

## **Bureau of Commissioner General Rehabilitation - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Bureau of Commissioner General Rehabilitation for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 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, 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, except for the effects of the matters described in Paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Bureau as at 31 December 2023, 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 Qualified Opinion**

My opinion is qualified on the matters described in Paragraph 1.5 of this report.

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 qualified 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 Bureau'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 Bureau or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bureau's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Bureau 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 Bureau.

#### **1.4 Audit Scope (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 Bureau's 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 Bureau'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 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 Bureau and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Bureau has complied with applicable written law, or other general or special directions issued by the governing body of the Bureau,
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Audit Observations on the preparation of Financial Statements**

### **1.5.1 Internal Control over the Preparation of Financial Statements**

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with Management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with Management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Even though 124 journal entries totalling to Rs. 2,825,607,475 had been applied during the year under review, confirmation evidences pertaining to that had not been presented.	Although evidence has not been presented with journal entries, it had been informed that the required evidence has been provided to the audit as required and steps will be taken to present evidence as required for future journal entries.	Relevant confirmation evidence relating to journal entries should be presented.
(b) A sum of Rs. 16,611,156 had been paid as salaries for 63 officers working on contract	Officers working on contract basis have been deployed for rehabilitation duties in the	It should be signed and confirmed that the money has been

basis in the branch offices of the Bureau without signature of receipt of money.

most difficult areas and their salaries and allowances are banked on due date and the signed documents from their workplaces are later attached to the voucher, henceforth, actions will be taken by obtaining signatures assuring that the completed general 36 sheets of wages and allowances received and attached to the voucher.

received.

### 1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

#### Audit Observation

Although computer software amounted to Rs.750,000 should be stated as intangible assets, in terms of Paragraph 17 of Sri Lanka Public Sector Accounting Standards No. 20, it had been shown under property plant and equipment.

#### Comments of the Management

It had been informed that actions will be taken to present computer software, separately as intangible assets as per Sri Lanka Public Sector Accounting Standard No. 20 .

#### Recommendation

Financial statements should be prepared in accordance with the referred accounting standards.

### 1.5.3 Accounting Deficiencies

#### Audit Observation

- (a) Even though the total amount of Rs. 43,053,863 had been taken over as the balance to be paid as at 01 January 2023, thus the value of liabilities as at 31 December 2022 was Rs. 23,825,607 as per CIGAS programme of the Ministry, a difference of Rs.19,228,256 was observed.

#### Comments of the Management

The Register of Liabilities included in the CIGAS program related to this audit observation has been provided to the audit.

#### Recommendation

Liabilities should be accurately identified.

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| <p><b>(b)</b> A total of Rs. 7,529,210 as Rs.3,815,021 and Rs.3,714,189 paid on 30 December 2016 and 31 December 2016 respectively had been adjusted to the work- in- progress account instead of recognizing as advances when accounting for under the work-in- progress account of the Ministry for 02 restroom buildings constructed for the use of resource persons visiting Kandakadu and Senapura Rehabilitation Centres.</p> | <p>It had been stated that necessary actions will be taken in the future to transfer the advance paid for 02 restroom buildings constructed for the use of resource persons visiting Kandakadu and Senapura Rehabilitation Centres from work in progress account to the advance account.</p> | <p>Advances paid should be accounted for separately.</p>         |
| <p><b>(c)</b> Five air conditioners valued at Rs.1,375,000 had been accounted for under computer software instead of accounting for under plant, machinery and other equipment .</p>  | <p>It had been informed that 05 air conditioners valued at Rs.1,375,000 have been included under Computers and Accessories due to a mistake, actions will be taken to accurately enter machinery and other equipment in the account and make relevant adjustments.</p>                       | <p>Assets should be accurately classified and accounted for.</p> |
| <p><b>(d)</b> The contribution of the Bureau for the Public Service Provident Fund for the year 2023 was Rs. 2,878,195 and this had been debited to salaries and wages account without being debited to a separate account.</p>   | <p>It had been informed that the necessary actions will be taken to properly credit the contribution of the Bureau to the Public Service Provident Fund to a separate account.</p>   | <p>Contributions should be shown separately in the accounts.</p> |

#### 1.5.4 Lack of Written Evidence for Audit

Item	Amount Rs.	Unavailable Audit Evidence	Comments of the Management	Recommendation
Since this Bureau, which was under the Ministry of Justice, has prepared financial statements as an independent institution since 01 January 2023, it had not been disclosed in the financial statements in this regard. Similarly, there, the net adjusted value of the change in value of fixed assets adjusted to the balance of the capital grant account on 01 January 2023 was Rs.61,911,543. The evidence on how the increase in value of 03 asset categories totalling to Rs.23,485,930 and the decrease in value of another asset category amounting to Rs.638,969,433 was computed, was not submitted to audit in the calculation of this value.	662,455,363	Documents confirming the type of calculation of assets.	Removal of an amount of Rs. 1,534,994,759 which was the value of the assets of the Bureau, and included in the CIGAS accounting system as sub-offices under the Head of Ministry of Justice from the CIGAS accounting system considering as a disposal has been made by journal entries.	The relevant documents should be submitted to confirm the value of assets.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Para 8 (vii) of Pension Circular	Although the contributions of each month should be sent to	the On the difficulty of procuring transport facilities, actions have	Actions should be taken as per the referred Circular.

