

Head 235 – Department of Law Commission

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Law Commission 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 Law Commission was issued to the Accounting Officer on 25 June 2020. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department of Law Commission was issued on 12 August 2020 to the Accounting Officer. This report 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, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements prepared in terms of provisions of the State Accounts Circular No.271/2019 of 03 December 2019 give a true and fair view of the financial position of the Department of Law Commission as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified 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 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Chief Accounting Officer and the 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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer and the Accounting Officer determine 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 of Law Commission 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 Department.

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

1.4 Auditor's Responsibility for the Audit of 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, 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 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.

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) and Section 38 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) That the recommendations made by me on financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
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The sum of Rs.840,254 which was recovered through the settlement of advances to public officers and sent to the Treasury, had been deducted from imprests received directly from the Treasury in the year under review and shown in the statement of financial performance instead of adjusting by the Imprest Account. As such, the imprest balance had been understated by Rs.840,254 in the statement of financial performance as at 31 December 2019 and the said difference of receipts of imprests had been indicated in the Format ACA 3 as well.	In terms of circulars, the sum of Rs.840,254 which was recovered through the settlement of advances to public officers and sent to the Treasury, should be adjusted by the Imprest Account. The total amount of imprests received directly from the Treasury during the year should be indicated in the statement of financial performance and the Format ACA 3.	It is agreed with matters included in the report.

1.6.2 Statement of Financial Position

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Even though the balance of motor vehicles indicated in the financial statements as at 31 December 2018 amounted to Rs.21,613,804, a sum of Rs.22,756,900 had been indicated as the balance as at 01 January 2019 in the Format ACA 6 of the year under review.	----- Corrections made to the opening balance in the preparation of financial statements should be disclosed.	----- According to the financial statements of the preceding year, the balance of motor vehicles as at 31 December 2018 had been recorded incorrectly as Rs.21,613,804 and it was revealed at the audit test checks carried out later that the said balance should be corrected as Rs.22,756,900. In the preparation of financial statements for the year 2019, the said correction made to the opening balance could not be disclosed.

1.6.3 Cash Flow Statement

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) According to computer printouts of the Treasury and Departmental books, the balance of receipts of imprests amounting to Rs.17,282,790 had been indicated as Rs.14,945,142 in the cash flow statement.	----- Receipts of imprests from the Treasury should be indicated correctly in the cash flow statement.	----- It is agreed with matters included in the report.

(b) Personal Expenses should be recorded in It is agreed with matters included
 emoluments and terms of the State Accounts in the report.
 expenditure on Circular No.271/2019 of 03
 operations had been December 2019.
 indicated as
 Rs.14,048,498 in
 the Format ACA
 2(ii) along with
 financial statements
 and subsidies and
 transfers had been
 Rs.78,640.
 However, the total
 of the said two
 expenses amounting
 to Rs.14,127,138
 had been indicated
 under personal
 emoluments and
 expenditure on
 operations of the
 Format ACA – C
 relating to the cash
 flow statement.

1.6.4 Non-compliance with Laws, Rules and Regulations

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Reference to Non-compliance Laws, Rules and Regulations -----		
Establishments Code of the Democratic Socialist Republic of Sri Lanka Section 13.3 of Chapter II	Even though an acting appointment should be made as a temporary measure only and until a substantive appointment is made, a substantive appointment had not been made even by 10 June 2020 for the post of Secretary which was vacant since the year 2014.	Action should be taken in terms of Section 13.3 of Chapter II of the Establishments Code It is agreed with matters included in the report.

2. Operating Review

2.1 Planning

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>In terms of State Accounts Circular No.01/2014 of 17 February 2014, the following information such as the updated organizational structure, approved cadre and actual cadre, Activity Plan prepared according to the priorities based on the Annual Budget for the year under review and Imprest Requirement Plan had not been included in the Action Plan prepared for performing key functions of the Department and obtaining anticipated output for the year 2019. As such, the said Action Plan had not been prepared in terms of the aforesaid Circular.</p>	<p>The Action Plan for the year should be prepared in terms of the State Accounts Circular No.01/2014 of 17 February 2014.</p>	<p>It is informed that the Action Plan will be prepared in future in terms of the State Accounts Circular No.01/2014 of 17 February 2014.</p>

2.2 Management of Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Action had not been taken even by 10 July 2020 to transfer the ownership of 03 motor vehicles provided by the Ministry of Justice in the years 2017 and 2018.</p>	<p>Transfer of ownership of those motor vehicles provided to the Department should be expedited.</p>	<p>Action is being taken to transfer the ownership of those 03 motor vehicles bearing Nos. WP KP 1092, WP KP 1094 and WP KP 1107 to this Department.</p>

2.3 Security of Public Officers

Audit observation	Recommendation	Comments of the Accounting Officer
----- Security had not been obtained from two officers required to give security in terms of the Financial Regulation 880.	----- Security should be obtained from officers required to give security in terms of Financial Regulation 880.	----- Action is being taken to obtain security from officers required to give security.

3. Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Even though the approved cadre of the staff of the Department stood at 29, the actual cadre as at 31 December 2019 stood at 18, thus indicating 11 vacancies in the staff.	----- Action should be taken to fill necessary vacancies.	----- Duties are being performed by using the available human resource at maximum efficiency.