Head 235 - Department of the Law Commission -2024

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 2024 comprising the statement of financial position as at 31 December 2024 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 containing my comments and observations on the financial statements of the Department of the Law Commission was issued to the Accounting Officer on 30 May 2025 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department was issued to the Accounting Officer on 09 September 2025 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 fair view in all the material aspects of the financial position of the Department of the Law Commission as at 31 December 2024 and its financial performance and cash flow in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements.

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 Emphasis of Matter - Basis of Preparation of Financial Statements

I draw attention to Note 1 of the financial statements, which describes the basis of preparation of these financial statements. The financial statements had been prepared for the requirement of the Department of Law Commission, the Treasury and the Parliament in accordance with Financial Regulations 150 and 151 of the Government and State Accounts Guideline No. 06/2024 dated 16 December 2024, as amended on 21 February 2025. Therefore, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Department of Law Commission, the Treasury and the Parliament of Sri Lanka. My opinion in this regard is not modified.

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

The Accounting Officer is responsible to prepare financial statements that give a true and fair view in all material aspects and to determine such internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error in accordance with Government Finance Regulations 150 and 151 and State Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025.

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 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.

1.5 Auditor's Responsibility on 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.

- 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 its internal control.

- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.

- 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.

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

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Non-revenue Receipts

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

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the Treasury printed SA-52, advances amounting to Rs.807,918 had been received. However, due to the failure to record that amount, the total value of non-revenue receipts had been understated by the same amount in the statement of financial performance.	The accounts had been prepared in accordance with the instructions received from the Department of State Accounts regarding the recording of advance account receipts in the preparation of final accounts in previous years. Matters relating to the observation made will be further examined, and necessary corrections are expected to be made in the next year.	The values of Treasury prints should be stated in the statement of financial performance.

(b) Property, Plant and Equipment

The following deficiencies were observed in accounting for property, plant and equipment.

	Audit Observation	Comments of the Accounting Officer	Recommendation
(i)	According to Paragraph 04 of the Asset Management Circular No. 04/2018 dated 31 December 2018, all government institutions should identify and record non-financial assets with a value of Rs.5,000 or above in the reporting of non-financial assets. However,	According to the accounts guidelines of the Department of State Accounts, items valued below Rs.5,000 are considered based on the nature and scale of the institution when valuing assets. Since revising the asset values in the reports is	Consumable items should not be accounted as assets.

	501 consumable items valued at Rs.229,160, each below Rs.5,000, had been identified and recorded as non-financial assets.	problematic, it is kindly informed that the Department has decided not to classify consumable items valued below Rs.5,000 as assets from the year 2025 onwards.	
(ii)	With the implementation of the new CIGAS programme in the Department from the year 2024, the non-financial assets owned by the Department had been valued as at 31 December 2024. Accordingly, as per the valuation report submitted for audit, the total value of other machinery and equipment amounted to Rs.34,495,611. However, it had been shown as Rs.33,947,340 in the Treasury printed SA-82, understating the value by Rs.548,271.	Agreed with the observation. Action will be taken to rectify it in the year 2025.	Action should be taken to correctly state the value in the Treasury printed SA-82.

(c) Imprest Balance

The following deficiencies were revealed in accounting for imprest balances.

	Audit Observation	Comments of the Accounting Officer	Recommendation
(i)	According to the trial balance of the department, any credit had not been made by the reporting entity to the Advance "B" account on behalf of other Heads. However, an amount of Rs.807,918 had been shown in the Imprest Adjustment Statement.	Further examination regarding your observation will be conducted, and necessary adjustments are expected to be made in the next year.	It should be recorded accurately.
(ii)	Even though according to the Treasury printed SA-71, imprest received from other sources amounted to Rs.875,852, that amount had not been included in the ACA-3 form.	Agreed with your observation. Action will be taken to rectify it in the year 2025.	Receipts according to SA-71, should be accurately recorded in the ACA-3 form.

(iii)	According to the Treasury printed SA-71, settlement of imprest through expenditures amounted to Rs.17,737,902. However, it had been shown in the ACA-3 form as Rs.16,862,050, understating the amount by Rs.875,852.	Agreed with your observation. Action will be taken to rectify it in the year 2025.	Receipts according to SA-71, should be accurately recorded in the ACA-3 form.