- 07/2015 dated the Public Service been taken to provide  
23 July 2015 of Provident Fund before contractual and  
the Department the 10th day of the permanent employees  
of Pensions following month, an contributions at once to  
the amount of Rs 1,729,038 the Provident Fund  
had been remitted in 10 and it had been  
cases with a delay from informed that the  
02 days to 32 days than actions will be taken to  
the due date. send contributions to  
the Fund as remittances  
are henceforth written.
- (b) Paragraph 6.6 The Draft Annual Report It had been informed Actions should be  
of the along with the financial that the Draft of the taken as per the  
Operational statements had not been Annual Report referred Manual.  
Manual for submitted to the audit. prepared in relation to  
State Owned the year 2023 was  
Enterprises submitted to the  
dated 16 Government Audit  
November 2021 Division on 22 May  
2024 after supervision.
- (c) Paragraph 4.4 Although the Audit The Bureau of Actions should be  
of the Committee Meetings Rehabilitation Act No. taken as per the  
Guidelines for should be held once in 02 of 2023 had enacted referred Guideline.  
State Owned three months, the Bureau form 01 February  
Enterprises had held only one Audit 2023 and it had been  
dated 16 Committee Meeting on informed that the first  
November 2021 14 December 2023 for meeting of the  
the year 2023 . Governing Council of  
the Bureau was held on  
07 June 2023, the  
members of the Audit  
Committee were  
appointed, the first  
Audit Committee  
Meeting of the year  
2023 was held on 14  
December 2023, and  
henceforth, the Audit  
Committees will be  
held as indicated in the  
relevant guidelines.

## **2. Financial Review**

### **2.1 Financial Result**

The operating result for the year under review was a deficit of 66,389,263 .

## **3. Operational Review**

### **3.1 Management Inefficiencies**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>(a) Even though the National Food Promotion Board, Bureau of Commissioner General Rehabilitation and a private company have started the maize cultivation project in the Welikanda Residential Business Management Area by providing the labour of the rehabilitators on the Memorandum of Understanding signed for 05 years from 04 October 2022, the Project had been stopped due to failure of receiving its reap.</p>	<p>Even though this project has been terminated due to the fact that the land taken over for the relevant agricultural project is a barren land, the time taken to prepare the land has increased, failure of receiving labour contribution from the rehabilitators due to the intermittent condition of the rehabilitation centre, the threat of Sena Caterpillars at the time of planting seeds, and the constant threat of the plantation from wild animals and wild elephants Due to the inability to get the expected income due to the reasons of being subjected to, due to the lack of a permanent elephant fence, having to get the labour of the local residents by paying money, it had been informed that the Governing Council of the Bureau will be informed about this and further actions will be done.</p>	<p>Actions should be taken in terms of Memorandum of Understanding.</p>
<p>(b) A total provision of Rs. 50,215,127 had been made as Rs. 39,546,017 and Rs. 10,669,110 by the Ministry of Agriculture for the year 2022</p>	<p>The Memorandum of Understanding signed between the Ministry of Agriculture and the Bureau of the Commissioner General</p>	<p>Actions should be taken as per the agreement</p>



and 2023 respectively for the project of growing maize for animal feed and a sum of Rs. 12,989,795 had been incurred during the two years. Nevertheless, actions had not been taken to extend the Memorandum of Understanding between the two parties by the date of audit 03 May 2024 .

Rehabilitation on 02 December 2022 had expired on 30 April 2023 and it had been informed that the Bureau did not want to extend and maintain it and actions will be taken to make aware the Ministry of Agriculture and credit the to the Government Treasury with the income from the sale of the maize harvest obtained from the planting of maize seeds purchased through the provisions given by the Ministry of Agriculture.

