

## **Legal Aid Commission - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Legal Aid Commission for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy 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 provisions of the National Audit Act No. 19 of 2018 and 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 give a true and fair view of the financial position of the Board as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **1.2 Basis for Qualified Opinion**

My opinion is qualified 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 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 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 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.
- 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 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.
- 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 the 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**

<b>Non-Compliance with the reference to particular standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) The format mentioned in Sri Lanka State Accounting Standards No. 01 was not used in preparing the statement of changes in equity.	It had been informed that the coming years it will be prepared and presented according to the format mentioned in Accounting Standards 01	Financial statements should be prepared in accordance with the referred Accounting Standards
(b) As per the paragraph 79 of Sri Lanka Public Sector Accounting Standards No. 01 Current assets include, assets held for realize in the normal operating cycle that are not expected to be realize within twelve months of their reporting date, but Unrecoverable assets amounted to Rs.1,926,788 had been shown in the financial statements as non-current assets instead of being recorded as current assets.	It had been informed that the Rs.1,926,788 is not an irrecoverable current asset and that amount would be recoverable after the termination of service contracts.	Actions should be taken in with the referred Accounting Standards.

- (c) Although liabilities to be settled within 12 months from the reporting date should be recognized as current liabilities in accordance with paragraph 80 (c) of Sri Lanka Public Sector Accounting Standards No. 01, Although the gratuity allocations amounting to Rs.84,801,589 should be accounted for as current and non-current liabilities according to their expected settlement periods, but they were shown as non-current liabilities in the financial statements without proceeding accordingly. It had been informed that as per the paragraph 80 (c) of Sri Lanka Public Sector Accounting Standards No. 1 of Sri Lanka, it will be shown in the financial statements of 2024. Current liabilities should be accurately identified as per the referred Accounting Standards.
- (d) Although in accordance with paragraph 65 of Sri Lanka Public Sector Accounting Standards No. 07 an asset must be reviewed at the end of each annual reporting period by reducing the residual value and the useful life, The Commission's assets of computers, office equipment, furniture value of Rs.36,457,088 fully depreciated as at 31 December 2022 were reviewed and accordingly the estimated error had not been revised according to Sri Lanka Public Sector Accounting Standards No. 03. It had been informed that a valuation committee will be appointed this year and steps will be taken to carry out those activities and this should not be done according to the valuation guideline issued by the Institute of Chartered Accountants. Assets should be reviewed in accordance with the referred Accounting Standards.
- (e) According to paragraph 44 of Sri Lanka Public Sector Accounting Standards No. 11, grants made by the government should be recognized as assets and revenue from 01 January 2018, but capital grant receipts of Rs.10,300,000 were not recognized as per this Accounting Standard. The Commission was informed that the capital receipts are amortized every year. Actions should be taken to recognize capital grant receipts as per Sri Lanka State Accounting Standards.

### 1.5.3 Accounting Deficiencies

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
As at 31 December 2023, the inventory items at the head office and 85 centers had not been valued and accounted for under current assets.	The Commission had informed that no valuation of current assets had been done so far and that it would be done from the next year.	The value of all inventory items owned by the institution should be shown under current assets.

### 1.5.4 Documentary Evidences not made available for Audit

<b>Item</b>	<b>Amount Rs.</b>	<b>Audit evidence not provided</b>	<b>Management Comment</b>	<b>Recommendation</b>
Property, plant and equipment	15,656,035	Vouchers and valuation reports related to purchase	There was no asset register before 2009 and it had been informed that during the preparation of the asset register, the data was obtained based on the final accounts and cash book of the previous years and there was no way to get this information.	Evidence related to ascertaining the balances related to fixed assets should be submitted to the audit.

## 1.6 Accounts Receivable and Payable

### 1.6.1 Receivables

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) Although Advances of Rs.426,547 were given to the contractors for the repairs of the buildings in Kalutara and Negombo centers, a period of 02 years 09 months to 02 years has passed by now ,but these advances have not been collected and the repairs of these centers are yet to be completed.	It had been informed that the Ministry of Justice has credited the Ministry under the commission's head of expenditure for the construction of the building of the Kalutara Center and that the journal entry related to the repair of the building of the Negombo Center can be included in the financial statements of this year.	Action should be taken to recover the advances without delay.

