

## **Head-230 Legal Draftsman's Department**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statement of the Legal Draftsman'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 Legal Draftsman's Department was issued to the Accounting Officer on 12 June 2019 in terms of Sub-section 11 (1) of the National Audit Act No. 19 of 2018 and the Detailed Annual Management Audit Report in terms of Section 11 (2) of the National Audit Act No. 19 of 2018 was issued to the Accounting Officer on 27 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 matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Legal Draftsman's Department as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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

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**

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**

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, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## 1.5. Report on Other Legal Requirements

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

- (a) Since there was no need for the Department to prepare 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 Department to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

## 1.6. Comments on Financial Statements

### 1.6.1 Cash Flow Statement

The following observations are made

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Although a balance was not shown according to the cash book as at 31 December of the year under review, a cash balance of Rs.1,122,073 as at 31 December 2018 had been shown under the net cash variations in the cash flow statement included in the financial statements. Similarly, this amount had not been stated as imprests settled to the Treasury under the expenses in the cash flow statement.	Action should be taken in accordance with provisions in the Circular No.267/2018.	This observation is accepted. Owing to a mistake, the imprest settled to the Treasury had not been entered in the proper place of the cash flow statement and it had resulted in this error. Instructions have been given to make this entry correctly in the preparation of cash flow statement in the year 2019.

### 1.6.2 Non-maintenance of Books and Registers

It was observed in audit test check that the Department had not either maintained or updated the following registers.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) <u>Security Register</u>  A Security Register containing the information of all officers and employees required to give	A Security Register should be maintained so as to include all the information stated in Financial Regulation 891(1).	This observation is accepted. The officers concerned have been instructed to take steps in terms of Circular No.01/2011

security had not been prepared in terms of Financial Regulation 891 (1)

of the Ministry of Justice in future.

(b) Record of Losses

Although a Record of Losses had been maintained in terms of Financial Regulation 110, it had not been updated including particulars on 06 vehicle accidents occurred in the year under review.

The Record of Losses should be updated in terms of the form indicated under Financial Regulation 110.

The observation indicated in this paragraph is not accepted. A Record of Losses is maintained and this Department has not suffered any loss during the year 2018 to update the above register.

**1.6.3 Non-compliance with Laws, Rules and Regulations**

The following observations are made.

Reference to Laws, Rules and Regulations	Non-compliance	Recommendation	Comments of the Accounting Officer
-----	-----	-----	-----
Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	If a delay of more than seven days is envisaged for making a full report on losses and damages, a preliminary report, should be sent immediately in terms of Financial Regulation 104 (3). Nevertheless, action had not been taken accordingly in connection with 06 vehicle accidents occurred in the year under review. After inquiry, the full report should be submitted within three months from the date of loss, whereas it had not been so done.	If a delay of more than seven days is envisaged for making a full report on the loss, a preliminary report should be furnished in terms of Financial Regulation 104 (3).	The observation indicated in this paragraph is accepted. The officers concerned have been instructed to take steps in accordance with the Financial Regulations 104.
Financial Regulation 104 (3) and 104 (4)			

## 2. Financial Review

### 2.1 Management of Expenditure

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
<p>Out of total net provision amounting to Rs.36.98 million made for 03 capital Objects and 03 recurrent Objects, a sum of Rs.7.06 million or provisions ranging from 07 per cent to 78 per cent of the total net provision had been saved.</p>	<p>Estimates should be prepared in accordance with the Financial Regulation 50.</p>	<p>Observation referred to in this paragraph is accepted. Due to the reasons such as not incurring expected expenditure, granting special discount in the purchase of “Westlo Database”, payment of relevant allowances under the segment 11 of the Circular to the Assistant Legal Draftsmen who had been referred to more foreign trainings in the year 2018 and not arising necessity to purchase legal books since arrangements were being made to purchase “Westlo Database”, provisions had been saved.</p>

## 2.2 Incurring Commitments and Liabilities

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>In terms of provisions in Paragraph 3.4 of the State Finance Circular No.267/2018, the Statement of Commitments and Liabilities stated under Note No.iii of the financial statements should be in line with the Statement of Commitments and Liabilities issued by the Treasury in relation to each Expenditure Head. Nevertheless, a difference of Rs.2.58 million was observed between the value of liabilities indicated in the Statement of Liabilities issued by the Treasury relating to the Department and the amount indicated in the Note No.iii of the financial statement.</p>	<p>Necessary reconciliations should be done in terms of provisions in Paragraph 3.4 of State Finance Circular No.267/2018.</p>	<p>Observation referred to in this paragraph is not accepted. The Statement of Liabilities issued by the Treasury relating to Head No.230 is not correct. Several expenditures incurred in December 2018 had been certified and sent as the Statement of Liabilities. All the expenditure stated in that report had been settled and finalized in December 2018. The actual liabilities relevant to this Department have been included in the format of Note No.iii of the financial statements. Although liabilities in the format of Note No.iii of the financial statements, 2018 pertaining to this Department have been remitted to the General Treasury through Sigaz Programme, a technical fault might have resulted in this error.</p>

