

Bureau of Rehabilitation – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bureau of Rehabilitation for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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, 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 reported 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 2024, 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 Institute'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 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

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 Bureau'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 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 the Bureau 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 the Bureau has performed according to its powers, functions and duties; and
- Whether the resources of the Bureau 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) The amount of Rs. 545,490 paid in excess to the contracting institution for the construction of 02 Cells at the Senapura and Kandakadu Rehabilitation Centres was not recognized as a value receivable under current assets in the statement of financial position for the year under review. Furthermore, since the amount paid in excess for these two constructions had been debited to the buildings account, so as the property, plant and equipment had been overstated by that amount.	It has been credited to the Construction Institute on 27 February 2025, and will be corrected by crediting to the Buildings Account in the year 2025.	Overpayments should be accounted as current assets.
(b) The security deposit amounting to Rs. 5,832,000 paid for the rental of the building, where the head office is located, was not indicated under current assets in the statement of financial position, but it had been indicated only in a note.	Since it was an amount paid before the Bureau was taken over in the year 2023, it cannot be indicated as a current asset, and since that amount has to be paid to the General Treasury, it has been indicated only by notes.	Security deposits should be accounted as current assets.
(c) The value of goods and equipment, amounting to Rs. 3,614,459 purchased in the year 2024 and not distributed to the rehabilitants, who had been socialized, had not	Action will be taken to correct it through journal entries in the year 2025.	Undistributed inventories held by the entity should be recognized as current assets.

been included in the stock value as at 31 December of the year under review.

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| (d) | The amount of Rs. 19,133,235 paid for the supply of electricity to the Kandakadu Rehabilitation Centre in the year 2014 was not capitalized as non-current assets, and the security deposit amounting to Rs. 1,000,000 had not been recognized under current assets. | It has been informed that the cost of obtaining electricity supply will be accounted as non-current assets in the year 2025, and since there were no original copies that the security deposit had been paid, it has not been accounted under current assets. | Security deposits should be recognized and accounted as current assets. |
| (e) | Even though the amount of Rs. 1,426,621 paid to the Department of Buildings as management fees paid during the year for 04 completed projects should be debited to the buildings account as capital expenditure, it had been accounted to the other expenses account. | It will be corrected in the year 2025. | Management fees should be capitalized. |
| (f) | According to the documents submitted to audit to obtain verification of the 04 values amounting to Rs. 258,958,663 that had been adjusted in the name of Buildings to the Capital Grants Account, the value was Rs. 262,890,731. Accordingly, there was a difference of Rs. 3,932,068 between the value of the building as mentioned in the relevant documents and the financial statements. | It will be capitalized in the year 2025 and the relevant depreciation adjustment will also be made. | Correct values must be accounted. |

1.5.2 Unreconciled Control Accounts or Records

	Item	As per Financial statements Rs.	As per correspondi ng Recorts Rs.	Difference Rs.	Management Comment	Recommendation
(a)	Stationery Stocks	35,350,452	36,360,948	(1,010,496)	At present, corrections have been made.	The correct stock value should be indicated in the financial statements.
(b)	Total value of fuel and rations	179,819,303	176,330,279	3,489,024	Inconsistencies have arisen due to not updating corrections at the time of making corrections by the Directorate of Supply and Transport of the Army.	Action should be taken to identify the correct value by making reconciliations.
(c)	The amount to be paid for rations and fuel	4,729,779	44,014,182	29,284,403	A report containing fuel and rations supplied for the needs of the Bureau is submitted to the Army, and the relevant discrepancies have arisen due to not properly updating values thereof by the Army.	Action should be taken to verify the correct value through reconciliation and to account.

1.5.3 Documentary Evidences Not made available for Audit

	Item available	Amount Rs.	Evidence not	Management Comment	Recommendation
(a)	Fixed Assets	24,734,718	Assets Registers	It has been informed that the value of the building has been overcapitalized by Rs. 1,248,788, and that it will be accounted correctly in the year 2025. The line ministry has made payments for the remaining expenses incurred during 2010 - 2014, and that the relevant documents were in the possession of the ministry.	Confirmations should be submitted to the audit to confirm the value of fixed assets.
(b)	Stocks	46,895,368	Stock Valuation Reports	A stock valuation will be conducted for the ensuing period.	Stock valuation should be carried out and the stock value should be confirmed.

