

## Head 229 – Department of Attorney General

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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The audit of the financial statements of the Department of Attorney General 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 . The Summary Report containing my comments and observations on the financial statements of the Department of Attorney General was issued to the Accounting Officer on 30 June 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018 . The Annual Detailed Management Audit Report of the Department of Attorney General was issued to the Accounting Officer on 12 August 2020 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Department of Attorney General as at 31 December 2019 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

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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 and the Accounting Officer on Financial Statements

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The Chief Accounting Officer and the Accounting Officer are responsible for preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 .

As per 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.

The Accounting Officer shall ensure that an effective internal control system is maintained and maintained for the financial control of the Department in terms of sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

#### **1.4 Auditor's Responsibility on Audit of Financial Statements**

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My objective is to express a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the Summary Report of the Auditor General 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 furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of Department's internal control, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

## 1.5 Report on Other Legal Requirements

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I declare the following matters in terms of Sub-section 6 (1)(d) and Section 38 of the National Audit Act No. 19 of 2018 .

- (a) There was a difference totalled to Rs.58,500,819 in between corresponding balances in relation with the previous year mentioned in the financial statements of the year under review for 03 objects and balances related to those objects in the financial statements of the preceding year. Due to the fact that no disclosure had not been made in the financial statements in this regard , the financial statements had not correspond with those of the preceding year.
- (b) The recommendations made by me regarding the financial statements related to the preceding year had been implemented.

## 1.6 Comments on Financial Statements

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### 1.6.1 Statements of Financial Performance

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Audit Observation	Recommendation	Comments of the Accounting Officer
Because of a sum of Rs.52,331,183 had been recovered from the billed income amounting to Rs.125,705,333 for legal fees applicable to Corporations and Statutory Boards for the year ended 31 December 2019 by the Corporation Division of the Department, the arrears income was Rs.73,374,150. Nevertheless, due to a sum of Rs. 68,693,091 had been shown as the arrears income in the financial statements, a difference of Rs.4,681,059 was observed in the arrears income.	Income receivable should be accurately stated in the financial statements.	Due to the cheques received by the Corporation Division on 31 December 2019 were received in the first week of January 2020 to the Accounts Division, the cheques with the above value taken into accounts as revenue of the Corporation Sector of the year 2019 has been credited to the account of the Attorney General in January 2020 .

## 1.6.2 Statement of Financial Position

Audit Observation	Recommendation	Comments of the Accounting Officer
The expenditure incurred under expenditure object 2104 for building construction during the year under review amounted to Rs. 416,857,292 had not been stated under non-financial assets as per the expenditure statement (ACA 2 (II) for the year ended 31 December 2019.	The total expenditure incur for the construction of buildings during the year under review should be mentioned under the work-in-progress and should be shown as work-in-progress as at the end of the year.	Payments made in the year 2019 were also included in the opening balance of the year 2019 due to a mistake.

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

The instances of non-compliance with the provisions in Laws, Rules and Regulations observed at audit test checks are analysed below.

Observation	Recommendation	Comments of the Accounting Officer
<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) <b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>		
(i) Financial Regulation 571	Actions had not been taken in respect of lapsed deposits amounting to Rs. 460,457 .	Arrangements should be made in terms of Financial Regulations 571 (1),(2),(3) with regard to lapsed deposits.
		Examination Fees paid by the applicants for the examinations held for the recruitment of stenographers in the year 2016 are retained in the General Deposit Account.

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| <p>(ii) Financial Regulation 880 (1), Ministry of Justice Circular No. 01/2011 dated 11 January 2011 and No. 01/2011(I) dated 07 May 2014</p> | <p>Actions had not been taken to obtain securities from 04 officers who were required to keep securities.</p>  | <p>It is required to obtain securities from the officers who are responsible for receipt or custody of public money and stamps and those who certify vouchers or sign cheques in accordance with the Public Officers (Security) Ordinance in terms of Financial Regulation 880 .</p> | <p>Necessary arrangements are being made for keeping securities.</p>   |
| <p>(b) Guideline 5.4.4 of Government Procurement Guidelines</p>   | <p>An advance of maximum up to twenty per cent can be paid on an acceptable bond for any contract of work in accordance with the Guidelines. Nevertheless, an advance of Rs. 1,000,000 or 31.37 per cent had been paid for a construction estimate of Rs.3,187,460 submitted for a repair work and an advance bond had not been obtained for that.</p> | <p>Actions should be taken in accordance with the Government Procurement Guidelines.</p>   | <p>Because the Army 6th Engineering Services Department has been assigned, the advance payments were made without an advance bond.</p> |

## 2. Financial Review

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### 2.1 Revenue Management

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<b>(a) <u>Revenue Estimation</u></b>		
Although the estimated income for the year under review was Rs.62,000,000, since the billed income was Rs. 125,705,333, the billing exceeding the estimate was Rs.63,705,333 .	The Revenue Accounting Officers should continuously review, analyze and supervise the revenue estimate preparation activities.	Revenue has been increased as a result of increase of providing legal services.
<b>(b) <u>Recovery of Arrears Income</u></b>		
The overall arrears income as at the end of the year under review was Rs. 269,691,737 and out of that the balance over 03 years was Rs.173,944,484 .	Necessary Actions should be taken to recover the receivable income to the government without delay.	Actions will be taken to collect arrears income.
<b>(c) <u>Delays in Accounting for the Revenue</u></b>		
Even though the daily collection of income should be accounted for the government revenue without delay in terms of Financial Regulation 177(1), the accounting for the daily revenue collection to the government revenue had been carried out with a delay from 07 days to 10 days .	The revenue collect daily should be accounted for the state revenue without delay in terms of Financial Regulation 177(1)	There was a few days delay when receiving a big bulk of cheques at once and considering the holidays and it is informed that the actions will be taken to correct the condition in future and deposit the cheques in banks without such a delay.