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| (c) | <p>The Tertiary and Vocational Training Centre (Senapura), which is run by an Employee Welfare Fund of the Bureau, is running the cement blocks and paddy cultivation project with the labour contribution of the rehabilitators and the paddy sales income of the paddy cultivation project on 14 September 2023 was Rs.1,164,500 according to the information received for audit. Nevertheless, there was no programme to provide any economic benefit to the rehabilitators for their labour contribution.</p> | <p>The paddy cultivation project run under the Senapura Centre is being carried out by a Bureau Welfare Fund and it had been informed that it is being done using the labour contribution of the rehabilitators and the office staff and a part of the income is being used for replanting and another part is being used for welfare activities and since no public money is used for this project, the accounts are being maintained according to the army accounting practice and this information has not been disclosed in the accounts.</p> | <p>Actions should be taken to provide economic benefits for labour contributions of the rehabilitators.</p> |
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### 3.2 Procurement Management

#### Audit Observation

All bidders bidding for supply of goods locally should be registered

#### Comments of the Management

It had been informed that, the selected entity has not

#### Recommendation

Actions should be taken in terms of

for Value Added Tax and if not, although it was mentioned in the tender document that a photocopy of the certificate obtained in the name of the institution should be certified by the Commissioner General of Income Tax Department as per the gazette notification, the agency selected for the procurement of 750 T-shirts with collars had not acted accordingly. Further, a formal contract agreement was to be written and signed as per 8.9.1 (b) of the Procurement Guidelines . Even though expenses of Rs.858,750 had been incurred for these purchases a formal contract agreement had not been signed.

submitted the Value Added Tax Registered Certificate or exemption certificate, and the relevant payments are made to a supplier only after ascertaining whether he is an active taxpayer, henceforth, the certificate will be obtained before submitting the estimates to the Technical Evaluation Committee.

referred Gazette Notification and Procurement Guideline.

### 3.3 Deficiencies in Contract Administration

#### Audit Observation

Although the entire procurement process should be planned to ensure that financial provision is available to meet the contract cost before awarding the contract for the construction of 03 hostels at Kandakadu Treatment and Rehabilitation Centre and to ensure that the project is completed within the stipulated time as per 4.1.1 of the Procurement Guidelines, actions had not been taken accordingly. Further, as the physical progress of these construction projects is more than 60 per cent, by taking actions for the termination of Phase I and Phase II contracts, the total incurred so far amounting to Rs. 35,066,985 was a useless expenditure.

#### Comments of the Management

It had been informed that it was impossible to start the relevant project due to the delay in allocating the funds required for the construction to this bureau, due to the inmates being infected with the corona virus and the use of the centre to quarantine Sri Lankan citizens arriving to the country from foreign countries and although a price variation not exceeding 20 per cent of the contract value should be given as per the relevant Memorandum of Cabinet of Ministers, actions have been taken to provide a price variation of 22.41 per

#### Recommendation

Actions should be taken in terms of referred Procurement Guidelines and Memorandum of Cabinet of Ministers.

Similarly, a price variation of Rs.8,523,646 and Rs.5,382,818 equal to 22 per cent and 30 per cent had been allowed for phase I and phase II contracts exceeding the contract value respectively in contrary to 3.2 of the Memorandum of Cabinet of Ministers for the Decision No. AMA/21/2084/306 /094 of Cabinet of Ministers.

cent and 30.32 per cent respectively for the respective projects upon the approval of the Procurement Committee.

### **3.4 Human Resources Management**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>Actions had been taken to absorb 13 permanent employees and 61 employees recruited on contract basis and working in the Bureau at present to the Staff of the Bureau of Rehabilitation as approved by the Department of Management Services by letter DMS/1869 dated 27 June 2023 and a total of 592 had been assigned to the duties of the Bureau as 55 ranks and 537 other officers of the armed forces.</p>	<p>It had been informed that the actions will be taken to absorb staff on permanent appointments under Bureau of Rehabilitation by the Department of Management Services letter dated 14 May 2024 and the arrangements will be made to give permanent appointments to the contract basis staff as per letter of Department of Management Services dated 15 May 2024 and the relevant employee requirement will be covered by the military staff until new recruitments are made after getting approval for the remaining vacancies from the approved staff.</p>	<p>Actions should be taken to absorb the staff in the approved cadre promptly.</p>

**4. Accountability and Good Governance**  
**4.1 Annual Action Plan**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>(a) The two functions of study tours mentioned in the Action Plan of the year 2023 and livelihood enhancement for post-rehabilitation had not implemented.</p>	<p>As there is a risk of them being taken out due to group escapes and acts of violence that happened in the rehabilitation centres in the past period, those visits were not carried out and it had also been informed that arrangements are being made to conduct an educational tour in the year 2024 .</p>	<p>Programmes should be implemented according to the Action Plan.</p>
<p>(b) Although the function and task of the Bureau includes the provision of treatment and rehabilitation for those seeking treatment and rehabilitation in terms of Paragraph 4(b) of the Bureau of Rehabilitation Act No. 02 of 2023, actions had not been taken to include it in the Action Plan of the year 2023 and implement it.</p>	<p>Only rehabilitation centres are being operated at present for rehabilitation beneficiaries sent as per court orders and it had been informed that actions are being taken to set up a new rehabilitation centre for the rehabilitators who seek voluntary rehabilitation, and it has been referred to the National Drug Control Board to set programmes for those rehabilitators and get recommendations.</p>	<p>The activities and tasks of the referred act should be included in the Action Plan and implemented.</p>