

## **Legal Aid Commission -2013**

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The audit of financial statements of the Legal Aid Commission for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13 (1) of the Finance Act, No. 38 of 1971 and Section 23(3) of the Legal Aid Commission Act, No. 27 of 1978. My comments and observations which I consider should be published with the Annual Report of the Commission in terms of Section 14 (2) (c) of the Finance Act, appear in this report.

### **1.2 Management’s Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditors’ Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission’s preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**1.4 Basis for Qualified Opinion**  
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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

**2. Financial Statements**  
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**2.1 Qualified Opinion**  
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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Legal Aid Commission as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**2.2 Comments on Financial Statements**  
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**2.2.1 Accounting Deficiencies**  
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The following observations are made.

- (a) Office equipment valued at Rs.233,500 had been erroneously accounted under buildings.
- (b) Forty cheques valued at Rs.165, 823 issued but not presented for payments to the bank had been credited to expenditure account instead of being credited to the creditors' accounts. Therefore the deficit for the year under review had been understated by similar amount.
- (c) Transaction made through two bank accounts during the year under review amounting to Rs.3,678,488 had not been brought to accounts and the remaining balance as at the balance sheet date was Rs.1,725,418.

**2.2.2 Lack of Evidence for Audit**  
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Fourteen payment vouchers amounting to Rs. 192,341 had not been presented to audit.

**2.2.3 Transactions not Supported by Adequate Authority**  
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- (a) According to the Public Administration Circular No 31/2008 of 31 December 2008 a sum of Rs. 5,000 only can be paid for an employee as festival advance for a year. However, the Commission had paid Rs. 12,000 for each employee totaled to Rs.1,944,000 contrary to the provision of this circular. Further, required approval in this regard had also not been obtained in terms of Finance Circular No.PF/PE/5 of 11 January 2000.

- (b) The Legal Aid Centre at Deyyandara is function in a rented building. Although a sum of Rs.68,750 had been approved for fixing a door for the Centre, a sum of Rs.81,600 had been paid for this work and this amount had not been deducted from the building rent.

### 2.3 Non- Compliance with Laws, Rules, Regulations and Management Decisions

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The following non – compliance with Laws, Rules, Regulations etc. were observed in audit.

<u>Reference to Laws, Rules, and Regulations</u>	<u>Non- compliance</u>
(i) Financial Regulation 138 (6) , 139 (1) , 264	Supporting documents such as invoices, receipts etc. had not been attached to 20 payment vouchers aggregating Rs. 205,448 relating to the payments made during the period from January to February 2013.
(ii) Financial Regulation -168 ,169	Although an official receipt should be issued on receipt of money, cheques, money orders etc. such receipts had not been issued by the Commission for receipt of money and cheques amounting to Rs.14,514,470 during the year under review.

## 3 Financial Review

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### 3.1 Financial Results

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According to the financial statements presented, the operations of the Commission for the year ended 31 December 2013 had resulted in a deficit of Rs. 2,222,372 as compared with the corresponding deficit of Rs.18,536,369 for the preceding year, thus indicating an improvement of Rs.16,313,997 in the financial results for the year under review. The increase of income by Rs.21,542,923 had mainly attributed for this improvement.

## 4. Operating Review

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### 4.1 Performance

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The following matters were observed.

- (a) Out of 36,486 court cases only 4,932 cases had been completed during the year under review and the number of court cases not settled up to 31 December 2013 stood at 31,554.
- (b) Legal advices had been given for 54,132 individuals during the year under review by the Head Office and other 74 Centres.

(c) Two new Legal Aid Centres had been established during the year under review.

#### **4.2 Human Resources Management**

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In terms of Section 9.2 (d) of the Public Enterprises Circular No PED 12 of 02 June 2003 cadre of the Commission had not been approved up to the date of this report. The actual cadre was as follows.

<b>Category of Employees</b>	<b>Actual cadre as at 31 December 2013</b>	<b>Actual cadre as at 31 December 2012</b>
Executive	127	99
Non - Executive	38	77
Others	45	39
Total	210	215

#### **5. Systems and Controls**

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Commission from time to time. Special attention is needed in respect of the following areas of control.

- (a) Payments
- (b) Receipts
- (c) Bank Accounts
- (d) Human resources Management
- (e) Festival Advance Payments