

Head 110 – Ministry of Justice

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Justice for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Ministry of Justice was issued to the Chief Accounting Officer on 30 June 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 20 August 2021 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 financial position of the Ministry of Justice as at 31 December 2020 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 the Chief Accounting Officer and the Accounting Officer on Financial Statements

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 inadequate false statements 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 is the responsibility of the Chief Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Ministry 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 Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry 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 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 furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control and obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluate the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief 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) The recommendations made by me regarding the financial statements of the preceding year had not been implemented .

Reference to Paragraph	Audit Observation	Recommendation
-----	-----	-----
1.6.2	The unsettled imprest balance in the year 1998 amounting to Rs. 4,809,450 had not been specified under financial assets and current liabilities in the statement of financial position .	The unsettled imprest balance of Rs. 4,809,450 should be stated in the imprest account.
1.6.3	The Register of Liabilities had not been maintained in accordance with Financial Regulation 214 .	The Register of Liabilities should be maintained.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
-----	-----	-----
(a) The property, plant and equipment account and its reserve account had overstated by Rs.72,419,848 in the Statement of Financial position.	The value of the property, plant and equipment amounting to Rs. 72,419,848 has been overstated due to a system error. Necessary actions will be taken to correct this difference in preparing the final accounts for this year.	The accurate values should be stated in the financial statements.

<p>(b) A sum of Rs. 4,994,826,477 had been overstated when taking the closing balance of the previous year's non-financial assets as the opening balance of the year under review.</p>	<p>As a result of a system error, the asset values of CIGAZ INTERFACE has changed and the Department of State Accounts was informed to take action to rectify it and the Department has informed that the necessary steps would be taken to rectify this in future.</p>	<p>The closing balances of previous year's audited financial statements should be taken as the opening balance of the year under review.</p>
--	---	--

1.6.2 Reconciliation Statement on Advances to Public Officers' Accounts

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

There was a difference of Rs. 616,127 in between the Individual Loan Balance and the Members' Loan Register with regard to 19 loan balances by the end of the year under review.

The loan balances of these officers have been avoided by a mistake in copying to the Individual Loan Schedule and actions have been taken by now to rectify the error.

The balances of the Members' Loan Register should be copied to the Individual Loan Schedule accurately.

1.6.3 Deposits

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

Thus the difference in between the Treasury and Departmental Books and the Statement of Deposit Accounts was Rs. 1,608,554 with regard to the retention deposit

A sum of Rs. 1,608,554 has been understated in the financial statements due to a reporting error that occurred during the preparation of the financial statements.

The value should be accounted for in accordance with the Treasury Books.

value, the current liabilities and net assets in the statement of financial position had been understated by the same amount..

1.6.4 Advance Account Balances

Audit Observation

Even though the rent of Rs. 3,180,000 paid for a building for the year 2021 had been accounted for the rent and work advance and the reserve account, but not being included in the Treasury Books, the financial statements had not matched with Treasury Books.

Comments of the Chief Accounting Officer

An opportunity has not been given to open rent advance reserve accounts under other expenditure objects besides under expenditure object 1404 as per State Accounts Circular No. 250/2016 (i) . As provisions had been made for the expenses of the Special Unit under the expenditure object 110-01-02-.2509-21, it is not possible to open rental advance reserve accounts. Therefore, this value is not included in the Treasury Account Statements.

Recommendation

Actions should be taken in accordance with the State Accounts Circular No. 250/2016 (I) dated 03 August 2016.

1.6.5 Failure to keep Documents and Books up to date

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
--------------------------	---	-----------------------

One accident occurred during last year and 06 accidents happened in 2020 were not included in the Register of Losses and Damages .

Damages have been assessed in connection with those vehicle accidents and since F.R. 104 examinations are being done, actions are being taken to recover from the responsible parties in case of any losses after the completion of the investigation and the recommendation and include it in the Register of Damages and Losses and to maintain it in an updated manner.

The Register of Losses and Damages should be maintained up to date.

2. Financial Review

2.1 Entered into Liabilities and Commitments

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
--------------------------	---	-----------------------

The balances which were not settled in the years 2018 and 2019 in the statement of commitments and liabilities amounting to Rs. 628,650 had not been settled even by the end of the year under review.

These values which are shown in the Treasury Computer Printout No. SA-92 pertaining to the year 2018 and 2019 have been consisted of due to a system error and this amount is not a payable amount furthermore. This amount has been included in the statement of commitments and liabilities by a mistake.

The Treasury Balance should be made corrected.

2.2 Non-compliance with Laws, Rules and Regulations

The instances of non – compliance with the provisions of the Laws, Rules and Regulations observed in audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Observation ----- Non - compliance	Comments of the Accounting Officer -----	Recommendation -----
Financial Regulations of the Democratic Socialist Republic of Sri Lanka (a) Financial Regulations 104 (1)	Damage related to 04 vehicle accidents that occurred in the years 2017,2018, 2019 and 2020 it had not been assessed even by 31 December 2020 .	Examinations in term of F.R 104 are being done in this and if there are any parties liable for damages as determined in the final inspection report as per recommendations of the Committees of inquiry and F.R.. 104 (3) , appropriate steps will be taken to make the relevant recoveries.	Actions should be taken in terms of Financial Regulations.
(b) Financial Regulations 109 (1) and (2)	Actions had not been taken in terms of Financial Regulations even by 31 December 2020 in respect of the losses and damages that had occurred on 10 occasions from 2012 to 2020 .	The investigations with regard to these accidents are being done as per F.R 104 and if there are any parties liable for damages as determined by the final inspection report as per recommendations of the Committees of Inquiry and F.R.. 104 (3) , appropriate steps will be taken to make the relevant recoveries and actions will be taken to write off from the Register of Damages and Losses .	Actions should be taken in terms of Financial Regulations.

