

Head-323 – Department of Legal Affairs

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Department of Legal Affairs for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance and cash flow statement for the year then ended 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. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Department of Legal Affairs was issued to the Accounting Officer on 31 May 2020. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 04 October 2020 to the Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the accompanying financial statements prepared in accordance with the provisions of the State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Department of Legal Affairs as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Opinion

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 opinion.

1.3 Responsibilities of Chief Accounting Officer for the Financial Statements

Chief Accounting Officer and Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles, and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Department 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 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 General'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 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 Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the structure and content of the financial statements containing the disclosures and the transactions and events that underlie the financial statements in an appropriate and reasonable manner.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

As required by Sub-section 6 (1)(d) of the National Audit Act, No.19 of 2018, I state the followings.

- (a) That the financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements furnished in the previous year had been executed.

2. Financial Review

2.1 Expenditure Management

Audit observation	Recommendation	Comments of the Accounting Officer
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Although the provision for capital expenditure for the year under review was Rs.900,000, there were savings of Rs.618,335 or 69 per cent out of it.	Action should be taken to maximum utilization of the approved provisions.	It was informed that the provisions were saved due to National Budget Department had instructed not to spend 25 per cent of the allocations on expenditure items, that no special training requirement arose and that the non-recruitment of new Legal Officers in the year 2019.

3. Operational Review

3.1 Annual Performance Report

The inaccurate information contained in the Annual Performance Report and the relevant audit observations are given below.

Audit observation	Recommendation	Comments of the Accounting Officer
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(a) The Performance Report had not indicated the progress of a task that should have been performed during the year under review according to the	The requirement to take action to carry out the tasks mentioned in the Action Plan as scheduled.	It had been informed that the drafting activities of the Institute of Certified Management Accountants (Amendment) Act No. 23 of 2009 had been initiated by the Legal Draftsman and it was informed by the Legal Draftsman that the approval of the Cabinet has to be sought again due to the appointment of a new Government after November 2019 and it was not possible to

Action Plan and that task could not be finished even end of the year under review.

- (b) Amendment activities of 05 Bills from 2018 had not been completed until 31 December 2019.

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do so during that period because there was no Parliament from February 2020 to August 2020 and action will be taken to obtain that approval in the future.

It was informed to the Legal Draftsman by a letter dated 03.11.2020 that the approval of the new Board of Directors had to be obtained and submitted to the Cabinet because a new Board of Directors had been appointed to the Securities and Exchange Commission of Sri Lanka from December 2019 and that a Cabinet Memorandum was submitted on 02.10.2020 and it was approved at the Cabinet Meeting held on 26.10.2020 and that the Securities and Exchange Commission bill of Sri Lanka should be drafted in accordance with that approval. Further, future action will be taken in this regard as per the new Government policy as the new Cabinet approval is required for the Demutualization of Colombo Stocks Exchange Bill. Secured Transactions Bill consists of 07 Acts and it is a bill introduced by 04 Ministries and further action can be taken after referring it to us with obtaining the approval of the new Cabinet of Ministers by those Ministries because the approval of the Cabinet had to be obtained again due to the appointment of a new Government after November 2019.

That a Cabinet Memorandum was submitted to the Cabinet Office on 07.09.2020 to obtain the new Cabinet Approval for the Sri Lanka Auditing and Accounting Standards Bill and the approved of the Cabinet for that Cabinet Memorandum had not been received so far.

As new amendments to the Financial Sector Regulators Information Exchange Bill had been introduced by the Central Bank of Sri Lanka, a Cabinet Memorandum is being prepared to submit those amendments to the Cabinet for approval.

4. Human Resource Management

Audit observation	Recommendation	Comments of the Accounting Officer
04 out of the total Approved Cadre or 21 per cent had vacant as at 31 December 2019 and 02 of those vacancies were senior-level posts.	The requirement to act to expedite the filling of Cadre vacancies that adversely affect the performance.	<ul style="list-style-type: none">• The Director General post is a post to be appointed by the Cabinet.• Two officers had been recruited for the 02 vacant posts of Legal Officer on 01.01.2020 as per the approval of the Public Service Commission.• An officer had not been attached for the post of Development Officer due to the difficulty of obtaining a law graduate as required.• Action will be taken to fill the vacant post of the driver when a Director General is appointed by the Cabinet of Ministers.• Accordingly, the total number of vacancies in the Approved Cadre is 04 at present and out of it only 02 senior level posts are vacant.