2. **Report on Other Legal Requirements**

I express the following matters in terms of Section 6 (1) (d) and Section 38 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 of the preceding year had been implemented.

3. **Financial Review**

3.1 **Management of Expenditure**

	Audit Observation	**Comments of the Accounting Officer**	**Recommendation**
(a)	Out of the provisioned amount of Rs.24,360,000 for 16 recurrent objects and 02 capital objects, a balance of Rs.5,424,385 remained as savings and it ranged from 12 percent to 99 percent. Accordingly, estimates had been prepared without properly identifying the actual requirements.	Estimates for recurrent and capital expenditures had been prepared taking into account the fluctuations of departmental expenditures in previous years (2023). However, in practice, savings in provisions were observed under each object during the financial year 2024, as the expenses did not arise in comparison with the year 2023.	Actions should be taken to prepare the estimates with proper study and economically.
(b)	The total provision of Rs.100,000 for 02 recurrent objects had remained entirely unutilized.	Estimates for recurrent and capital expenditures had been prepared taking into account the fluctuations of departmental expenditures in previous years (2023). However, in practice, savings in provisions were observed under each object during the financial year 2024, as the expenses did not arise in comparison with the year 2023.	Actions should be taken to prepare the estimates with due care and economically.

(c)	Even though, a provision of Rs.500,000 had been made under Financial Regulation 66 transfers for the object 235-1-1-0-1403/0-11, the entire amount remained unutilized by 31 December of the year under review. Consequently, the total unspent provision for that object amounted to Rs.570,190. Although reasons were given as limitation of expenditure in accordance with the expenditure management circular, the transfer of provisions under Financial Regulation 66 had been made without properly identifying the actual requirements.	The transfer was made due to the inadequacy of provisions for electricity, water, and security services for the coming months, based on the request letter for provisions sent to us mid-year by the Legal Draftsman's Department. However, these savings occurred because the amount initially estimated by the Legal Draftsman's Department had not been raised actually. This situation was beyond the control of our Department.	Transfers of provisions should be made in accordance with Financial Regulations, based on an accurate assessment of requirements.
(d)	Even though the savings of Rs.3,105,694 for 05 objects had been shown as the balance remaining from the provisions allocated for the year 2024, sufficient information had not been presented in the financial statements to justify the reasons for these savings. Accordingly, estimates had been prepared without properly identifying the actual requirements.	Estimates for recurrent and capital expenditures had been prepared taking into account the fluctuations of departmental expenditures in previous years (2023). However, in practice, savings in provisions were observed under each object during the financial year 2024, as the expenses did not arise in comparison with the year 2023.	Estimates should be prepared based on an accurate assessment of the requirements.
(e)	Under object 235-1-1-0-1203-002/11, an amount of Rs.30,000, representing savings of 60 percent of the estimated provision, it had been shown reasons as the amount spent from the provision allocated for the year 2024. Although there were 07 approved officers entitled to uniform allowances, estimates had been prepared without taking this into consideration.	Although it was expected that the vacancies of primary service officers in this Department would be filled through new recruitments during the year 2024, the non-implementation of such recruitments in terms of Government policy had resulted in savings under the object of official uniform allowances.	Estimates should be prepared based on an accurate assessment of the requirements.

(f)	The object 235-1-10-1506-0/11 remained unutilized by 99.25 percent. The reasons for the unspent balance had been shown as the remainder after providing for all officers who had requested and were eligible for property loan interest. Accordingly, estimates had been prepared without accurately identifying the actual requirement for government employees' property loan interest.	Estimates for recurrent and capital expenditures had been prepared taking into account the fluctuations of departmental expenditures in previous years (2023). However, in practice, savings in provisions were observed under each object during the financial year 2024, as the expenses did not arise in comparison with the year 2023.	Estimates should be prepared based on an accurate assessment of the requirements.
(g)	Although the reasons for savings of Rs.447,381 for 03 objects had been shown as the expenditure for December, after incurring a total of Rs.65,253 for these 03 objects in December, a balance of Rs.382,128 of the provision still remained unutilized.	Estimates for recurrent and capital expenditures had been prepared taking into account the fluctuations of departmental expenditures in previous years (2023). However, in practice, savings in provisions were observed under each object during the financial year 2024, as the expenses did not arise in comparison with the year 2023.	Estimates should be prepared based on an accurate assessment of the requirements.

