

Head - 235 Department of the Law Commission

1. Financial Statements

1.1 Qualified Opinion

Head 235 - The audit of the financial statements of the Department of the Law 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, and cash flow statement 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. The Summary Report containing my comments and observations on the financial statements of the Department of the Law Commission was issued to the Accounting Officer on 28 May 2024 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Department was issued to the Accounting Officer on 25 June 2024 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the Department of the Law Commission as at 31 December 2023 and its financial performance and cash flow 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 appear in Paragraph 1.6 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 opinion.

1.3 Responsibilities of Chief Accounting Officer and the Accounting Officer on Financial Statements

The Accounting Officer is responsible for preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without material misstatements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018.

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.

The Accounting Officer shall ensure that an effective internal control system is maintained and maintained for the financial control of the Department in terms of sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to express a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the Summary Report of the Auditor General 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
- It is not intended to express an opinion on the effectiveness of internal control but an understanding of internal control was obtained in order to plan appropriate audit procedures from time to time.
- Evaluate the structure of financial statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- The transactions and events underlying the structure and content of the financial statements are appropriately and fairly included in when submitting financial statements as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are in consistent with those of the preceding year,
- (b) Recommendations made by me regarding the financial statements of the preceding year had been implemented.

1.6 Comment on Financial Statements
1.6.1 Accounting Deficiencies

(a) Non-revenue Receipts

The following deficiency was observed while accounting non-revenue receipts related to financial statements.

Audit Observation	Comments of the Accounting Officer	Recommendation
Although in accordance with the treasury printed SA 52, the advance receipts were Rs.1,320,930, the non-revenue receipts had been understated by Rs.347,192 due to showing the same amount as Rs.973,738. in the financial performance statement.	Since the department does not implement the CIGAS programme, the preparation of financial statements was made on the advice of the Department of State Accounts and the value obtained from cross notes (11) that is, Rs.973,738 was shown in the financial statement. Since the CIGAS program has been running since 2024, it had been informed that it would be done accordingly in the future.	Actions should be taken to record receipts of advances as per treasury printed SA 52.

(b) Reconciliation Statement on Advance Account for Government Officials

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the actual value of the maximum limit of the debit balance of Government Officers' Advance "B" account was Rs.3,144,235 as per Treasury printed SA 52, it had been understated as Rs.2,486,561 by Rs.657,674 in the account.	Agreed with the relevant observation and this error has arisen because the reconciliation statement has been prepared taking into account the cross notes by mistake . It had been informed that the officer-in-charge was instructed to act according to the relevant observation.	According to the treasury printed SA 52 the actual value of maximum limit of debit balance should be recorded.

(c) Property, Plant and Equipment

The following deficiencies were discovered while accounting for property, plant and equipment

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(i) Although the value of the vehicle was Rs. 7,000,000 according to the fixed asset register and due to the value of the vehicle as of 31 December of the year under review was Rs. 12,310,000 in the statement of non-financial assets in the financial statement, it had been shown as Rs. 5,310,000 more than the value stated in the fixed asset register and the value of a car had not been included in the fixed asset register.</p>	<p>Although the value of the vehicles in the fixed assets document has been stated as Rs.7,000,000, the vehicles in this institution have been assigned to other institutions and new vehicles have been received by the Ministry of Justice and this value has increased according to the annual valuations given in the insurance related to the existing cars. It had been informed that the concerned officer was informed to include the car bearing No. WP KP 1092 in the fixed asset register.</p>	<p>Actions should be taken to record the correct value in the fixed asset Register.</p>
<p>(ii) Although changes in value of vehicles were understated by Rs. 1,900,000 in the statement of non-financial assets in the financial statement vehicles had not been valued by a qualified valuation firm.</p>	<p>It had been informed that this valuation was determined by the agency of the respective cars.</p>	<p>Actions should be taken to enter the value assessed by a qualified valuation firm in the fixed asset register.</p>

(d) Balances of the Advance Accounts

The following deficiency was discovered while accounting the year-end balances of Advance accounts,

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Although in accordance with the Treasury printed SA 52, the amount of advance payments was Rs.1,281,895,the amount had been overstated by Rs.347,192 due to showing the amount as Rs.1,629,087 in the financial performance statement,</p>	<p>Since the CIGAS program was not implemented during the year under review, the preparation of the financial statements was on the advice of the Department of State Accounts and only the figure from cross notes (11) was shown in the financial statement. Since the CIGAS program has been running since 2024, it had been informed</p>	<p>Actions should be taken to record the Advance payments in accordance with Treasury Printed SA 52.</p>

that it would be proceeded accordingly in the future.

