

Legal Aid Commission of Sri Lanka - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Legal Aid Commission of Sri Lanka for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and the notes in relation with 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 the provisions in the Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the financial statements prepared give a true and fair view of the financial position of the Commission as at 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters appear 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 qualified opinion.

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

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 intend 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 the 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 Responsibility on 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 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 internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Concluded 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. 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 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 Commission 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 Audit Observations on Preparation of Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with Management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with Management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

	Non-compliance with Reference to the Standard	Comments of the Management	Recommendation
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(a)	Even though the entire class of assets belonging to that have to be revalued at the time of assets revaluation, only 02 vehicles out of 10 vehicles of the Commission had been re-valued to a Rs. 5,550,000 and the revaluation reserve had been stated in the financial statements as a deferred liability.	The revaluation surplus occurred due to the re-valuation of 02 vehicles amounting to Rs.5,550,000 will be transferred from the deferred liabilities account to a surplus account during this year.	Actions should be taken in accordance with Sri Lanka Public Sector Accounting Standards No. 07 .

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| <p>(b) As a result of non- reviewing of the effective lifetime of non-current assets annually in terms of Paragraph 65 of Sri Lanka Public Sector Accounting Standards 07, although the five motor vehicles cost at Rs. 4,643,333 had been fully depreciated , further being used. Accordingly, actions had not been taken to revise the estimated error in accordance with Sri Lanka Public Sector Accounting Standards No. 03 .</p> | <p>Details of assets with zero value of books as at 31 December 2020 can be presented as per the Fixed Assets Register.</p> | <p>Actions should be taken in accordance with Sri Lanka Public Sector Accounting Standards No. 07 .</p> |
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1.5.3 Accounting Deficiencies

Audit Observation

 The assets which had not been physically received after payment during the year under review amounting to Rs. 4,861,144 had been shown under fixed assets.

Comments of the Management

 The cheques have been written on 17.12.2020 and 11.12.2020 for computers valued at Rs. 2,334,400 and virus guards valued at Rs. 532,420 . Due to the epidemic, we did not receive the goods until 31 December. Even though the cheque for the Photocopiers amounting to Rs. 1,994,324 was written in December, the machines have been received to the Centre in between the first 2-3 months of 2021.

Recommendation

 The goods should be account for as assets only after accurately undertaken .

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

Non-compliance with Reference to the Standard	Non-compliance	Comments of the Management	Recommendation
(a) Finance Act No. 38 of 1971 and Public Enterprise Circular No. PED / 25 of 24 July 2004	A sum of Rs. 3,500,000 had been invested in fixed deposits without obtaining the consent of the Minister of Finance during the year under review.	The decision of the Commission for the fixed deposit amounting to Rs.3,500,000 was received from the year 2009 to date. Two representatives appointed by the Minister of Justice will also act as members of the Legal Aid Commission. The money earned by us as well includes in this.	When investing funds, actions should be taken in accordance with the Finance Act and the relevant circular.
(b) Section 16 of the National Audit Act No. 19 of 2018 and Section 6.5.1 of the Public Enterprises Circular No. PED/ 12 of 02 June 2003	The Draft Annual Report along with the Annual Financial Statements for the year under review had not been submitted to the Auditor General.	The Brief Reports of the Commission with Annual Financial Statements of the Commission have been submitted with regard to the year under review.	Actions should be taken to submit a draft of the Annual Report in addition to the information in performance.
(c) Section 9.12 of Public Enterprises Circular No. PED / 12 dated 02 June 2003	Initiating a private insurance scheme in the year 2015 without an approval, a sum of Rs. 1,169,989 had been paid to an insurance	Approval has been obtained from the Ministry of Justice regarding the private insurance. Receive several bids from insurance	Arrangements should be made in accordance with circular provisions.

company as 50 per cent of the insurance contribution of 56 employees during the year under review.

companies in January each year by the Legal Aid Commission and choose a suitable insurance cover for our employees

2. Financial Review

Financial Results

The operating result for the year under review was a deficit of Rs.21,323,099 and the corresponding deficit of the preceding year was Rs.35,418,539 . Accordingly, a growth of Rs. 14,095,440 was observed in the financial result. The increase in income had mainly attributed to this growth..

