

Office for Reparations - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Office for Reparations 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 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 2022, 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 based 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 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. Audit Observations on Preparation of Financial Statements

1.5.1. Internal control over the preparation of financial statements

It is necessary for the organization to maintain an adequate “well-designed” internal accounting control system for exercise general and specific authority in transaction management, recording transactions and maintaining accounting for assets as required to prepare financial statements in accordance with applicable reporting standards, to access assets only with general and specific authority of management, to compare the accounting for recorded assets with the existing assets at reasonable intervals and to take appropriate action on discrepancies, if any etc.

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

| Non-compliance with reference to relevant standard | Comments of the Management | Recommendation |
|--|--|---|
| <p>In accordance with paragraph 70 of Sri Lanka Public Sector Accounting Standard No. 01, the entity shall present a separate classification on the face of the statement of financial position as current and non-current assets. But in the financial statements of the year under review, as short-term investments of Rs.6,000,000 were shown in long-term investments, as a result , the value of long-term investments in non-current assets was overstated by that amount and the value of short-term investments in current assets was understated by that amount.</p> | <p>Although the relevant classifications have been presented in the statement of financial position included in the statements of the year 2023, it has been informed that due to the errors in the calculation of the values that should be included in the year 2024, the appropriate values will be included in the relevant classifications.</p> | <p>It should be done in accordance with paragraph 70 of Sri Lanka Public Sector Accounting Standard No. 01.</p> |

1.5.3. Accounting deficiencies

| Non-compliance with reference to relevant standard | Comments of the Management | Recommendation |
|---|--|--|
| <p>a) According to the Supreme Court order dated 12 January 2023, the amount of one million rupees received as government contribution for the compensation fund created for the violators of fundamental rights due to the Easter Attack as recurring grants under income in the financial performance statement. And also due to the fact that its transfer to the victim fund was accounted as expenditure in the statement of financial performance, the recurrent grant and expenditure respectively were overstated in the statement of financial performance. Furthermore, the one million rupees and the sum of Rs. 35,825,588 received from the responsible parties according to the court order were credited to the fund. Although separate books of account were maintained for the same, those transactions were not recorded in the financial statements presented. In addition, as at 31 December 2023, the remaining amount of Rs.2,894,838 in the fund was not reported in the victim funds and cash balance in the statement of financial position. As a result the claims and cash balance in the statement of financial position were reported as less than that value.</p> | <p>According to the orders of the Supreme Court, one million rupees was given to the Office for Compensation by the Director General of the National Budget Department as an additional allocation for the state contribution on behalf of the victim fund. The said provision was duly included in the annual budget estimate of the Office for Compensation and the amount of one million rupees was given to the Office for Compensation by the Treasury Operations Department on the recommendation of the National Budget Department. Transactions have been duly recorded in the accounts that additional provision has been received and the said amount has been incurred as public expenditure. In the year 2023, the relevant disclosures have been made in the final accounts, and from the year 2024, I will also work to match this fund to the final accounts.</p> | <p>Steps should be taken to accurately account only the income and expenses related to the year under review, and steps should be taken to correctly indicate the ownership and cash balance of the institution related to the year in the statement of financial condition.</p> |
| <p>b) In the year 2019, the Board of Directors had decided to write off the total loss of Rs.300,000 overpaid to an indemnifier and the loss of a stock of stationery worth of Rs.112,900 while awarding compensation for the Easter attack. As this write-off was not reported as an</p> | <p>It has been informed that according to the Sri Lanka public sector accounting standards, the expenses related to the year will be adjusted in the same year as the expenses of the conversion year through</p> | <p>The expenditure related to the year should be properly accounted for and shown in the financial statements.</p> |

expense in the financial performance statement of the year under review was deducted from the accumulated fund, the expense of the year was understated by Rs.412,900 in the financial performance statement. the final account.