(e) Imprest Balance

The following deficiencies were detected while accounting the opening balance.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) Although Credits to Advance 'B' account by other heads were Rs.1,320,930 as per Treasury printed SA 51, it had been added to the imprest reconciliation statement as Rs.973,738 understating by Rs.347,192 .	Since the CIGAS program was not implemented during the year under review, the preparation of the financial statements was on the advice of the Department of State Accounts and only the figure from cross notes (11) was shown in the financial statement. Since the CIGAS program has been running since 2024, it had been informed that it would be done accordingly in the future.	Actions should be taken to record the credits to Advance 'B' Account as per Treasury Print SA 51.
(ii) Although debits to Advance 'B' account by other heads were Rs.146,512 as per treasury printed SA 51, it had been deducted from the imprest reconciliation statement as Rs.493,704 understating by Rs. 347,192 .	Since the CIGAS program was not implemented during the year under review, the preparation of the financial statements was on the advice of the Department of State Accounts and only the figure from cross notes (11) was shown in the financial statement. Since the CIGAS program has been running since 2024, it had been informed that it would be done accordingly in the future.	Actions should be taken to record the debits to Advance 'B' Account as per Treasury Print SA 51.

2. Financial Review
2.1 Cost Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) A sum of Rs. 5,770,791 had been left out of Rs. 22,300,000 allocated to 15 recurrent expenditure subjects and 04 capital expenditure subjects, which ranged from 10 percent to 100 percent.	It had been informed that the provisions in the recurrent and capital expenditure subjects have been left due to the release of provisions only for essential expenses as per the Public	Actions should be taken to prepare the Estimates with due care and economically.

Expenditure Management Circular and the fact that some essential expenses are required but no provision has been made by the Treasury Operations Department.

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| <p>(b) Although a sum of Rs. 600,000 had been transferred under Financial Regulation 66 for expenditure subject 1409, the amount so transferred had been completely left at the end of the year under review and the total balance of the provisions of that expenditure subject was Rs.653,430.</p> | <p>This expenditure subject covers security expenses, cleaning expenses and all expenses not subject to any other expenditure subject and it had been informed that as it was anticipated that there might be a deficiency in the provisions even though an amount of Rs. 600,000 was transferred and since such expense was not occurred, this amount was saved.</p> | <p>Actions should be taken to identify the requirement correctly and make transfers of provisions as per the monetary regulations.</p> |
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2.2 Entering into liabilities and Commitments

Audit Observation

Comments of the Accounting Officer Recommendation

According to Section 2 (a) of the State Accounts Circular No. 255/2017 dated 27 April 2017, although liabilities for payments other than personal salaries and allowances should be identified within the annual budget limit, an amount of Rs. 17,899 as overtime and travel allowances had been included in the Statement of Liabilities and commitments in Annex (iii) to the Financial Statements.

It had been informed that as per the practice followed by this department for a long time, overtime and travel allowances are paid in January of the following year, so it was recorded as a commitment and liability.

Overtime and travel allowances should not be recognized as liabilities.

2.3 Non-compliance with laws, rules and regulations

The instances where the provisions of the laws, rules and regulations observed during the sample audits were not complied with are analyzed below.

	Audit Observation		Comments of the	Recommendatio
Reference to laws, rules and regulations	Value	Non-compliance	Accounting Officer	n
	Rs.			
(i) Statutory provisions				
Extraordinary Gazette Notification No. 1530/13 dated 01 January 2008 as amended by the Stamp Duties (Special Provisions) Act No. 12 of 2006	771,817	Although a stamp duty of Rs.25 should be charged for payments above 25,000, stamp duty had not been collected for payments of Rs.771, 817 made on 10 occasions.	The officer in charge of the concerned subject was informed in this regard and it had been informed that instructions were given to collect the stamp duty properly for the due payments in the future.	Actions should be taken to Proceed as per the referred act.
(ii) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
371(2)(a)	-	Although the maximum limit that can be paid per requirement at one time from Petty Cash Sun imprest should not exceed Rs.5,000, Rs.5,000 had been spent in 04 cases.	It had been informed that the officers in charge would be educated to maintain the maximum limit of Rs.5,000 per requirement at a time in accordance with the provisions referred to.	Actions should be taken to proceed as per referred Financial regulations.
(iii) Public Administration Circulars				
Section 4.3 of Circular No. 30/2016 dated 29	187,235	A report of a qualified mechanical engineer had not	It had been informed that the prices offered under the existing provisions	Actions should be taken to proceed as per

December 2016

been obtained as per the circular while making payments for the repairs carried out at a total cost of Rs.187,235 In 02 cases.

are not too high in order to obtain reliability and better quality service in motor car repairs and recommendations have been made by referring to the agency and the government mechanical engineer whenever possible.

the referred Circular.

Circular No. 13/2008 dated 26 June 2008

- Although all the drivers assigned to the official vehicles should maintain the format introduced as Annex 01, only one monthly daily record was maintained for the two official vehicles and 3553 km had been driven in the year 2023 without the certification of a responsible officer. .

The driving records of the pool vehicles have been properly maintained by the drivers and the number of kilometers driven in certain months has not been recorded in the overtime allowance application form by mistake. It had been informed that the drivers be informed to apply those notes in future.

Actions should be taken to maintain the monthly daily records as per the referred circular.

(iv) State Accounts Circulars

Circular No. 03/2023 dated 11 November 2023

- Actions had not been taken to submit the advance "B" account of the government officials as per forms No. 01, 04 and 3.11 of the State Accounts Guideline.

