

**1.1 Qualified Opinion**

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The audit of the financial statements of the Office on Missing Persons for the year ended 31 December 2019 comprising the balance sheet as at 31 December 2019 and the income and expenditure statement, 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(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 the Financial 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 Office as at 31 December 2019, 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**

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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**

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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 Office'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 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 Office's financial reporting process.

As per 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.

## 1.4 Auditor's Responsibility in Auditing 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 Office'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'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 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 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 Financial Statements

### 1.5.1 Accounting Deficiencies

The following observations are made.

	<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	Although a sum of Rs.2,924,950 had been accounted as recurrent expenditure which recurrent expenditure was incurred by the United Nations Development Program but relevant grants were added to the reserves without being identified as income of the Office. Therefore the deficit of the Office was overstated by that amount during the year under review.	Instructions had been given to the relevant officers to rectify this error in the financial statements of 2020.	Received Grants should be accounted correctly.
(b)	Accrued amount had been understated by Rs.1,436,320 relevant to 3 items of expenditure during the year under review.	Action will be taken to correct in the year 2020.	Payable amounts should be accounted correctly.
(c)	Festival expenses of Rs.2,505,909 had been capitalized which was incurred for the International Day of the Missing Persons.	We have requested all the expenditure expected to be spent on the International Day under the capital allocation. According to that relevant funds have been provided as capital allocation by the Treasury and according to that total amount spent for that, had been capitalized.	Should be accounted correctly.

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| (d) | The building rent expenses of Rs. 200,000 paid for the next year was accounted as expenditure of the year under review.  | Instructions have been given to the relevant officers to correct the relevant error in the year 2020.   | Should be accounted correctly.         |
| (e) | The building rent expenses of Rs. 2,450,000 which was paid during the year under review was shown under the other services expenses in the financial statements.                             | Instructions have been given to the relevant officers to correct the relevant error in the year 2020.   | Should be accounted correctly.         |
| (f) | Computer and Accessories valued at Rs. 6,845,457 which had been purchased during the year under review had been accounted as machinery and equipment in the Statement of Financial position. | Instructions have been given to introduce separated and appropriate account codes for the Institute from the year 2021, and prepare the financial statements accordingly. | Assets should be classified correctly. |

## 1.5.2 Unauthorized Transactions

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(a) Although a sum of Rs. 2,935,713 had been spent for recurrent expenditure and those received grant shown as an income of the Office which had been received as capital grant from the General Treasury but the approval had not been obtained for this from the General Treasury.	Our institute has been spent a sum of Rs.2,935,713 in addition to the received allocation for recurrent expenditure from the General Treasury in 2019, and spent by using the money received as capital allocation on awareness of the Finance Ministry. According to that this amount has been included in the Financial Statements in 2019 as considering received funds for recurrent expenditure.	Approval should be obtained from the Treasury.

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

References to Laws, Rules, Regulations, etc.	Non-compliance	Comments of the Management	Recommendation
Paragraph 2 (i) of the Asset Management Circular of the Ministry of Finance and Mass Media No. 02/2017 dated 21 November 2017.	A vehicle had been used without a formal acquisition belonging to the Ministry as per the circular and Rs. 252,087 and Rs. 328,802 had been made for vehicle maintenance expenses and fuel respectively.	A vehicle had been provided us by the Ministry on temporary basis. These costs are incurred for the maintenance and fuel of that vehicle. Arrangements have been started to take over the vehicle in 2020.	Actions should be taken as per the Circular.

## 2. Financial Review

### Financial results

The operating result of the year under review amounted to a deficit of Rs7,445,221 and the deficit for the preceding year amounted to Rs. 2,076,345 corresponding to that. Accordingly, a deterioration of Rs. 5,368,876 of the financial result was observed. The increase in personnel expenses, travelling expenses, supplies and consumable used expenses and service expenses had mainly attributed to this deterioration.

## 3. Operating Review

### 3.1 Human Resource Management

Audit Observations	Comments of the Management	Recommendation
It was observed in audit that existences of vacancies 30 out of 39 senior management level posts and 99 out of 114 tertiary level posts may have adversely affected the administrative works.	Even though the recruitment process was delayed and suitable persons could not be recruited for certain posts according to the recruitment process and the recommended salary, and existing vacancies were failed to fill due to the election held in the country during this period new recruitments had to be suspended.	Action should be taken to fill the vacancies.

**4. Accountability and Good Governance**

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**4.1 Annual Action Plan**

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<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Although an action plan has been prepared for the Office on Missing Persons for the year 2019, this Action Plan has been prepared only for the purchase of equipment and goods for the needs of the institution and None of the functions relating to exercise, of duties were included in this Action Plan which in Section 10 (1) of Part II of the Office of Missing Persons (Establishment, Administration and Discharge of Functions) No.14 of 2016.	Since the activities performed financially were included in the action plan of 2019 and any financial expenses will not incur, but the activities were included in the Annual Report of 2018 which we plan to do in 2019.	Action plan should be prepared including all activities expected to be performed.