

## Head 229- Attorney General's Department

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### 1. Financial Statements

#### 1.1 Qualified Opinion

The audit of the financial statement of the Attorney General's Department for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 10 June 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and 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 May 2019. This report will be tabled 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Attorney General's Department as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

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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 Accounting Officer for the Financial Statements

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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 Sub-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

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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 Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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

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I express the following matters in accordance with Section 6 (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) Since there was no need for the preparation of financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were consistent with the preceding year.
- (b) Since there was no requirement for the Attorney General's Department to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

## 1.6 Comments on Financial Statements

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### 1.6.1 Non-compliances with Laws, Rules, and Regulations

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Financial statements should be prepared in terms of State Accounts Circular, No. 267/2018, dated 21 November 2018. However, instances of deviations from that requirement, are as follows.

Audit Observation	Recommendation	Comment of the Accounting Officer
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<p>a) When reporting on the non-financial assets in terms of Sections 3.1 &amp; 3.3 of the Circular, the value of assets should be examined with the individual values of assets and the Accounting Officer should verify that the values are reconciled. However, the Department of State Accounts stated that the</p>	<p>An accurate report on the non-financial assets should be presented to the Treasury as at 31 December of every year. Accordingly, the main ledger balances should be reconciled with the main ledger balances of the Department and the individual balances thereby maintaining the Registers.</p>	<p>The values of main ledger balances relating to the non-financial assets do not reconcile with the books of the Treasury. As such, according to the instructions given by the Department of State Accounts after stating that the ledger balance of the non-financial assets was zero as at 31 December 2018, and the assets should accurately be included therein, all of the assets have been included into Cigas thereby updating the ledger.</p>

value of main ledger balance relating to the non-financial assets had been zero as at 31 December 2018, thus indicating that the non-financial assets had not been reconciled as per the Circular.

- b) As Per All the liabilities The relevant report on liabilities provisions of relating to each item of that had been computerized, could Section 3.4 of expenditure should be not be presented to the Treasury of the Circular, the identified correctly together with the monthly account value of under Note (III) of the summary by mistake. Hence, the commitments financial statements of the said report indicated a zero value and liabilities the Department , and shown in Note, those liabilities should No. (III) of the be reconciled with the commitments issued financial statements of by the Treasury with the Department, respect to each item of amounted to Rs. expenditure and the statement of liabilities. 84,428,666. However, the report of the commitments and liabilities issued by the Treasury, indicated a zero value.

### 1.6.2 Revenue in Arrears

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The following observation is made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
The Audit was reported that the value billed by the Corporation Division for legal fees relating to the Government Corporations and Statutory Boards for the year ended as at 31 December 2018, totaled Rs. 103,197,183, and a sum of Rs. 36,549,689 had been recovered therefrom. Accordingly, the outstanding revenue for the year under review amounted to Rs. 66,647,494. However, the same had been shown in the financial statements as Rs. 66,581,244 thus indicating a difference of Rs. 66,250.	Reports should be maintained properly by indicating the revenue to be recovered, collected revenue, and the revenue in arrears, if any.	The sum of Rs. 66,250, shown as the difference between the revenue in arrears, had been received by the Finance Division in the year 2018 through the Cheque, No. 503142, and a receipt had been issued. However, that value had not been recorded in the cash book by mistake, and that error has been rectified in the year 2019.

### 1.6.3 liabilities

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The following observation is made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Action had been taken in January 2019 to settle the liabilities valued at Rs. 7,044,183 relating to the year ended as at 31	A methodology suitable for accurately identifying the liabilities with	Those bills relating to the essential services obtained in the year 2018, had been received by the accounts division in the year 2019. Hence, they had not been included in the

December 2018. respect to each register of liabilities as at 31  
 However, those values Object, should be December 2018.  
 had not been shown maintained.  
 under liabilities and  
 commitments in the  
 financial statement for  
 the year 2018.

#### 1.6.4 Non-compliances with Laws, Rules, and Regulations

Instances of non-compliances with provisions of the Laws, Rules, and Regulations observed in audit test checks are analyzed below.

Observation -----	Recommendation -----	Comment of the Accounting Officer ----- -----
Reference to Laws, Rules & Regulations ----- ---	Non-compliance ----- -	
(a) Section 16(2) of the National Audit Act, No. 19 of 2018.	Failure to furnish the annual Performance Report to the Auditor General.	The annual Performance Report should also be furnished along with the annual financial statements.  The annual Performance Report has been prepared and forwarded to be signed by the Head of the Department.
(b) Section 03 of the State Accounts Circular, No. 05/2016, dated 31 March 2016.	Failure to furnish the annual report of the Board of Survey to the Auditor General.	In terms of Section 03 of the Public Finance Circular, No. 05/2016, the report of the Board of Survey should be furnished prior to 17 March of  The Board of Survey for the year 2019 has been completed, and the report thereof is being

the ensuing prepared.  
year.

