

Head 229 – Attorney General’s Department

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Attorney General’s Department for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 including my comments and observations on the financial statements of the Attorney General’s Department was issued to the Accounting Officer on 16 June 2022 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018. The Detailed Annual Management Audit Report relating to the Department in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 30 June 2022. This report will be presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with 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 give a true and fair view of the financial position of the Department as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 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.

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.

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

1.4 Auditor's Responsibilities for the Audit of the 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, misrepresentations, 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 internal control.
- Evaluate 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.
- 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, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

1.5 Report on Other Legal and Regulatory Requirements

I express the following matters in accordance with Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendations made by me on the financial statements relating to the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Revenue Receipts

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(i) The billed income for legal fees of Corporations and Statutory Boards by the Corporate Division for the year ended 31 December 2021 was Rs.78,319,557 and out of it a sum of Rs.31,537,787 had been charged. Accordingly, although the outstanding income as at 31 December for the year under review was Rs.46,781,770, there was a difference of Rs.626,910 in outstanding income on that date as the outstanding income had been stated as Rs.46,154,860 in the financial statements (ACA – 1(1)).	The total billed income for fees by the Corporations Division was Rs.78,319,557 for the year ended 31 December 2021. A sum of Rs.32,164,697 had been collected during the year under review and accordingly the outstanding income is Rs.46,154,860.	The accuracy of the outstanding income collected should have been confirmed.
(ii) There was a difference of Rs.12,311,617 between the balance as at 31 December of the previous year and the balance at the beginning of the year under review when showing the outstanding income for the year prior to the previous year in Form ACA 1(i) of the financial statement of the year under review and the disclosures were not made for that.	This difference had been resulted by correcting the respective balance after accounting several bills which were not accounted mistakenly but billed in the year before 2021.	The balances mentioned in the audited financial statements of the previous year should be shown in the financial statements as corresponding balances relating to the previous year.

(b) **Recurrent Expenditure**

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Although the expenditure belonging to the each expenditure codes should be accounted to the respective expenditure codes, the sample audit test revealed that the expenditure totalling Rs.6,869,252 (after the adjustments made through the transfer papers) that does not belong to the standard expenditure codes was erroneously recorded in other expenditure codes and accordingly, the expenses mentioned in ACA 2 (i), ACA 2 (ii) and ACA 3 (iii) in the annual financial statement were shown to be incorrect.</p>	<ul style="list-style-type: none">• Computer repair and maintenance expenses are accounted under Plant and Machinery Rehabilitation (2002) expenditure code.• Purchase of furniture, other household appliances (pillows, pillowcases, hand towels, rugs etc.) for the new official quarters had been accounted under other recurrent expenditure (229-01-01-0-1409) amounting to Rs.188,568 , under purchases of furniture (229-01-01-0-2102) amounting to Rs.1,000,000 and under purchases of other equipment (229-01-01-0-2103) amounting to Rs.1,408,360.• The combined allowances and traveling expenses to the legal and other officers for the performance of duties in the Corporate Division had been properly accounted under the Electricity Bill Expenses expenditure code 229-1-1-3-1409 (Corporation Division) of that Division.	<p>The expenses belonging to each expenditure code should be properly accounted in the respective expenditure code.</p>

1.6.2 Lack of Evidence for Audit

Audit Observation	Comments of the Accounting Officer	Recommendation
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The audit was not satisfied with the accuracy of the arrears of revenue of Rs.57,241,617 recovered in the year under review as a schedule of arrears of revenue was not presented to enable the identification of the balance collected from each debtor.	Answers had not been furnished.	Appropriate documents should be prepared to verify the accuracy of the recovery of outstanding revenue.

2. Financial Review

2.1 Revenue Management

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Weaknesses in Revenue Collection		

According to the financial statements of the year under review, the outstanding revenue for the previous year was Rs.75,591,785 and the outstanding revenue relating to the year prior to the previous year was Rs.245,551,757. Out of its recovery in the previous year were Rs.40,039,787 and Rs.17,201,830 respectively and it had taken as low as 52 percent and 7 percent of the outstanding revenue. Also, the total outstanding revenue was Rs.310,056,785 at the end of the year under review.	It seems that even though the bills related to the legal proceedings of the State Corporations and Statutory Boards are forwarded to those institutions, the payments are delayed. Necessary legal procedures are continuously carried out as those are government bodies and letters and telephone reminders are made periodically to expedite the collection of fees.	Outstanding revenue should be recovered without time delay.

(b) Failure to Review Revenue Statuses from Time to Time

According to paragraph 05 of the Fiscal Policy Circular No. 01/2015 dated 20 July 2015, taking into consideration the changes in the prevailing economic conditions, fees charged for services should be revised from time to time taking into account the cost of providing those services. However, in order to collect revenue (billed revenue) of Rs.78,319,557 for the year under review of the Department of the Attorney General, it was confirmed that an expenditure of Rs.89,982,869 had been incurred for expenses including special staff salaries and bonuses, special allowances paid to legal officers including bonuses and stationeries as per the revenue ledger and computer printout of the Treasury.