## 3 Operating Review

### 3.1 Planning

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>The Action Plan prepared for the year 2018 in terms of State Finance Circular No. 01/2014 dated 17 February 2014 for the implementation and</p>	<p>Action Plan should be prepared properly including the information that should be included therein in terms of State Finance Circular No.01/2014</p>	<p>The observation referred to in this paragraph is accepted. Action will be taken to prepare the Action Plan in terms of State Finance</p>

achievement of main functions and objectives of the Department had not included the matters such as organizational structure, approved and actual cadre, activity plan prepared in order of priority, timeframe, expected output and imprest plan. Accordingly, the Action Plan had not been prepared in accordance with the above circular.

Circular No.01/2014 dated 17 February 2014 from the year 2019.

### **3.2 Delays in the Implementation of Projects**

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The legislation amalgamation and amendment project with the estimated provisions of Rs.185 million had been initiated on 01 July 2014 and it was scheduled to be completed on 31 December 2017. Nevertheless, the project had not been completed as at that date and a sum of Rs.9.71 million had been spent from the year 2014 up to the year 2018.</p>	<p>-----</p> <p>The expected objectives of the project should be achieved by implementing project activities efficiently and effectively within the prescribed timeframe.</p>	<p>-----</p> <p>Observation indicated in this paragraph is accepted. This project was initiated on 21.07.2014. Although expectation was to complete this project within the year 2017, the officers who are competent in drafting bills carry out the project activities exercising strict care while doing technical evaluation on the relevant matters. Since most of the officers are the legal officers who are performing general duties in this Department and more work load had been assigned than the work load expected to be carried out at the time of planning this project, activities of this project could not be completed within the year 2017. A Cabinet Memorandum has been forwarded seeking extension of the project by another 06</p>

months from 01 January 2018.

### 3.3 Depositing Securities by the Public Officers

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
<p>According to the Financial Regulation 880 (1) the officers who are responsible for the receipt or custody of public money, revenue stamps 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. Nevertheless, 07 officers had not given securities.</p>	<p>Action should be taken in accordance with Financial Regulation 880, Circular No.01/2011 dated 08 January 2011 and the Circular No.01/2011 (1) dated 07 May 2014 of the Ministry of Justice.</p>	<p>Observation indicated in this paragraph is accepted. This Department has not taken action in respect of giving security by the Public Officers after the year 2009. Therefore, relevant officers have been instructed to adhere to the circulars issued by the Ministry of Justice in this connection.</p>

### 3.4 Losses and Damages

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
<p>Particulars had been reported on 06 vehicles accidents estimated at Rs.530,250 in the year under review. Subsequent to obtaining insurance claims thereon, a loss of Rs.100,133 had further remained recoverable. Nevertheless, these losses had not been reported under Note No.(i) of the financial statement.</p>	<p>Action should be taken on the losses and damages in terms of Financial Regulations from 102 to 110.</p>	<p>Observations indicated in this paragraph are not accepted. Although 06 vehicle accidents had taken place during the year under review, the garages had agreed to attend to repairs at the amount granted by the insurance institution and as such, any loss had not to be incurred by this Department as indicated in the audit reports.</p>



#### **4 Good Governance**

##### **4.1 Internal Audit**

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
An Internal Auditor had not been appointed to perform audit duties in the Department in terms of provisions in Section 40.1 of the National Audit Act No.19 of 2018	Action should be taken in terms of Section 40 (1) of the National Audit Act No.19 of 2018	The Internal Audit Unit of the Ministry of Justice and Prison Reforms performs internal audit duties in this Department and an internal audit had been conducted last on 05 December 2017. The report thereof had been sent in 2018.

#### **5 Human Resource Management**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Out of the approved 70 posts relating to the senior and tertiary level that makes direct contribution towards drafting legislations while transforming the policies of the Government into legislation to ensure the good governance, 28 posts remained vacant. Accordingly, it was observed that the existence of above vacancies had directly posed impact on the performance of the Department.	Action should be taken to fill vacancies in the approved cadre that pose direct influence on the performance of the Department.	Observations indicated in this paragraph are accepted.