It had been informed that the relevant officer-in-charge has been educated to prepare the advance B account of the government officials in future as per the updated State Accounts Guideline.

Actions should be taken to proceed as per the referred State Accounts Guideline.

3. Operational Review
3.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
Three law reforms carried out in the year 2023 had not been included in the action plan of the year 2023.	Since the Ministry of Justice had directed the Law Commission Department to consider legal reforms in the year 2023 after the new chairman was appointed on 19 May 2023, it had been informed that the reform was not included in the 2023 action plan prepared in December 2022.	Actions should be taken to include the work to be done during the year in the action plan of that year.

3.2 Procurement

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
As per public Finance Circular No. 06/2019 (i) and dated 12 September 2019, although general insurance can be obtained from insurance service providers registered with the Insurance Regulatory Commission of Sri Lanka through their agents/brokers by calling competitive prices, the 03 cars owned by the Department of Law Commission had been insured by Sri Lanka Insurance Corporation Limited at a cost of Rs.174, 802 without calling prices.	These cars were given by the Ministry of Justice in 2018 and have been insured by the Sri Lanka Insurance Corporation since that year. The service was obtained from the same company due to its satisfactory service, being a government-affiliated semi-state company and being more reliable and responsible and it had been informed that it would not be quoted from other companies.	Actions should be taken to proceed as per the referred Circular.

3.3 Asset Management

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
According to paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016, Although it was stated that an inspection should be done that vehicles should be re-fuelled after a period of 12 months after each fuel check or after driving a	This department has a fuel reserve of petty cash imprest of Rs.25,000 and has 4 pool motorcars. Accordingly, it had been informed that due to the fact that money for fuel is obtained through the ITMIS system during the issuance of fuel for daily pool duties,	Actions should be taken to proceed as per the referred Circular.

distance of 25000 km or after major engine-related repairs, whichever comes first, no information was revealed during the inspection of the vehicle log book that the company's 03 vehicles had been operated according to the provisions of the circular and the last fuel inspection had been done in 2018. difficulties have arisen in practice to act according to the practice to be followed in conducting a fuel combustion test.

3.4 Giving securities of government officials

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Those who are administratively responsible or have been assigned the same tasks under delegation of authority or officers who certify vouchers related to the state account, signing cheques should give securities in respect of receiving or having custody of public money revenue stamps or articles, or distributing public money or issuing stamps or articles that they perform those activities honestly in terms of Financial Regulations 880 and pursuant to the Government Officers Securities Ordinance (Cap.612) and Ministry of Justice Circular No. 01/2011 dated 18 January 2011 but Two officers who were supposed to give securities had not given securities.</p>	<p>Although the documents required to post bail for the two officers mentioned in the relevant observation were formally done a few years ago but even now, no instructions have been received from the Attorney General's Department. This situation has been constantly informed in the Audit and Management Committee of the Ministry of Justice. It had been informed that devoting official time to the same matter is a waste of time as the documents in respect of giving securities have to be sent again for these two officers.</p>	<p>Actions should be taken to proceed as per the referred Financial Regulations.</p>

3.5 Management Weaknesses

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Out of the 18 members of the commission, 05 members had not participated in any meeting in the year 2023.</p>	<p>The Chairman of the Law Commission discussed regarding being absence of the members who have not participated in the Law Commission meetings even in the</p>	<p>Arrangements should be made to inform the concerned members to participate in the</p>

first Law Commission meeting of 2023. Members of the Law Commission are appointed by the President for a period of 05 years. It had been informed that there was no possibility of appointing new members in their place as there was no cancellation of membership due to non-participation based on the existing provisions of the Law Commission Act.

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| (b) | The website of the institution is currently not operational and the web hosting facility had been renewed at a cost of Rs.28,350 for the year 2023/2024 for the purpose of maintaining the data system. | The website of this department has been deactivated due to a technical error and Rs.28,350 was incurred for its revamping related to data maintenance and the facility had to be renewed due to non-receipts of funds from the 2023 budget to rectify the error. It was informed that the relevant repair works are being carried out based on the receipt of money from the 2024 budget. | Actions should be taken to make the website functional as soon as possible. |
| (c) | Most of the vouchers in the Department of Law Commission had not been signed by the payee. | It had been informed that the subject officers were instructed to act according to the relevant observation. | When paying for vouchers, arrangements should be made to obtain the payee's signature. |

4. Human Resource Management

Following Observation are made.

Audit Observation

Although the approved number of posts in the secondary level was 15, there were 09 vacancies out of the actual number of 06 employees, the post of Accounts Assistant, 01 Development Officer posts, 06 Management Assistant posts and post of stenographer which had been fallen vacant.

Comments of the Accounting Officer

Although requests were made from the relevant institutions to fill the vacancies in the approved positions mentioned in the observation, it had been informed that it has not been possible to fill the vacancies according to the circular that has been issued so far.

Recommendation

Actions should be taken to fill the Vacancies.