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

	Reference to Laws, Rules, Regulations etc.	Non compliance	Management Comment	Recommendation
(a)	Paragraph 2.3 of the Public Enterprises Circular No. 01/2021 dated 16 November 2021	Although a strategic plan should be prepared and submitted to the Secretary to the General Treasury and the Director General of the Department of Public Enterprises or the Department of National Budget through the Secretary of the Line Ministry, the Bureau had not prepared such a strategic plan.	Drafts have been prepared and will be submitted for approval of the Governing Council.	Action should be taken in accordance with the circular.

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| (b) | Paragraph 6.6 of the Operations Manual for State-Owned Enterprises dated 16 November 2021 | Although the financial statements and draft annual reports are required to be submitted within 60 days after the end of the accounting year, they were submitted to the audit on 17 April 2025. | Although the accounts have been prepared, approval could not be obtained due to the suspension of the activities of the Governing Council. | Action should be taken according to the guidelines. |
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(c) **Procurement Guidelines**

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| (i) | Paragraph 4.2.1(b) | Although procurement activities expected for a period of at least 03 years should have been listed in the Master Procurement Plan, procurement activities related to the year 2024 were only included in the Master Procurement Plan prepared by the Bureau for the year 2024. | The expected procurement plan will be prepared in the future. | Action should be taken in accordance with the procurement guidelines. |
| (ii) | Paragraph 4.2.2(a) | The Bureau had not prepared a document for the year 2024 that chronologically describes the steps of each procurement activities from the beginning to the end of each procurement. | Action will be taken in the future in terms of the Guidelines. | Action should be taken in accordance with the procurement guidelines. |

2. Financial Review

2.1 Financial Result

The operating result for the year under review was a deficit of Rs. 72,013,067, and the corresponding deficit for the previous year was Rs. 66,389,263. Accordingly, a depreciation of Rs. 5,623,804 was observed in the financial result. This depreciation was mainly due to the decrease in the receipt of grants.

3. Operational Review

3.1 Management Inefficiencies

	Audit observation	Management Comment	Recommendation
(a)	Although the provision of treatment and rehabilitation services to those seeking treatment and rehabilitation is included in the functions and tasks of the Bureau in terms of Section 4(b) of the Bureau of Rehabilitation Act, No. 02 of 2023, action had not been taken to include it in the Action Plan for the year 2024 and to implement it.	Steps have been taken to start new rehabilitation centres for rehabilitants who voluntarily seek rehabilitation, and rehabilitation activities will be started after receiving approval.	The expected role of the institution should be included in the action plan and steps should be taken to implement it.
(b)	Any physical and financial progress had not been made in 05 activities, for which provision amounting to Rs. 86,564,294 had been allocated in the Action Plan for the year 2024.	Answers that were not related had been provided.	Action should be taken to complete the planned tasks as expected.
(c)	During the year 2024, 13 vocational training courses were conducted for inmates at a cost of Rs. 11,169,157. Although the number of inmates who completed vocational training courses and received training during the year was 314, the number engaged in jobs related to the training was a low value as 36 or 11.5 percent.	The lack of getting jobs related to vocational training was because they go to previous jobs. However, the courses have given them opportunity to personal development in daily life as well as fulfilling job qualifications.	Action should be taken to complete the tasks to achieve the desired objectives.
(d)	In the year 2024, the number of persons rehabilitated was 820, but the number of persons who relapsed into drug addiction was 134 and the number of people who were re-imprisoned was 27. Although the total expenditure incurred by the Government on rehabilitation activities during the year was Rs. 591,807,915, it was	Releasing back to the same environment after rehabilitation has an impact.	The implementation of follow-up activities should be increased.

observed that the desired objectives of rehabilitating inmates had not been properly achieved.

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| (e) | Although the Board of Survey had recommended to dispose of a Defender Jeep and a motorcycle owned by the Bureau, the necessary steps had not been taken even by 31 December of the year under review. | Although the Ministry had informed to submit recommendations of the Governing Council, the appointment of the new Governing Council had been delayed. | Action should be taken as per the recommendations of the board of survey. |
| (f) | In terms of Section 11.4 of the Public Enterprises Circular No. 01/2024 dated 28 February 2024, an officer who is eligible to receive an official vehicle shall be provided with only one vehicle even if he serves in several government institutions under any employment. During the year under review, the Sri Lanka Army had provided vehicles along with fuel and driver to the Commissioner Administration (Headquarters of the Bureau), Superintendent of Rehabilitation Saranga Centre - Vavuniya and Commissioner of Rehabilitation (Headquarters of the Bureau), while the Rehabilitation Bureau had also taken steps to provide 03 vehicles allocated to the above officers. Furthermore, since one of these 03 vehicles had been acquired on a rental basis, Rs. 1,196,200 had to be spent on that vehicle as rental, and Rs. 3,479,464 had to be incurred as fuel expenses for the entire 03 vehicles. | The Bureau has provided vehicles only for the official needs of the relevant officers. | Action should be taken in terms of the Public Enterprises Circulars. |