- (b) In the debtor balance of Rs.2,428,014 as at 31 December 2023, Rs.402,990 between years 01 - 02, Rs.707,008 between years 02 - 03, Rs.67,251 between years 3 - 5 and more than 5 years the outstanding balances were Rs.230,500, but the management had not taken steps to recover the respective balances.
- The money for more than 5 years is the deposits paid for the Gampaha branch and the money deposited during the opening of current accounts in the branches and it had been informed that it is possible to get the recoverable deposit money in the future.
- Actions should be taken to recover the debtor balances without delay.

## 1.6.2 Payables

Audit Observation	Management Comment	Recommendation
Although in the creditor balance of Rs.2,390,922 as at 31 December 2023, there was a creditor balance Rs.1,200,621 less than 01 year, the creditor balance between 1-2 years is Rs.513,019, between 3-5 years is Rs.929 and more than 5 years is Rs.676,353 , but the management had not focused on adjusting the respective balances in the accounts.	The balance between the 1 and 2 years of the balances to be paid will be paid in this year and the balance of more than 5 years will be the people who left the commission after serving, but it had been informed that the cheques have been canceled due to non-receipt of the cheques.	Actions should be taken to settle the creditor's balance.

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

Reference to Laws, Rules, Regulations etc.	Non- compliance	Management Comment	Recommendation
(a) Stamp Duty Act No. 43 of 1982	Although a stamp duty of Rs.25 should be charged for payments above Rs.25,000, But as per the act actions had not been taken regarding payments value of Rs.1,529,961 made on 26 occasions.	It had been informed that steps will be taken to overcome the deficiencies in the future	Actions should be taken as per the referred Act.
(b) Section 11 of the Finance Act No. 38 of 1971	In accordance with the Act, the approvals of the Minister of Finance and the Minister of	It had been informed that the fixed deposit has been approved by the Board of Directors	Actions should be taken as per the referred Act.

- portfolio had not been obtained for the fixed deposits of Rs. 7,748,671 invested in the state banks. and has been referred to the Board meeting in this regard.
- (c) Declaration of Assets and Liabilities Act No. 01 of 1975 The Commission's staff officers had not provided statements of assets and liabilities as per the Act. It had been informed that the statements of assets and liabilities for the year 2024 have been obtained. Actions should be taken as per the referred Act.
- (d) Section 15.1 (i) of the Establishments Code Efficiency cut-off tests have been included in the commission's recruitment process, but from the beginning of the commission until the year 2023, efficiency cut-off tests were conducted only for officers in the primary service category. In the year 2023, the efficiency cut-off tests were conducted for the primary service category and it had been informed that arrangements have been made to conduct the efficiency cut-off tests for the other posts in the second quarter of 2024. Actions should be taken as per the provisions of the referred Establishments Code.
- (e) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- i. 110 (1) As per the Financial Regulations the Commission had been not maintained a register of damages and losses. It had been informed that from the year 2024, a register of damages and losses will be maintained. Actions should be taken as per the referred Financial Regulations.
- ii. 139 (4) The relevant receipts were not attached for 41 payment vouchers amount of Rs.1,590,277 as per the Financial Regulations. In respect of 85 centers it had been informed that there were delays in sending the vouchers by post to the head office and those vouchers would be collected by the. Actions should be taken as per the referred Financial Regulations.

centers and forwarded to the audit.

iii. 237 (b) Although in It had been informed Actions should be taken as per the referred Financial Regulations. In accordance with the that hereinafter the certificates of receipt of goods will be attached to the relevant vouchers. Financial Regulations., a certificate should be attached stating that the goods have been received and the goods have been entered in the relevant inventory, stock book, while paying for warehouse supplies but in 45 purchases value of Rs. 7,509,063 in the institute, the said arrangements were not followed.

iv. 237(a)(1) In the year 2023, payments were made without obtaining a certificate that the work was properly completed in relation to 39 vehicles and office equipment repairs amount of Rs.1,958,476. It had been informed that the legal officer in charge of the center will certify on the card related to the machine that the payment for the work or supplies of the centers has been done satisfactorily and that the relevant payments can be done and a copy of this card should be sent after the relevant service is completed. Actions should be taken as per the referred Financial Regulations.

(f) **Public  
Financial  
Circular**

Public Finance Circular No. 01/2020 dated 28 August 2020 According to Financial Regulations 880, no arrangements had been made to obtain security from the officers who were required to keep security in accordance with the Government As the Sri Lanka Legal Aid Commission is a statutory body, it had been informed that the Ministry of Justice has asked about the officers relevant about security and its Actions should be taken as per the referred Circular and Financial Regulations.



Officers security limitations and will  
Ordinance. take the necessary  
steps immediately.