3.2 Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with the provisions of laws, rules and regulations observed during the course of audit test checks are analyzed below.

	Observation			**Comments of the Accounting Officer**	**Recommendation**
	Reference to the laws, rules and regulations	**Value Rs.**	**Non-compliance**		
(a)	Section 7(1) of the Stamp Duty (Special Provisions) Act No.12 of 2006	3,975	Stamp fees amounting to Rs.3,975 collected should be registered with the Department of Inland Revenue and forwarded to the Commissioner General of Inland Revenue within 15 days of the end of each quarter. However, this	Instructions had been issued to the officers responsible for the subject to take action in coordination with the Department of State Accounts	Action should be taken to pay the stamp duty in accordance with the provisions of the Act.

			procedure had not been carried out.	to rectify the matter in future.	
(b)	Paragraph 238 (5) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	1,744,263	Although the paying officers should have confirmed that each officer receiving a monthly salary had signed the pay sheet, it was observed that in 23 instances, pay sheets had not been signed by the respective officers for salary payments amounting to Rs.1,744,263.	The officer in charge of the subject had been informed to obtain the pay sheets at the time of making salary payments.	Action should be taken to obtain the signatures on the pay sheets in accordance with the Financial Regulations.
(c)	Paragraph 3.1 of the State Accounts Guideline No. 06/2024 dated 16 December 2024		Although the trial balance generated through the CIGAS desktop application should have been attached to the financial statements as an annex, it had not been attached. Further, the final treasury account statements, namely SA 10, 12, 50, 51, and 90, obtained from the new CIGAS web-based system had not been submitted together with the financial statements. In addition, the cumulative commitments and liabilities report generated through the new CIGAS web application, which should have been included in place of Annex (iii), had not been attached.	Action will be taken to rectify the matter in the subsequent years.	Action should be taken to submit the statements required to be presented together with the financial statements as specified in the guidelines.

4. Operating Review

4.1 Planning

	Audit Observation	Comments of the Accounting Officer	Recommendation
(a)	During the year 2024, 04 legal reform activities had been implemented. However, these had	The Department of the Law Commission has been established to provide the necessary	Actions should be taken to include the work to be done

	not been included in the action plan for the year 2024. Among these, the legal reform activity relating to bankruptcy had been initiated on 26 June 2023.	administrative support to the Law Commission. Accordingly, the action plan of the Department is reflected in the annual financial plan, which includes the plan for capital expenditure. The action plan of the Law Commission comprises the annual plan for legal research activities, which cannot be expressed in monetary terms, and a plan showing the physical outputs of the legal reform proposals planned by the Law Commission. Accordingly, the Department quarterly submits the performance plan for the year 2024 to the Planning Division of the Ministry of Justice. The legal reform relating to bankruptcy and the relevant Cabinet Memorandum were issued on 07 June 2023. Immediately after the matter was referred to us by the Ministry of Justice, and the first meeting of the Law Commission was subsequently held on 26 June 2023. Thereafter, a sub-committee on legal reforms, as mentioned in the Cabinet Memorandum, was appointed to initiate the subsequent actions.	during the year in the action plan of that year.
(b)	The action plan prepared by the Department had not been prepared to reflect the institution's functions and objectives, and action had not been taken to identify performance indicators based on the institution's functions and objectives.	The action plan of this Department is prepared by identifying the institution's functions and objectives and is submitted to the Planning Division of the Ministry of Justice, with progress being reported quarterly.	The action plan should be prepared to include the manner in which the institution's functions are to be executed.

4.2 Non- performance of Functions

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
In terms of Section 05 of the Law Commission Act No. 03 of 1969, the Department of the Law Commission had not acted in accordance with the provisions of the Act regarding legal education.	The official website of the Department of the Law Commission has been updated to upload both past and current Law Commission research reports, making them accessible to the public, students, or any person conducting legal research. This contributes to legal education as part of the Law Commission's sub activities. Since the Council of Legal Education (Law College) has been established with primary authority for legal education, it is further noted that the Law Commission does not have direct responsibility in this regard.	Action should be taken related to legal education in accordance with the provisions of the Act.