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 |
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| Financial Regulations of the Democratic Socialist Republic of Sri Lanka i) Para NO.264 | In the year under review, an amount of Rs.547,526,491 was paid to 362 victims by Cheque and an amount of Rs.786,977,664 was paid to 5,430 victims by direct remittance, but it was not confirmed whether that amount was received to respective parties. | A letter is sent to the concerned beneficiary to verify the accuracy of the relevant new bank details or the existing details before making the payment in respect of each file. This indicates that payment was made based on updated information only. | Steps should be taken to act as per Financial Regulation 264. |
| II).Para no.371(2) (b) | An Accounting Officer can issue an interim advance up to a maximum of Rs.100,000 at a time only to officers of staff grade for a particular purpose. In the event that an amount of more than Rs.100,000 is needed in the performance of the tasks without following this, several staff officers get together without | The full approval of the member board has been obtained for the projects obtained at this interim meeting. | Steps to be taken in terms of 371(2)(b) of the Currency Regulations. |

obtaining proper approval and divide the interim advance in the amount of Rs.100,000 or less and obtained the total amount of interim advance for the work concerned. had been spent by that director.

Under the Circular No. 01/2021 dated 16 November 2021 of Code of Guidelines for Public Enterprises

i). Para No.2.3

-According to the guidelines, the Action Plan for the year 2023 was not prepared.

It has been stated that it is intended to prepare the Annual Action Plan based on Public Enterprise Circular No. 01/2021.

It should be done in accordance with the Circular No. 01/2021 dated November 16, 2021 on Government Business.

-The Strategic Plan and Action Plan for the year 2023 had not been prepared and not presented according to the circular provisions.

Prepare a future Strategic Plan based on Public Enterprise Circular No. 01/2021 has been informed that it is expected to do.

It should be done in accordance with the Public Enterprise Circular No. 01/2021 dated 16 November 2021.

ii. Para No.3.1

As stated in Annexure 03, the minimum disclosure elements of the annual report to be submitted with the financial statements, such as the company's vision and mission, the chairman's comments, the board of directors' report, the audit management report

It has been stated that the information indicated by the National Audit Office in the annual report will be included and prepared in the future.

It should be done in accordance with the Public Enterprise Circular No. 01/2021 dated 16 November 2021 on Government Business.

and the financial positions of the company for the last 10 years, were not included.

2. Financial review

2.1. Financial results

The operating result of the year under review was a deficit of Rs.13,642,455, while the surplus of the previous year was Rs.19,268,441. Accordingly, a deterioration of Rs.32,910,896 was observed in the financial result. This decline was mainly due to the increase in depreciation of revalued vehicles and the existence of an audit surplus in the previous year.

3. Operational review

3.1. Management inefficiencies

| Audit Observation | Comments of the management | Recommendation |
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| <p>a) In order to ascertain the correct number of files for compensation, a document containing the details of the compensation claim files was requested to be submitted to the audit, but such a document failed to be submitted. Although there were 8,626 files pending further compensation as of 31 December 2023, no timeline was provided. Of these, an amount of Rs.1,802,446,195 was to be paid as compensation in relation to 4,917 files, but the amount to be paid in relation to the remaining 3,709 files was not assessed.</p> | <p>The observation has been accepted and steps are being taken to update the data system so that such a register can be obtained as per requirement directly through the computer system. It has also been informed that information related to the time analysis model will be provided. Out of the unpaid files, it is indicated that no compensation assessment can be submitted due to non-completion of necessary documents, non-entitlement for compensation, closure of files etc.</p> | <p>The files for compensation should be maintained in an orderly manner, and the files for which compensation is sought should be entered in a register. Also, since the budget estimates should be prepared correctly, provision should be made on time and compensation payments should be made, and steps should be taken to estimate the amount of compensation to be paid.</p> |
| <p>b) An amount of Rs.1,335 million paid as compensation in the year under review, 753 million rupees were paid to the compensation recipients who applied in the year 2023, for the people affected by the struggle, but only 582 million rupees were paid to the compensation recipients who applied</p> | <p>Agreeing with the observation, it is informed that the Board of Directors and the Cabinet have also approved to provide compensation for the damages caused to the houses of the victims due to the political unrest on 09 May</p> | <p>Arrangements should be made to give priority in compensation to those who have applied from previous years.</p> |