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) The necessary steps have not been taken to execute the key 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 mentioned in Paragraph 4 (i) of the Legal Aid Commission Act No. 27 of 1987.</p>	<p>Even though the arrangements have been made to open 03 new Regional Offices during the year under review, the recruitments could not be carried out because of suspension of all recruitments by the Treasury, due to the Covid situation in the country and the general election and the it is expected to enroll and to open new Legal Aid Offices in 2021 .</p>	<p>Actions should be taken to implement the objectives of the Act.</p>

- (b) Even though the Cabinet had approved the Proposed National Policy on Legal Aid for Sri Lanka on 30 March 2016 with the aim of making State Legal Aid Programme in a more formal empowerment in civil society, it had not been implemented.
- Plans are currently being formulated with the Ministry of Justice for the implementation of the Proposed Legal Aid National Policy.
- Legal aid programmes should be implemented as stipulated.

3.2 Operational Inefficiencies

Audit Observation

Out of 45,033 cases in the years 2019 and 2020 for providing legal aid, there were 36,567 cases left with legal assistance / legal aid to settle 8,466 cases in the year under review. It had been 81 per cent of the total cases.

Comments of the Management

The number of cases remained in the courts was very high and the courts were unable to hear many cases due to the Covid epidemic in 2020. In such a situation, being able to settle about 19 per cent is a victory for the parties.

Recommendation

Actions should be taken to improve performance.

3.3 Human Resources Management

Audit Observation

There were 79 vacancies, including 27 senior level vacancies at the end of the year under review. The officers had been recruited on contract basis for 03 senior level posts which were not included in the approved cadre and on permanent basis for 01 secondary level post and a

Comments of the Management

It was unable to fill the vacancies during the year under review due to the suspension of all recruitments by the Treasury, the Covid period in the country and the general election. Interviews have been completed by now for the three posts of Assistant Director / Deputy Director (Legal) and for the nine posts of Assistant

Recommendation

Essential posts should be get approved and actions should also be taken to fill the vacancies.

sum of Rs. 2,144,529 had been paid to the temporarily recruited staff in law centers without obtaining the approval during the year under review.

Director / Deputy Director (Regional) . Applications have been invited for the post of Assistant Director / Deputy Director (Finance) and other vacancies will be filled after the establishment of the new Legal Aid Commission Centers. The two senior level posts which are not relevant to the staff will be settled in future.

The relevant documents for the recruitment of the advisor have been sent to you.

The Ministry of Justice and the Department of Management Services have been informed regarding temporary recruitment for our centers.

4. Accountability and Good Governance

4.1 Tabling of the Annual Report in Parliament

Audit Observation

Annual Reports for the years 2018 and 2019 had not yet been tabled in Parliament even by the end of April 2021 .

Comments of the Management

It is expected to submit the Annual Report 2018 to the Cabinet of Ministers within the next two months and to submit the Annual Report 2019 to the Cabinet of Ministers at the end of this year.

Recommendation

Necessary arrangements should be made to submit the Annual Reports to Parliament in due course.

4.2 Annual Action Plan

Audit Observation

Allocations for each task, dates of commencement and end had not been specified in the Action Plan due to the fact that the progress of the activities was not presented in accordance with the Plan the performance could not be examined.

Comments of the Management

These deficiencies have been remedied by the Action Plan 2021.

Recommendation

Annual Action Plan and Progress Reports should be prepared to enable to evaluate performance.

4.3 Internal Audit

Audit Observation

The Commission had not conducted an internal audit for the year 2020 in accordance with the provisions of Section 40 (1) of the National Audit Act No. 19 of 2018 .

Comments of the Management

An internal audit could not be conducted due to the epidemic situation in the year 2020 and an internal audit was carried out in 2021 .

Recommendation

An internal audit should be conducted to maintain a proper internal control.