3.2 Operational inefficiencies

Audit observation	Management Comment	Recommendation
Although the capacities of the Kandakadu, Senapura and Vavuniya Rehabilitation Centres to accommodate inmates were 500, 500 and 120 respectively, the number of inmates as at 31 December 2024 was 101, 79 and 82 respectively, and therefore, 858 could have been further accommodated. It was observed that the human and physical resources of the centres had not been utilized to the maximum extent.	Since there is a shortage in directing to the centres by the courts, the courts have been informed and requested to direct more inmates for rehabilitation.	Action should be taken to utilize resources with maximum efficiency.

3.3 Procurement Management

Audit observation	Management Comment	Recommendation
(a) Although a formal contract agreement should be signed for goods and services contracts exceeding Rs. 500,000 in accordance with 8.9.1(b) of the Procurement Guidelines, no such formal contract agreements had been signed for the purchase of 1100 black trousers worth Rs. 2,860,000 for rehabilitants and 15 sets of equipment required for the barber profession worth Rs. 1,374,825.	The relevant payments will be made only after all the goods are received in the prescribed quantity properly, and that orders will be issued subject to a contract for all purchases exceeding the limit from 25 May 2025.	Action should be taken in accordance with the Procurement Guidelines.
(b) The procurement for the purchase of 1,100 black trousers for rehabilitants was awarded to the institution that had submitted the lowest price at a sum of Rs. 2,860,000. Although it had been stated in the bidding document that all the bidders submitting quotations for the supply of goods locally should be registered for	It will be stated in the tender documents in the future that it is mandatory to submit VAT clearance letters and the institutions in accordance with the Registration Act and that institutions failing to do so would be disregarded for evaluation.	Action should be taken in accordance with the relevant laws.

Value Added Tax, and if it was not so, a photocopy of the certificate obtained in the name of the institution after being certified by the Commissioner General of the Inland Revenue Department should be submitted as per the gazette notification, the selected institution had not taken action accordingly.

3.4 Human Resources Management

	Audit observation	Management Comment	Recommendation
(a)	The approved cadre in the Bureau was 267, and the actual number of employees was 65. Therefore, there were 202 vacancies. The number of vacancies in the senior level was 10, and the number of vacancies in the tertiary level was 41. There were 105 vacancies in the secondary level and 46 vacancies in the primary level. A total of 407, consisting of 46 Army officers and 361 other ranks of the tri-forces were attached during the year under review. Accordingly, 205 persons had been attached from the Ministry of Defence by exceeding the approved number of vacancies.	Vacancies have been filled by attaching personnel from the Ministry of Defence until they are recruited on a permanent basis, and the services of external resource persons are being obtained for advisory duties.	Action should be taken to fill the vacancies.
(b)	Although the Ministry of Defence had approved the release of 358 military officers and other ranks for duty at the rehabilitation centres and 49 military officers and other ranks had been attached in excess of that number.	Seventy-one (71) officers of other ranks approved for senior military officers have been attached to the Bureau in accordance with the existing policies and regulations of the Army.	Actions should be taken subject to approvals.
(c)	The need of attaching 83 personnel for clerical duties and 37 for general duties of the Headquarters of the Bureau from the staff attached by the Ministry of Defence was not clear to the audit.	The Governing Council has drawn the attention and will re-study the staff.	They should be assigned for the approved positions

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| (d) | Although the Ministry of Defence had deployed 15 officers and 35 other ranks for advisory duties, Rs. 31,045,395 had been paid to external advisory officers during the year. | Since approval for recruitment had not been received, the services of external consultants will be obtained. | Action should be taken to recruit the staff and to obtain services of the attached officers. |
| (e) | Although a total of 12 persons, consisting of 03 medical officers, 06 nursing officers and 03 pharmacists, had been approved for attachment from the Ministry of Health, action had not been taken to obtain the said staff. | Since there is a staff shortage in the Ministry of Health, personnel from the Ministry of Health have not been attached. | Action should be taken to fill the approved posts. |