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| <p>for other compensation from previous years. Accordingly, giving priority in compensation to compensation recipients who applied before the year 2023 was relatively minimal.</p> | <p>2022 on the priority of needs.</p> | |
| <p>c) Although checks were issued for compensation payments during the year under review, the bank had dishonored 318 checks worth of Rs.39,124,653. Out of the checks given to the compensation beneficiaries as at 31 December 2023 due to giving compensation based on information that was not updated and amounted to Rs.29,818,995 of these compensations were remitted to the same compensation recipients through direct remittances, and another amount of Rs.9,305,658 was given to 85 new compensation recipients.</p> | <p>Agreeing to the observation, a letter is sent to the concerned beneficiary to confirm the accuracy of the relevant new bank details or the existing details before making the payment to avoid any dishonors under the Bank Slip System. This indicates that payments will be made based on up-to-date information only.</p> | <p>Compensation should be recommended based on the updated information of the concerned beneficiaries.</p> |
| <p>d) An amount of Rs. 737,485 due from the missing office for electricity and water for the period from September to December 2022 as shown in the financial statements as at 31 December 2022 was not recovered during the year under review.</p> | <p>It has been stated that related requests will be forwarded to the offices of the missing persons continuously and that this amount will be reimbursed as soon as possible.</p> | <p>Prompt action should be taken to collect the due money in a formal manner.</p> |
| <p>e) It had been decided to write off the loss as per the decision of the Board of Directors for Rs. 300,000 overpaid to an indemnifier for the Easter attack in 2019 and missing stationery worth of Rs.112,900 without taking adequate steps to recover the full loss from the responsible parties</p> | <p>In order to recover the entire loss from the responsible parties, preliminary investigation committees have been appointed and based on those recommendations, after confirming that this loss was not specifically caused by the fault of the officials, then it has been written off from the books of accounts with the approval of the board of members.</p> | <p>Adequate steps should be taken by the institution regarding recovery of those losses.</p> |
| <p>f) An officer had been recruited for the post of "Director" in the Office of Compensation for a period of two years from 01 September 2023, on secondary basis, without following</p> | <p>According to the recruitment procedure, the basic salary for the post of Director is Rs.74,005 and As per the approval of the Public Service</p> | <p>Officers should be recruited as per formal recruitment procedure.</p> |

formal recruitment procedure. However, if an external or internal applicant was recruited for the post of Director, Rs.163,055 per month as salary and all allowances would have to be paid, while the officer recruited under the secondary basis would have to pay Rs.201,474 per month as salary and all allowances and additional cost of Rs.38,419 had to so incurred . Further the more a list of duties was not given for this officer who was recruited for the post of Director, and there was not sufficient performance relating to duties exercised by this officer.

Commission and as per Annexure 13, the gross salary is Rs.104,085 as an allowance of 25 percent of the monthly consolidated salary of the recruiting officer on a secondary basis and 25 percent of the widow's or children's pension is paid by the institution. Furthermore, the director shall make all nonfunctional control/compensation recommendations for the payment and approvals as per the authority of the institution and shall exercise the statutory powers.

4. Human Resource Management

| Audit Observation | Comments of the management | Recommendation |
|--|---|---|
| As at 31 December 2023, the approved number of officers in the office was 77, while the actual number of officers was 50, so as 27 vacancies for 06 posts. | The requirement of recruitment for the vacant positions was continuously submitted by the Ministry Secretary to the Department of Management Services, and on 12 th and 20 th December 2023. The approval was given to recruit for 05 positions, and the necessary activities for the interviews are being carried out. | In order to maintain an effective service level, the management should conduct a review on the staff and take necessary measures accordingly. |