

Resettlement Authority - 2014

The audit of financial statements of the Resettlement Authority for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971 and paragraph 20(4) of the Resettlement Authority Act, No. 09 of 2007. My comments and observations, which I consider should be published with the annual report of the Authority in terms of Section 14 (2)(c) of the Finance Act, appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act will be issued to the Chairman of the Authority in due course.

1.2 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal controls as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Resettlement Authority as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

(a) According to the provisions made in the Sri Lanka Public Sector Accounting Standard No.02, the statement of cash flow should be prepared to reflect cash inflows and outflows during the year under review. However, the following deficiencies were observed in the statement of cash flow presented.

(i) The net cash outflow of Rs. 494,482 from operating activities had been shown as Rs. 258,067.

(ii) Cash flows from investing activities had not been generated during the year under review. However, a sum of Rs.530,524 had been shown as cash inflows from investing activities.

(b) As required by the Sri Lanka Public Sector Accounting Standards No 7, the change in accounting policy followed in the previous year for depreciation had not been disclosed in the financial statements.

2.3 Non- Compliance with Laws, Rules, Regulations and Management Decisions etc.,

The following instances of non-compliances were observed in audit.

<u>Reference to Laws, Rules and Regulations</u>	<u>Non- Compliance</u>
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Resettlement Authority Act, No.09 of 2007

(i) Section 12 of Part 1

The Authority had not taken action to establish Branch offices in the Northern and Eastern Provinces to resettle the displaced people living in such areas and to fulfill their needs even up to 30 June 2015.

(ii) Section 20(1) of Part III

Action had not been taken to establish an independent Fund for the Authority.

3. Financial Review

3.1 Financial Results

The operations of the Authority for the year under review had resulted in a deficit of Rs.513,936 as against the surplus of Rs.170,208 for the preceding year. Accordingly, the financial results for the year had indicated a deterioration of Rs. 684,144.

4. Operating Review

4.1 Performance

According to the Resettlement Authority Act, No. 09 of 2007, it was indicated 02 basic objectives and 14 functions of the Authority. However, action had not been taken to make proposals to achieve such objectives and to implement them.

4.2 Management Inefficiencies

The following observations are made.

- (a) The Chairman of the Authority had withdrawn a sum of Rs. 46,651 from the Authority for a foreign visit which was not related to the activities of the Authority and without approval of the Secretary to the Line Ministry.
- (b) Eventhough the newspaper advertisements had been published at a cost of Rs.30,912 during the year under review to fill the vacancies of the Authority, such officers had not been recruited.
- (c) To implement the objectives and functions of the Authority, the information to be collected for displaced persons and refugees in the island and functions are required to be performed accordingly. However, plans had not been prepared and implemented to collect such data.

4.3 Personnel Administration

The posts such as an Engineer, a technical Officer and a Planning Officers included in the cadre of the Authority had remained vacant since 2007. In addition, 04 posts of Development Assistant were remained vacant for over 03 years. Eventhough the applications had been called for and interviews had been held thereon during the year under review, action had not been taken to recruit officers for such posts even by 31 May 2015. Therefore, the objectives and functions of the Authority could not be achieved as expected.

5. Accountability and Good Governance

5.1 Corporate Plan

The Corporate Plan for the years of 2014-2016 had not been prepared.

5.2 Action Plan

An Annual Action Plan which included 07 activities for each of 05 Districts had not been prepared by the Authority. However, any activity had not been implemented in 01 District whilst only 03 activities had been implemented in other 03 Districts. Accordingly, the Authority could not complete its activities included in the Action Plan for the year under review.

5.3 Meetings of the Board of Directors

According to the paragraph 4.2.2 of Public Enterprises Circular No. PED 12 of 02 June 2003, a performance report on financial and physical progress, reports on monthly operations, monthly cash flow statement and the report on cadre position are required to be presented for the meeting of the Board of Directors. However, such reports had not been presented and reviewed. Further, only one meeting of the Board of Directors had been held by the Authority during the year under review.

5.4 Tabling of Annual Reports

Action had not been taken to table the Annual Report -2013 in Parliament even as at 15 June 2015.

6. System and Controls

Deficiencies observed during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention of the management is needed in respect of the following areas.

- (a) Personnel administration
- (b) Corporate Plan and Action Plan