

**1.1 Disclaimer of Opinion**

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The audit of the financial statements of the Legal Aid Commission of Sri Lanka for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 report to Parliament appear in this report

I do not express an opinion on the accompanying financial statements of the Commission. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**1.2 Basis for Disclaimer of Opinion**

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My opinion is disclaimed based 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 disclaimer of opinion.

**1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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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 Commission'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 intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Commission's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the 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.

#### **1.4 Audit Scope (Auditor's Responsibilities for the Audit of the Financial Statements)**

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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 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.
- Obtained 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 Commission's internal control.
- Evaluated 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 Commission'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 to cease to continue as a going concern.
- Evaluated the 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 governing parties were made aware on important audit findings identified during my audit, major internal control weaknesses and other issues.

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 Commission, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Commission ;
- Whether the it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Financial Statements

### 1.5.1 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The balance relating to the preceding year of the statement of financial position as Rs.31,383,715 under the equity balance of the institution and the corresponding balance as at 31 December of the year amounted to Rs.9,192,893 had been stated in the financial statement. However, the journal vouchers including the details with regard to the adjustments amounted to Rs.36,108,501 carried out in the year under review for the previous year's opening balance were not submitted for audit and the details relating to those adjustments had not been disclosed even in a reconciliation statement in the financial statements.	This will be corrected in future as per the instructions given.	The closing balances in the ledger accounts should be stated in the financial statements and if adjustments have been made to, it should be disclosed even in a reconciliation statement in the financial statements containing relevant details.

- (b) Due to the fact that 04 advance balances totalled to Rs. 102,100 settled in the year 2020 but not settled by the end of the year under review had been shown as an advance settlement for the year under review, the balance of the aforesaid advance receivable had not been shown in the financial statements.
- Balances which had not been settled at the end of the year will be shown in the advance account in future.
- Unsettled balances should be shown as unpaid advances in the Advance Account.

### 1.5.2 Lack of Evidence for Audit

	Item	Amount (Rs.)	Unavailable Audit Evidences	Comments of the Management	Recommendation
(a)	Equity Capital	33,747,436	Ledger Accounts	The final accounts of the year will be prepared according to the ledger accounts from now.	Actions should be taken to record all the transactions of the Commission in the primary books including the ledger.
(b)	Retained Earnings	36,998,200	Ledger Accounts	The final accounts of the year will be prepared according to the ledger accounts from now on.	Actions should be taken to record all the transactions of the Commission in the primary books including the ledger.
(c)	Fixed Deposits	5,398,776	Registers of Fixed Deposits	We have the certificates of fixed deposits. A Register will be maintained in future as you have stated.	Actions should be taken to maintain a Register of Fixed Deposit including the details of fixed deposits, annual interest, value of the deposit at maturity.

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

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Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Financial Regulation 371 (2) of the Democratic Socialist Republic of Sri Lanka	Settlement of advances amounting to Rs. 173,569 given on 09 occasions had been delayed from 7 days to 53 days.	The Chairman was informed that the practical issues for relevant officials had raised in this regard and he had warned not to make further delays.	The advances provided should be settled as soon as the task for which has been paid is completed in accordance with Financial Regulations.
(b) Section 9.12 of the Public Enterprise Circular No. PED / 12 of 02 June 2003	A private insurance scheme was commenced in the year 2015, for the employees of the Commission excluding the circular provisions and a sum of Rs.1,266,811 which was 50 per cent of the insurance contribution had been paid to a private insurance company for 56 employees for the year under review.	Take a few quotes and the most profitable company out of that was recommended by the Commission. Fifty per cent of the total amount will be borne by the Institution.	Actions should be taken as per the provisions in the Section 9.12 of the Public Enterprises Circular No. PED / 12 of 02 June 2003 in the implementation of such projects.
(c) Public Administration Circular No. 30/2016 of 29 December 2016	Fuel tests had not been carried out in respect of 05 vehicles belonging to the Commission in accordance with the Circular.	Fuel tests of vehicles will be carried out in accordance with the circulars.	Actions should be taken in accordance with the Circular.

## 1.7 Cash Management

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>The average of the balance remained in the bank current account maintaining by the Commission at Bank of Ceylon Hulftsdorp Branch within 12 months from January to December 2019 was Rs. 19,067,226 . Cash in between Rs.11 million and 24 million had remained without efficient utilization throughout this period and actions had not been taken to invest this money efficiently.</p>	<p>This money has been saved from previous years. Since the money does not receive from the Ministry on time in most instances, this money is being used. Therefore, it is difficult for us to invest this money.</p>	<p>Draw attention even on investments in call deposits with the approval of the Minister of Finance in terms of Section 11 of the Finance Act No. 38 of 1971 .</p>

## 2. Financial Review

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### 2.1 Financial Results

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The financial result of the year under review was a deficit of Rs. 35,418,539 and the corresponding deficit in the preceding year was Rs. 13,838,669 . Accordingly, a deterioration of Rs. 21,579,870 in the financial result was observed.

## 3. Operating Review

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### 3.1 Management Inefficiencies

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>(a) The necessary steps have not been taken to execute the major powers to establish, administer, develop and co-operate in experimental programmes, law clinics and projects respecting any aspect of the provision of legal aid and for such purposes employ staff necessary to initiate, develop and operate the programmes and projects, as referred in Paragraph 4 (i) of the Legal Aid Commission Act No. 27 of 1987.</p>	<p>Necessary steps are being taken to implement it in the year 2020 .</p>	<p>Necessary actions should be taken to perform the functions mentioned in the Act.</p>

- (b) Even though the National Policy called ‘Proposed Legal Aid Policy’ had been approved by the Cabinet of Ministers on 30 March 2016 with the aim of making the State Legal Aid Programme more formal within the civil society, it had not been implemented.
- Necessary instructions have not been given yet to take further steps by the Ministry of Justice in this regard.
- The Legal Aids Policy should be implemented after obtaining the necessary instructions.

### 3.2 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) Although the total number of approved officers in the staff of the institution was 360, as the actual staff was 285 as at 31 December 2019, the total number of staff vacancies was 75. Out of these, 16 posts were at the senior management level.</p>	<p>Vacancies will be filled after the opening of new centres.</p>	<p>Action should be taken to fill the vacancies as per the service requirements.</p>
<p>(b) There is more than one court are being functioned in most jurisdictions where the Legal Aid Commission offices are located. Out of 60 Legal Aid Centres, only one Legal Officer is working in 40 Legal Centres and because sometimes they had to move to other jurisdictions, there was a further need for the services of legal officers to keep the office in better manner.</p>	<p>We cannot enrol more legal officers to every centre as per the funds we receive. Attempts are being made to increase the number of officers as per the cases.</p>	<p>Plans should be made to recruit officers so as not to interfere for the administration activities of the office.</p>