## 2. Financial Review

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### 2.1 Revenue Management

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Audit Observation	Recommendation	Comment of the Accounting Officer
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<p>(a) It is the responsibility of the Accounting Officer to estimate &amp; collect the revenue, and properly review the supervision and reporting process. However, as the actual revenue of a Revenue Code for which a revenue of Rs. 40 million had been estimated, amounted to Rs. 64.61 million, an excess of 62 per cent was observed. As such, it was observed that estimates had not been prepared in a realistic manner.</p>	<p>The Revenue Accounting Officers should constantly analyze, supervise, and review the process of preparing revenue estimates. The estimates should be prepared in a realistic manner.</p>	<p>Improvement in the recovery of arrears revenue has been attributable to the difference between the estimated revenue and the actual revenue, thus showing an increased revenue. As per your observation, action will be taken to prepare the estimates more realistically subject to constant review and supervision.</p>
<p>(b) Although a revenue totalling Rs. 103.19 million had been billed for the year 2018, only a revenue of Rs. 36.55 million had been collected during the year under review. As such, the revenue that could not be recovered relating to</p>	<p>A methodology suitable for the speedy recovery of revenue receivable to the Government, should be followed.</p>	<p>The half-yearly reports on revenue in arrears have been furnished to the Auditor General. Action will be taken for the speedy recovery of revenue receivable to the Government.</p>

the year under review, amounted to Rs. 66.65 million or 64.58 per cent. However, the total revenue in arrears amounted to Rs. 259.37 million.

- (c) The Accounting Officers should furnish a quarterly revenue report to the Director General of the Fiscal Policy Department in regard to the revenue mentioned under 1(b) of Schedule - ii in the Fiscal Policy Circular, No. 01/2015. However, evidence was not available that such reports had been prepared and furnished.
- The quarterly revenue reports should be prepared and furnished to the relevant institutions.
- The quarterly revenue reports have been prepared and submitted, and the relevant files have not been made available to the Audit. The Performance Report has been prepared and forwarded to be signed by the Head of the Department.



## 2.2 Management of Expenditure

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 The following observation is made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
<p>According to Financial Regulation 50, it is the responsibility of the Accounting Officer to see that the Draft Estimates relating to his Department are prepared in conformity with the Regulations.</p> <p>However, as for 17 recurrent Objectives for which provision had been made for the year under review, the provision amounting to Rs. 6.5 million made for 04 Objects, had been transferred to 03 other recurrent Objectives in 03 instances.</p> <p>Furthermore, the provision of Rs. 35 million made for 04 recurrent Objectives, had been transferred to 04 other recurrent Objectives in 03 instances whilst additional provision amounting to Rs. 469.74 million had been made through</p>	<p>The annual estimates should be duly prepared by including all the foreseeable services with emphasis on economy and efficiency.</p>	<p>The reasons such as, the increase in the salaries and allowances of the Legal Officers by the new Circular, recruitment of 211 fresh appointees thereby increasing the number of training opportunities, increase in the combined allowance, travel allowance and fuel allowance in accordance therewith, unexpected maintenance and repair activities, and the requirement to renew the service agreements, had paved way for the shortage of provision. According to your observation, action has been taken to prepare annual estimates accurately with due care by including all the foreseeable expenses.</p>

supplementary estimates. As such, it was observed that the estimates had not been prepared realistically by fulfilling the requirements of Financial Regulations.

### 2.3 Incurring Liabilities and Commitments

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The following observation is made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
In terms of Financial Regulation 94 (i), no expenditure or commitment shall be incurred by any department for work, service or supply, and at no time shall the commitments and the expenditure incurred exceed such provision for the financial year. However, liabilities valued at Rs. 3.35 million had been incurred in excess of the provision made for 04 Objects of the Department.	No expenditure or commitment shall be incurred by any department for work, service or supply, unless financial provision exists therefor in the annual estimates.	As the budget relating to the year 2018 had been revised, the provision was not adequate. As such, provision of the said Objects had been exceeded in the supply of essential services.

### 3. Operating Review

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#### 3.1 Planning

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The following observation is made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
The matters such as, the organizational structure of the Department, approved & actual cadre, the prioritized plan of activities, timeframe for implementation, output/outcome expected, and the imprest requirements on activities, had not been included in the Action Plan prepared for the year 2018 in view of main functions of the Department and achievement of expected results. As such, it was not observed that the said Action Plan had been prepared in accordance with the Public Finance Circular, No. 01/2014 dated 17 February 2014.	The Action Plan for the year 2018 should be prepared in accordance with the Public Finance Circular, No. 01/2014 dated 17 February 2014	The Action Plan will be prepared by eliminating the deficiencies pointed out in your recommendations in accordance with Public Finance Circular, No. 01/2014 dated 17 February 2014.

#### 3.2 Securities for the Government Officers

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The following observation is made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Although there were 04 officers eligible for producing securities at the Department of	According to Financial Regulation 880 (i), officers who are administratively	Action required for producing securities has been taken whilst attention will be properly drawn in that connection.

Finance, they had not responsible for the produced securities. receipt or custody of public money, certify vouchers, or sign cheques, are required to give security in accordance with the Public Officers (Security) Ordinance (Cap 612)

#### 4. Human Resource Management

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The following observation is made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Action had not been taken to fill 251 vacancies of the senior level which is pivotal in serving the Government to achieve the objectives through prompt provision of all the legal services and instructions relating to public institutions, Corporations and statutory boards of the Government of Sri Lanka.	Priority should be given to recruit the staff to the posts in the senior level in order to productively achieve the objectives and main functions of the Department.	As pointed out in the audit, action has been taken to fill vacancies in the senior level and approval of the Public Service Commission has been sought.