cheques accurately and expeditiously and confirmations should be made on the receipt of compensation to the scheduled

Rs.7,326,301 issued to cheques by the Bank itself. persons.
122 beneficiaries in the
year under review.

- (d) The Rehabilitation of Persons, Properties and Industries Authority Act, No. 29 of 1987 was repealed by the Office for Reparations Act, No. 34 of 26 October 2018 and the Office for Reparations had been established. According to repeals, savings and transitional provisions stated in Section 26 of this Act, a statement on vesting the assets and liabilities owned by the Rehabilitation of Persons, Properties and Industries Authority to the Office for Reparations had not been prepared even by 03 July 2020.
- The Statement on vesting the Assets and Liabilities would be submitted as soon as the initials of the Chairman of the Authority and of the Secretary to the Ministry are obtained, in the future.
- Action should be taken to prepare a Statement on vesting the Assets to the new Institution and to report relating thereto, to the Treasury and to the Ministry.
- (e) Even though a deposit value amounting to Rs.5,485,759 that should be recovered as at 31 December 2019 had lapsed from a period of 7 months to 6 years, action had not been taken to recover that value.
- Steps are being taken to obtain instructions from the Attorney General on the recovery of these loans.
- Expeditious steps should be taken for the recovery of loans.

3.2 Operational Inefficiencies

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
(a) Even though it had been planned to pay a sum of Rs.972,000 as compensation to 11,514 beneficiaries in 03 Schemes in the payment of compensation as per the Action Plan prepared by the Authority, the progress of the payment of compensation remained at 25 per cent on only a sum of Rs.200,057,711 of compensation being paid to 3,522 beneficiaries as at 31 December of the year under review.	The number of beneficiaries relating to the year under review had been 11,514 and a sum of Rs.972 million had been provided in this connection. Concessions had been provided even for the victims who were subjected to special events in addition to the General Compensation Scheme implemented by the Office.	Steps should be taken to prepare accurate and realistic plans on the compensation payable.
(b) Even though it had been included into the Action Plan of the Authority to pay a sum of Rs.595,000,000 as loans to 2,900 beneficiaries of 03 Loan Schemes, the progress of the payment of loans remained at 19 per cent by making a payment of only a sum of Rs.113,075,000 to 550 beneficiaries as at 31 December 2019.	Action is being taken at the moment to increase the progress of the prevailing Loan Schemes.	Action should be taken to rectify by reviewing the progress of the payment of loans.
(c) Even though cheques had been issued for the payment of compensation in the year under review, this process had not been properly executed due to recommending Files based on information	The cheques of the beneficiaries remain not being cleared on reasons such as the Bank Accounts being closed by the relevant beneficiary, the Account being remained dormant over a long period of time and the retention of cheques by the Bank itself.	Action should be taken to make the payments of compensation based on the accurate and updated information, in an acceptable manner.

not being updated by the instance where the cheques are issued to the beneficiaries of compensation and due to carrying out the activities of the payment of compensation to the beneficiaries based on the information not being updated. Moreover, there were Files of the beneficiaries of compensation that had lapsed over 06 years after the confirmation of their identity, among the Files of the beneficiaries of compensation who were not rewarded with compensation.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Issue -----	Management Comment -----	Recommendation -----
An Internal Audit Unit had not been established for the execution of their duties and responsibilities in terms of the Financial Regulation 133.	Even though a request had been made to the Secretary to the Ministry on 25 February 2020 for the recruitment of an Internal Auditor, approval had not been received in this connection so far.	Action should be taken to carry out an Internal Audit in terms of Financial Regulations.