Attention will be taken to revising the charges for services during this year by considering the prevailing economic condition.

The service charges should be reviewed from time to time considering the economic conditions.

2.2 Expenditure management

Audit Observation	Comments of the Accounting Officer	Recommendation
As per Financial Regulation 50, the provision of Rs.40,300,000 allocated to 05 recurrent expenditure codes and one capital expenditure code out of 19 recurrent expenditure codes for the year under review was transferred to 03 other recurrent expenditure codes and one capital	Although the necessary provisions were included in the 2021 budget estimates for the opening ceremony of the new building constructed for the Department, to purchase the necessary furniture for the office of the Attorney General and stationery, office equipment, electricity, water etc. required to start operations in that building, the provisions were transferred from the remaining expenditure codes to cover those expenses as sufficient provisions were not received. It would like to inform that more realistic estimates will	Estimates should be prepared realistically and accurately by including all foreseeable services with due regard for economy and efficiency.

expenditure code due to be prepared in the future as mentioned in non-preparation of the draft summary report of the Auditor estimates. General.

2.3 Entering into Liabilities and Commitments

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
No liabilities were recorded in the Statement of Commitments and Liabilities (Note III) or the Report of Commitment and Liabilities of the Treasury (in SA 92) but payments were made in the year 2022 for liabilities of Rs.9,008,408 under 26 instances.	All these payments are related to the bills received in January 2022. Payments for electricity and water, telephone, overtime, internet facilities and security services for every month are made in the next month after the expiry of the respective month.	The details of all liabilities to be paid in the next year should be recorded in the Statement of Commitments and Liabilities.

2.4 Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with the provisions of laws, rules and regulations observed during sample audits are analyzed below.

Reference to Laws, Rules and Regulations -----	Observation ----- Value	Non-compliance -----	Comments of the Accounting Officer -----	Recommendation -----
	Rs.			
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i) Financial Regulation 104(1) a	-	Even a Preliminary Investigation had not been conducted in 33 motor vehicle accidents.	Investigations are being conducted regarding all accidents that occurred after 15-11-2021.	Action should be taken as per the Financial Regulations.

(ii) Financial Regulation 232(2)	-	Although the value of the vouchers should be indicated in words and numbers, most of the payment vouchers did not specify the amount to be paid in words.	It was omitted to indicate the amount paid in words in some vouchers due to a mistake. The relevant officials were informed to take measures to prevent such mistakes happening in the future.	Action should be taken as per the Financial Regulations.
(iii) Financial Regulation 237	-	A certificate was not attached in the payment voucher that the relevant goods were received and entered in the inventory books etc. in inventory register in making the payments for the stores supplies.	When paying for stores supplies, certificates that the relevant goods had been received and entered in the relevant register are definitely attached to the payment voucher and it was informed that if any such omission had occurred, action will be taken to rectify it.	-do-
(iv) Financial Regulation 273	550,015	Payments had been made without obtaining a certificate from a Technical Officer in relation to 07 motor vehicle repairs.	Payments will be made only on the certificate of the Technical Officer from May 2021 as per Financial Regulation 273. Related to the accidents, presently it was reported to the police only in cases where the insurance companies called a police report for payment of compensation.	-do-
(v) Financial Regulation 1642	-	33 motor vehicle accidents were not reported to the police in the year under review.	Related to the accidents, presently it was reported to the police only in cases where the insurance companies called a police report for payment of compensation and the officers and drivers were informed to report all future accidents to the police.	-do-

- (b) Public Administration Circular No. 30/2016 dated 29 December 2016. - The fuel consumption had not been tested in 101 vehicles owned by the Department. Fuel consumption tests are not carried out as the Department does not provide fuel to the assigned vehicles. Fuel consumption tests are carried out on all the vehicles in the pool supplied with fuel by the Department. Action should be taken as per the Circular.
- (c) Procurement Guidelines Section 4.2.2 - A detailed procurement plan was not prepared to detail each procurement action from the commencement to completion of the procurement activities. It was informed that a detailed procurement plan will be prepared in the future in accordance with Section 4.2.2 of the Procurement Guidelines. The Procurement Plan should be prepared as per the Procurement Guidelines.

2.5 Deposit Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
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07 cheques amounting to Rs.27,271,695 relating to government funds were written by debiting the expenditure codes stating in the payment vouchers that payments were made for various supplies and services on 31 December 2020 and retained in the Department for more than 08 months without the approval of the Treasury and it was credited on months of August and December 2021 to the General Deposit Account. These payments had not been made until 31.12.2021.	Although a cheque amounting to Rs.10,650,000 was written in the name of the Chief Engineer of the North Central Province as per the agreement of the renovation works of the Anuradhapura Advocate's official residence, The cheque was not released as the renovation work had not started. Later the cheque was canceled and hold in the General Deposit account as it had expired. Although cheques were written to pay for the purchase of furniture for the new building constructed for the Department, the relevant funds were retained in the General Deposit Account since the	Payment should not be made for vouchers for which were not received any supply or service.

consulting firm did not provide recommendations that the relevant goods were supplied according to the right specifications.