(g) **Public  
Administration  
Circular**

Paragraph 3.1 of Circular No. 30/2016 dated 31 December 2016	In respect of three vehicles, fuel consumption test has not been done as per the circular.	It had been informed that the fuel consumption tests related to the vehicles have been done so far.	Actions should be taken as per the referred Circular.
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(h) **Public  
Enterprises  
Circular**

2.3 of Schedule I of Circular No. 01/2021 dated 16 November 2021 (Code of Guidelines on Public Enterprises)	The forecasted income statement, forecasted financial position statement and forecasted cash flow statement, which should be included in the master budget were not included.	It had been informed that it would be difficult to do as indicated by the audit	Actions should be taken as per the referred Circular.
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(i) Paragraph 5.4.12 of the Procurement Guidelines 2006	After payment to cover VAT, Copies of the details of such payments should have been submitted to the Auditor General on or before the 15th day of the month, but this was not done.	It had been informed that steps have been taken to be done in the year 2024	Actions should be taken as per the referred Procurement Guidelines.
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**2. Financial Review  
2.1 Financial Result**

The operating result of the year under review amounted to a deficit of Rs. 8,802,344, and the corresponding deficit in the preceding year amounted to Rs.13,906,980. Accordingly, a growth of Rs. 5,104,636 was observed in the financial result. This growth was mainly due to the increase in foreign aid by Rs.10,027,683 and other incomes by Rs.1,740,276.

### 3. Operational Review

#### 3.1 Management inefficiencies

##### **Audit Observation**

In the current bank account maintained at the Hulftsdorp branch of the Bank of Ceylon in the period of 12 months from January to December 2023, the amount was in the range of Rs.17.4 million to Rs.4.9 million. Therefore, that excess amount was kept idle.

##### **Management Comment**

After devaluing the cheques issued but presented to the bank, it had been informed that the balance as per the cash book was less than the balance shown by the audit.

##### **Recommendation**

Money should not be kept idle.

#### 3.2 Procurement Management

##### **Audit Observation**

- (a) According to 6.2.2 of the 2006 Procurement Guidelines, a minimum time of 07 days should be given for calling the bids in the market price comparison method, but in the procurement of cleaning services for the years 2023/2024, a minimum time of 03 days has been arranged to call the bids without properly preparing the specifications and those evaluation was not done until 05 days and was not reported in the relevant form on the opening of bids in accordance with paragraph 6.3.6 of the procurement guidelines, and the selected institute did not submit a performance guarantee for the relevant period in accordance with 5.4.8 of the guidelines.

##### **Management Comment**

It had been informed that from the next year, they would follow the scheduled procurement guidelines and select the cleaning service suppliers.

##### **Recommendation**

Actions should be taken as per the referred Procurement Guidelines.

- (b) Rs. 595,282 value of furniture, bookshelves and tires related to the purchase of 09 procurements could not be identified in the procurement files.

It had been informed that the procurement will be carried out following the prescribed procurement guidelines from next year.

Information relating to procurement should be maintained in files.

### 3.3 Human Resource Management

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) Out of the total staff of the Commission, there were vacancies of 88 employees which is 24 percent, and the three main posts of Director (Legal) and Director (Administration and Finance) and Deputy Director (Regional) belonging to the "Management" service category and Posts of Deputy Director (Finance) which is directly responsible for the financial control of the Commission and 26 posts of Legal Officer under "Management" service category remained vacant as at 31 <sup>st</sup> December 2023. As at the date of the report, there was a delay in filling these vacancies from 01 year 05 months to 05 years.	Requests for approval have been submitted many times since 2022 to fill the vacancies, but no approval has been received so far.	Actions should be taken to fill the vacancies without delay.
(b) According to the Commission's recruitment procedure, officers from senior management to primary service category officers were given the opportunity to be promoted from one grade to another without conducting an efficiency cut off test.	It had been informed that examinations have been conducted for the primary service category in the year 2023 and the efficiency cut off tests have been conducted for the other posts in the second quarter of the year 2024.	Performance cut off tests should be conducted properly.

## 4. Accountability and Good Governance

### 4.1 Internal Audit

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
As per the Section 40 (1) of the National Audit Act No. 19 of 2018, no internal audit had been done for the year 2023 of the Commission, and no internal auditor had been appointed.	It had been informed that the internal audit of the Legal Aid Commission will be carried out by the Ministry of Justice and steps will be taken to appoint an internal audit officer in the future.	An internal auditor shall be appointed as per the referred Act.