

## **Office for Reparations - 2021**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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The audit of the financial statements of the Office for Reparations for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 office as at 31 December 2021, 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**

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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**

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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)**

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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) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulations 715 (3)	Store keepers, the warehouse officers who authorize to receiving warehouse items should be also satisfied themselves that the warehouse has adequate and satisfactory space for the storage of warehouse items. But, it was observed that there was no formal place to store the stock safety in the institution during the audit.	All steps are taken to maintain the goods in the warehouse in an orderly and safety.	Store keepers, warehouse officers who authorize to receiving warehouse items should be act in accordance with Financial Regulations 715 (3) in relation to the storage of warehouse items in the warehouse.

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| (ii)  | Financial Regulations 751 (5)                                     | Although adequate arrangements should be made for the safety of the goods by taking measures to prevent damage from decay and wastage, it was observed that items worth Rs. 138,600 have become unusable due to noncompliance with that. | A formal committee appointed internally by the institute will properly identify and distort these items or if possible sell them as scrap values and get money and dispose of the goods in formally following the said activities. | Adequate arrangement should be made for the safety of goods by taking measures to prevent damage from decay and wastage in according to the Financial Regulations 751 (5).           |
| (iii) | Financial Regulations 770 (4)                                     | It was observed that a three-wheeler owned by the institution was damaged due to sea wind and had not been driven for 02 years.  | I will analyze whether further repairs are economically effective and if doing so is not effective, I will take action to arrange for disposal under the approval of the Secretary to the ministry.                                | Should be disposed unusable vehicles according to Financial Regulations 770 (4).   |
| (b)   | Public Administration Circular No. 02/2018 dated 24 January 2018. |  |  |  |
| (i)   | Paragraph 1   | Annual performance agreements were not signed for entire staff working in the institution according to the performance agreements.   | This method is used for the authorized officers of the institute and I hope to maintain this system by signing annual performance contracts for entire staff working in the institute.   | Annual performance agreements should be signed for entire staff of the institution according to paragraph 1 of the Public Administration Circular No. 02/2018 dated 24 January 2018. |

(ii) Paragraph 4	In order to use the human resources concentrated in the public service more efficiently for the development of the country, it is imperative to develop the human resources of the public sector in a planned manner. The human resource development plan that should be prepared to fill the gap between the existing and required skills of the entire staff of the institution was not prepared.	The observation is correct. I hope to prepare the human resource plan and submit it for audit in future.	A human resource development plan should be prepared for the institution according to paragraph 4 of the Public Administration Circular No. 02/2018 dated 24 January 2018.
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**2. Financial Review**  
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**2.1 Financial Result**  
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The operating result of the year under review amounted to a deficit of Rs. 17,114,511 and the corresponding surplus in the preceding year amounted to Rs. 16,593,948. Therefore a decline amounting to Rs. 33,708,459 of the financial result was observed. The main reasons for the decline are increasing the cost of implementation of policy objectives, other expenses for compensation, cost of supplies and consumables, amortization cost and maintenance cost of fixed assets.

**3. Operational Review**  
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**3.1 Management Inefficiencies**  
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Audit Observation	Management Comment	Recommendation
(a) Although the office for reparations should be awarded for reparations of affected persons under 07 areas beyond financial compensation awards according to the Office for reparations Act No. 34 of 2018, no grants other than	Since the cabinet of ministers approved the policies for the office for reparations in August 2021, it was not possible to implement other policies except for the compensation payments during the first 8 months of the year.	Other awards should also be provided beyond financial compensation awards according to the Office for reparations Act No. 34 of 2018.

compensation and financial relief were given from the year 2018 to the year 2021.

However, pilot projects and other field programmes have been started to provide relief to the aggrieved parties through the relevant reparation policies.

- (b) As inspection regarding the compensation process of the Office for reparations, Compensation has not been paid in respect of 11,926 compensation applications by 31 December 2021 that have been forwarded to the institution under 03 compensation schemes.
- Out of the 12,325 applications received by this institution, Rs. 123 million has been paid for 399 files in the first quarter of the year 2022. I will further expedite the payment of the relevant compensation by using the imprests received from the treasury.
- Budget estimates should be prepared accurately and provision should be made on time and compensation should be paid.
- (c) Rs. 504.91 million had been invested in 04 financial institutions to provide loans under the joint subsidy system and although Rs. 16 million from that had been invested in Bank of Ceylon for industrial and rehabilitation loans, this amount had not been utilized since 08 years. Furthermore, although the Office for reparations has recommended the beneficiaries who have completed the eligibility to provide loans under the remaining 03 loan schemes and submitted them to the bank, the amount of the loan given by the bank remained at the minimum level
- The target group of this industrial rehabilitation loan scheme is the affected people and the objective is to rehabilitate the affected industries of those people. No applications have been formally received to utilize the relevant money and arrangements will be made to forward the loan amount to the treasury as soon as it is received on the due date of 14.08.2023.
- This loan schemes money should be used to rehabilitation of affected industries of people in the target groups.

#### 4. Human Resources Management

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<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
There were 23 vacancies in the staff of the institution as at the date of audit due to the inability to maintain an effective service level and conduct a timely review of the number of employees.	These recruitments had to be temporarily suspended as per the cabinet decisions and the instructions of the Secretary to the ministry. However, written approval was requested from the Secretary to the ministry dated 04.03.2022 to carry out the recruitment based on the existing requirement of the institution. In response to that request, the approval of the Secretary to the ministry has been received to fill the vacancies of Director, Assistant Director, and Officer for reparations on 02.04.2022. Accordingly, immediate action will be taken to carry out the relevant recruitments.	A periodic review should be conducted and necessary action taken accordingly to maintain an effective service level.