

Head 235- Department of Law Commission

1. Financial Statements

1.1 Unqualified Opinion

The audit of the financial statement of the Department of Law Commission 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 Department of Law Commission was issued to the Accounting Officer on 28 May 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of and the Annual Detailed Management Audit Report of the Department of Law Commission in terms of Section 11 (2) of the National Audit Act was issued to the Accounting Officer on 16 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, the financial statements give a true and fair view of the financial position of the Department of Law Commission 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 Unqualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities 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 Accounting Officer determines 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 of Law 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.

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 of Law

Commission 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 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 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 of Law Commission '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) and Section 38 of 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 Department of Law Commission 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 Non-compliance with Provisions in Circulars on Financial Statements

Even though financial statements should be prepared in terms of State Accounts Circular No. 267/2018 of 21 November 2018, the instances of deviation from the said requirements are given below.

Audit observation	Recommendation	Comments of the Accounting Officer
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Values amounting to Rs.33,831,556 of the schedule of fixed assets had not been reconciled with the balances in the Main Ledger of the Department of State Accounts. The failure to implement the CIGAS programme in the year 2018 by this Department, had been the reason therefor.	In terms of Section 3.3 of the said Circular, in reporting non-financial assets, it should be ensured that the value of the main ledger balance of those assets be tallied with the individual assets value. If there is any non-reconciled balance, such values should be revised in the main ledger balance by journal entries until the balance is identified.	It is agreed with the matter pointed out. An application for the conversion of this Department to “A” Class Department has been forwarded to the Department of National Budget and Department of Treasury Operations through the Secretary to the Ministry of Justice and Prison Reforms by the letter dated 13 September 2018. However, the progress thereon has not been reported to this Department as yet.

1.6.2 Cash Flow Statement

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Even though the non-revenue receipts amounted to Rs.13,463,776 according to the cash flow statement presented to Audit, it had been shown as Rs.14,746,626 in the Format ACA 3 attached to the financial statements, thus a difference of Rs.1,282,850 was observed. However, the reasons therefor were not explained.	In case of any difference between the values shown in financial statements and relevant documents, the reasons therefor should be explained.	Agreed.
(b) The imprest of Rs.168,751 settled to the Treasury as at 31 December 2018 had not been shown as an expenditure under operating activities in the cash flow statement.	It should be accurately reported in the financial statements in terms of provisions.	Agreed.

1.6.3 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed in audit test checks are analyzed below.

Observation	Recommendation	Comments of the Chief Accounting Officer
Reference to Laws, Rules and Regulations	Non-compliance	
(a) Section 13.3 of Chapter II of Establishments Code of the Democratic Socialist Republic of Sri Lanka	Even though an acting appointment should be made as a temporary measure only until a substantive appointment is made, permanent appointment to the post of the Secretary to the Department had not been made as at 29 April 2019 despite the said post being remained vacant	Action should be taken in terms of Section 13.3 of Chapter II of Establishments Code
		It is agreed with the matters presented.

since the year 2014.

(b) Financial Security had not been obtained In terms of Financial According to the letters
 Regulation 880 of from 07 officers who should give Regulation 880 Officers No.MOJ/E16/1/1/8 of 11
 the Democratic security. who are administratively October 2016 and
 Socialist Republic receipt or custody of No.MOJ/E16/1/1/8 of 26
 of Sri Lanka public money and October 2016 referred to
 this Department by the
 Ministry of Justice, it has
 been forwarded to the
 Attorney General's
 Department by the
 Ministry of Justice for
 future action.
 Ordinance.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The entire provision of Rs.20,000 made for one capital Object had been saved.	Estimates of expenditure should be prepared in terms of Financial Regulation 50.	It is agreed with the matters presented.
(b) Savings of provision amounting to Rs.1.67 million pertaining to 08 recurrent Objects and one capital Object had been transferred to another recurrent Object and 02 capital Objects. The percentage of transfers had ranged between 81 per cent and 131 per cent of the estimated provision.	-do-	-do-
(c) Out of the total net provision amounting to Rs.18.97 million made for 13 Objects, savings of Rs.6.43 million had been reported and those savings had ranged between 06 per cent and 88 per cent.	-do-	-do-
(d) The explanations provided for savings of provisions amounting to	-do-	The relevant explanations have been

Rs.4.34 million pertaining to 08
Objects were not acceptable.

provided in brief in the
financial statements
and further I inform
that it will be explained
in detail in due course.

3. Operating Review

3.1 Performance

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Even though 11 main objectives and functions had been stated in the Performance Report of the year 2018, ten recommendations for legal amendments pertaining to only certain key functions out of the above, had been submitted to the Department in the year under review. Out of that, draft Acts of 02 recommendations had been brought to the notice of the Secretary to the Ministry while the Secretary to the Ministry of Justice had been made aware of the amendments of one recommendation. Further, 07 legal recommendations were still under discussion without being concluded.	Action should be taken on recommended law amendments and the relevant amended law reports should be presented to Parliament through the Cabinet of Ministers without delay and further, necessary follow up action thereon should be taken in a timely manner.	It is agreed with the matters presented.
(b) Meetings of the Law Commission had not been conducted during the period from 01 October to 31 December 2018 and as such, legal matters had not been discussed.	Meetings of the Commission should be conducted.	-do-

3.1 Planning

The following observation is made.

Audit Observation

In terms of Public Finance Circular No.01/2014 of 17 February 2014, there were 11 key functions to be performed by the Department in planning the performance. The details of organization structure of the Department updated for the year under review and also the plan of imprest requirements for annual activities had not been presented in the Action Plan prepared to obtain the results expected from the said functions.

Recommendation

Action Plan should be prepared in terms of Public Finance Circular No.01/2014 of 17 February 2014.

Comments of the Accounting Officer

It is agreed with the matters presented.

3.3 Asset Management

The following observation is made.

Audit Observation

The ownership of 03 motor vehicles transferred by the Ministry of Justice and Prison Reforms in the years 2107 and 2018 had not been got transferred even by 18 March 2019.

Recommendation

These motor vehicles were included in the value of non-financial assets in the statement of financial position, thus the transferring of ownership should be expedited.

Comments of the Accounting Officer

It is agreed with the matters presented. Requests have been made by the letters dated 26 October 2017 and 08 November 2017 to transfer the said motor vehicles to this Department.