3. Operating Review

3.1 Plans and Annual Reports

(a) **Action Plan**

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
The Action Plan prepared by the Department did not include the prioritized activities and the expected level of output as per the Public Finance Circular No. 02/2020 dated 28 August 2020.	The inclusion of prioritized activities and expected output levels had been omitted in the Action Plan sent to you for the year 2021.	The Action Plan should be prepared as per the Circular.

(b) **Annual Performance Report**

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
A Draft Performance Report of the year under review had not been submitted along with the financial statements in the format mentioned in Guideline No. 14 issued by the Public Finance Department in accordance with 10.2 of the Public Finance Circular No. 02/2020 dated 28 August 2020.	It was informed that a draft of the performance report will be submitted for audit immediately after receiving the audit opinion regarding the financial statement for the year 2021.	A draft of the Performance Report should be submitted along with the financial statements as per the Circular.

3.2 Losses and Damages

Audit Observation	Comments of the Accounting Officer	Recommendation
----- Although the Accounting Officer should arrange the payments to be made maximum advantage to the Government, it was observed during the checking of the payment vouchers from January to May 2021 that a total sum of Rs.143,964 had been paid as a surcharge in addition to the monthly electricity consumption cost in the payment of electricity bills for a rented building.	----- An additional amount of interest had to be paid due to the delay in payment until the problematic situation in the payment of the electricity bill related to the said building was resolved due to a delay in the rent agreement of a building acquired on a rental basis. It was informed that action will be taken to control such situations and prevent incurring unfavorable situations to the Government.	----- Action should be taken to arrange the payments made by the government so that there is no financial disadvantage to the Government.

3.3 Uneconomic Transections

Audit Observation	Comments of the Accounting Officer	Recommendation
----- While the country is in a severe economic crisis and the state revenue is operating under severe restrictions due to the impact of the Covid pandemic situation, the Attorney General's Department spent a sum of Rs.4,023,840 as entertainment expenses for short meetings and discussions during the year under review.	----- Even under a severe crisis situation, the relevant entertainment expenses have to be incurred for interviews and meetings held with the officers of the Attorney General's Department, high officials of various government institutions and ambassadors of various countries. Further, banquets have to be held for special occasions for foreign Attorney Generals and their representatives who come to meet the Attorney General and their representatives for special purposes in special occasions.	----- Actions should be taken to use the public expenditure in a very economical manner considering the current economic situation of the country.

3.4 Management Inefficiencies

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Although the revenue collected on a daily basis is to be credited to the revenue of the Government without delay in terms of Financial Regulation 177 (I), the daily income collected in the Attorney General's Department was accounted to the government income after a delay between 07 days to 21 days.	It was informed that steps will be taken to credit the revenue collected to the government revenue without delay as per the Finance Regulation 177 (1).	The government revenue should be credited to the government revenue without any delay as per the Financial Regulations.
(b) Although the limit of Rs.5,000 should not be exceeded in lump sum payments of petty cash advance as per Public Finance Circular 01/2020 dated 28 August 2020, a total sum of Rs.38,600 had been paid as more than Rs.5,000 each in 03 instances from the petty cash imprest of Rs.20,000 of the Mannar Government Court quarters.	These payments were made in 03 instances due to urgent situations. The relevant officials were informed to make sure that such payments are not made in the future with petty cash imprest.	Action should be taken as per the Circulars.

4. Human Resource Management

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) A Human Resource Development Plan had not been prepared as per Public Administration Circular No. 02/2018 dated 24 January 2018.	It was not possible to prepare a formal Human Resource Development Plan for the year 2021 due to offices having to be closed from time to time due to the Covid pandemic in the country during the year 2021 and there were vacancies in 03 posts of the Administrative Officer.	The Human Resource Development Plan should be prepared as per the Circular.

- (b) Failure to fill 305 vacancies that is 58 per cent in senior level posts which are contributing to special functions in providing all necessary legal services and legal advice to government agencies, corporations and statutory bodies of the Government of Sri Lanka without delay and in expanding the broader objectives of the government was observed that this could have a direct impact on the performance of the Department.
- It was not possible to recruit officers to fill the vacancies in the relevant senior-level positions due to insufficient space in the old building of the Attorney General's Department. Officers were recruited to fill part of the vacancies with the opening of the newly constructed new building and according to the Circulars issued by the Ministry of finance in view of the current economic crisis in the country, it had become difficult to recruit new officers.
- The recruitment of staff for senior level posts should be considered as a priority task in order to effectively fulfill the objectives and main functions of the institute.