## 2.2 Expenditure Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) It had been informed by several circulars of Ministry of Economic Policies Development to suspend the foreign travels of government officers until further notice and to minimize the foreign travel expenses as much as possible and not to request additional provisions. Out of the net provision made available for foreign travel amounted to Rs. 27,000,000 only a balance of Rs.21,097 had been saved by September 2019. Nevertheless, the sum of Rs. 1,360,074 incurred at 06 occasions for foreign travels carried out in the months of October and November 2019 had been debited to the object 229-1-1-3-1409 (other) without debiting to object No. (229-1-1-0-1102) specified for foreign travel expenses.</p>	<p>Actions should be taken in terms of circular provisions.</p>	<p>Although the requests have been made to provide provisions but sufficient provisions had not been received, because of the essentiality of the above tours, it had to act as mentioned in the audit query. Later, the relevant payments have been corrected by making available of provisions by Financial Regulation 66 Transfers.</p>
<p>(b) It had been emphasised that the thorough attention should be drawn in respect of the estimated government revenue and the limits of the affordable expenditure by the Ministry of Finance Circulars No. 03/2019 dated 08 April 2019, No.04/2019 dated 17 June 2019 and No.2019/05 dated 24 September 2019.</p>	<p>Expenditure Management should be made prudently in terms of the Circular.</p>	<p>Out of the charges made for providing legal services as per the Decision of the Cabinet of Ministers dated 02 September 1995, the revenue received over the estimated cost has been taken back.</p>

Nevertheless, a sum of Rs.10,700,000 had been removed from the cash book debiting to the expenditure object No. 229-01-01-03-1409 without furnishing an expenditure particular and after retaining that amount 123 days, it had been transferred to the General Deposit Account on 02 May 2020 .

### 2.3 Liabilities and Commitments Entered Into

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<p>(a) A sum of Rs.2,117,582 which should be paid to one institution (under Note III) in the statement of commitments and liabilities had been reported to the Treasury. Nevertheless, because of the liabilities amounted to Rs. 85,803,631 under 11 instances for 02 objects were not reported to the Treasury as per the Register of Liabilities maintained by the Department, the balances of the Department and the balances of liabilities ascertained by the Treasury had not reconciled.</p>	<p>All the liabilities applicable are required to be shown in terms of State Accounts Circular No. 271/2019 dated 03 December 2019 .</p>	<p>Since the allocations provided for 100 legal officers to maintain facilities for office vehicles were insufficient, it was impossible to report the liabilities to the Treasury by CIGAS Programme. When obtaining essential services limits have been exceeded.</p>



(b) Except where otherwise provided for, no expenditure or commitment shall be incurred by any Department for work, service or supply, unless financial provision exists therefore in the Annual Estimates in terms of Financial Regulations 94(1). Similarly, the liabilities and expenditure incurred for this purpose should not exceed the provision limit made for the financial year. However, it had been entered into liabilities amounted to Rs.963,058 exceeding the amount allocated for one expenditure object of the Department.

Except where otherwise provided for, no expenditure or commitment shall be incurred by any Department for work, service or supply, unless financial provision exists therefore in the Annual Estimates in terms of Financial Regulations 94(1) .

Comments have not been given.

#### 2.4 Advances for Public Officers 'B' Account

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Audit Observation	Recommendation	Comments of the Accounting Officer
A sum of Rs.211,560 from 04 interdicted officers and a sum of Rs. 1,931,644 from 13 officers who left the service had remained unpaid for more than 5 years without recovery.	Arrangements should be made to recover loan advances provided to public officers without delay.	Necessary steps are being taken to recover the outstanding loan balance.

**3. Operating Review**  
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**3.1 Planning**  
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**Audit Observation**  
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The Action Plan for the year 2019 had not been prepared to obtain the main roles and the desired outputs of the Department in terms of Public Finance Circular No. 2014/01 dated 17 February 2014 .

**Recommendation**  
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The Action Plan should be prepared in accordance with the Public Finance Circular No. 01/2014 dated 17 February 2014 .

**Comments of the  
Accounting Officer**  
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The Action Plan for the year 2019 will be prepared in accordance with the above circular and will be submitted later.

**4. Human Resources Management**  
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**Audit Observation**  
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There were 257 or 51 per cent vacancies in relation with total senior level posts who provides all necessary legal services and legal advice for Government of Sri Lanka, Government Institutions, Corporations and Statutory Boards and contributes to specific functions in expanding the broader objectives of the government.

**Recommendation**  
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Recruitment of staff for essential senior level posts should be considered as a leading task to effectively carry out the objectives and main functions of the organization.

**Comments of the  
Accounting Officer**  
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It is informed that the actions will be taken to fill those vacancies.