4.3 Security of Public Officers

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though, in terms of Financial Regulation 880, officers who are administratively responsible for, who under delegation are entrusted with, the receipt or custody of public money, revenue stamps or stores, or the disbursement of public money, or the issue of stamps or stores, and those who certify vouchers or sign cheques on Government Account, will be required to give security in accordance with the Public Officers' Security Ordinance (Cap.612)) for the faithful discharge of their duties and as	The applications and relevant documents for the security deposits of the 02 officers referred to in this observation had been submitted to the Ministry of Justice twice. On both occasions, they were returned to us with certain deficiencies noted. Action is currently being taken to rectify these deficiencies and resubmit the documents to the Ministry of Justice.	Action should be taken in accordance with the referred Financial Regulations.

per the Circular No. 01/2011 dated 18 January 2011 of the Ministry of Justice, 02 such officers had not furnished the required security.

4.4 Management Weaknesses

The following observations are made.

	Audit Observation	Comments of the Accounting Officer	Recommendation
(a)	Although the two legal reform activities relating to the amendment of provisions in the Civil Aspects of International Child Abduction Act and amendments to the Partnership Law had been initiated in the first quarter of 2024, they had not been completed as at 31 December 2024.	As the completion of legal reforms requires a considerable period, and due to the need for further discussions on the respective legal reform proposals, the reform process was continued.	Action should be taken to perform the assigned duties.
(b)	Although the members had agreed at the Commission meeting held on 18 January 2024 to hold 12 meetings for the year 2024, only 08 meetings were conducted during the year under review. Further, out of the 14 members of the Commission, 05 had not attended any of these meetings. Accordingly, the limited participation of members in the meetings had hindered the efficient conduct of the activities of the Law Commission.	The Commission meeting reports have also noted that the absence of provisions in the Law Commission Act regarding the termination of such members' membership hinders taking further action in this regard. Furthermore, as the current tenure of the Law Commission has ended, request has been submitted to the Ministry of Justice to reestablish the Commission, and this request has been forwarded to the Secretary to the Ministry of Justice for consideration, along with a report on the members' attendance for 2023/2024.	Action should be taken to ensure the participation of Commission members in the meetings.
(c)	A distress loan balance of Rs.162,500 had remained recoverable from an officer on leave without pay for a period ranging between 1 to 3 years.	The relevant officer submitted a letter to the Department on 14 February 2025, stating that he would report for duty immediately upon completion of his ongoing medical treatment. However, if he does not report for duty by the	Action should be taken to recover the loan balance.

		third quarter of this year, action will be taken to issue a written notice to recover the outstanding loan balance.	

5. Human Resource Management

The following observations are made.

	Audit Observation	**Comments of the Accounting Officer**	**Recommendation**
(a)	Even though the approved cadre for the Senior-level Assistant Secretary post was 04, the actual cadre was only 01, resulting in 03 vacancies. However, it was reported by the Secretary that filling these vacancies was not considered necessary.	The 03 existing vacancies at the senior level do not need to be filled based on the current work capacity.	Action should be taken to abolish unnecessary positions.
(b)	Even though the approved cadre at the secondary level was 15, the actual cadre was only 06, resulting in 09 vacancies. These included 01 Accounts Assistant post, 01 Development Officer post, 06 Management Assistant posts, and 01 stenographer post. However, it was reported by the Secretary that the stenographer post could be abolished.	Even though the Accounts Assistant post was vacant, it is a limited-service post within the Ministry of Justice, and the vacancy cannot be filled by officers from other services. The 01 Development Officer post and 06 Management Assistant posts need to be filled at least to a minimum level. The stenographer post is currently unnecessary for this Department and can be abolished.	Action should be taken to fill vacancies in positions necessary for performing official duties and to abolish positions that can be dispensed with.
(c)	Although the approved cadre for the Driver post at the primary level was 04, the actual number of officers was 02, resulting in 02 vacancies.	The 02 vacant Driver posts are considered highly essential. This matter was also communicated during the staff review meeting held at the Ministry of Justice. However, due to government policy considerations, these essential vacancies could not be filled up to date.	Action should be taken to fill the vacancies.