2.3 Issuance and Settlement of Advances

Audit Observation

The loan balances totalled to Rs. 624,602 of 07 suspended officers/employees and retired officers had not been recovered for a period of 06 to 23 years.

Comments of the Chief Accounting Officer

The Attorney General's Department has filed a case on suspended P.V Gunawardena -for Rs.162,215 , although G.A.C. Gamaarachchi - Rs. 118,932 was re-employed, as it has not been possible to confirm that the service has been taken over, further inquiries will be made to recover the loan balance, M.I. Fernando-Rs.49,150 arrangements are being made to take legal steps, although it has directed to write off under F.R.109, due to lack of information on creditors or guarantors of K.M.S Fernando - Rs.31,280 and H.R Perera - Rs.31,730 who had left the service, because of returning them due to insufficient information and arrangements are being made to take legal actions for H.S.C Pushpakumara - for Rs.121,392 and H.A.A Chamara - for Rs.117,003 .

Recommendation

Actions should be taken to recover the arrears balances.

2.4 Deposit Balances

Audit Observation

The amount of Rs.1,316,041 was received from UNDP in 2017 to settle the Mediation Day expenses in the year 2016 had been kept in the account without being used for the relevant purpose.

Comments of the Chief Accounting Officer

It has been received from UNDP to incur expenses for Mediation Day of November 2016. Consent of UNDP has been asked to use the money for another project and once it is received, further activities will be done.

Recommendation

The money received should be used for the relevant task and if not so, actions should be taken in terms of Financial Regulation 571 .

3. Operating Review

3.1 Failure to Implement Projects

Audit Observation

Five projects valued at Rs. 3,005,961 in Badulla District and 28 projects valued at Rs. 27.92 million in Mannar District which were planned by the Reconciliation Based Economic Empowerment and Social Infrastructure Development Project had not been implemented.

Comments of the Chief Accounting Officer

Those were not implemented because of implementation of one of the planned road development projects by the Road Development Authority in Badulla District, protest of Residents on both sides of the road for one project, lack of sufficient time to approve and implement revisions for 2 projects, delays in obtaining the

Recommendation

Actions should be taken to implement projects as planned.

approval of the Agrarian Services Department for one project. Only the calling of expenditure estimates for 28 projects amounting to Rs. 27.92 Mn. have been made in Mannar District and those projects have not been approved.

3.2 Delays in Execution of Projects

Audit Observation

Even though 12 Development Co-operation Programmes with an estimated value of Rs. 10,200,000 in the Madhu Divisional Secretariat Division in the Mannar District supposed to be completed by 31 December 2019, the works had not been completed even by 31 August 2020. A sum of Rs. 3,188,533 had been spent on these projects and the financial progress of it had been at a low level in between 10 per cent and 58 per cent.

Comments of the Chief Accounting Officer

Due to the adverse weather conditions occurred during the implementation of the project, only a part of the work could be done.

Recommendation

Projects should be implemented as planned.

3.3 Procurements

Audit Observation

A sum of Rs. 3,180,000 as annual rent and Rs. 795,000 as security deposit had been paid during the year under review obtaining 2000 square feet Ground floor of a building at a monthly rent of Rs. 265,000 on a two year lease basis to maintain an office without following the provisions related to emergency procurement as per the Section 3.8 of the Procurement Guideline 2006 .

Comments of the Chief Accounting Officer

Since there was no space in the Ministry premises to set up a special unit, because of the tasks assigned to it should be completed within the stipulated time and its supervision, coordination and follow-up had to be done, it was needed to be set up near the Ministry and the ground floor of the Dawasa Building was taken for rent. Nevertheless, because of the appointment of new judges to the Supreme Court and the Court of Appeal on 01 December 2020 it had to be allowed and the Internal Audit Division was temporarily established in the Dawasa Building to accommodate the Supreme Court and the Court of Appeal and necessary arrangements are being made to set up a special unit at the site by now.

Recommendation

Procurement Guidelines should be followed.

3.4 Assets Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
-----	-----	-----
<p>(a) Five vehicles totalled to Rs. 17,250,000 had remained in idle a period ranging from 01 year to 02 years .</p>	<p>Arrangements are being made to dispose as the No. WP KI 0239 vehicle repair is not economically effective. Vehicles No. WP JY 9936 and WP KB 0928 have been sent for repairs and will be set for run after the completion of the repair. The vehicle Nos. WP KE 5456 and WP KR 2300 have been called for quotations for repairs as per the recommendation of the Mechanical Engineer and will be set for run after the completion of repairs.</p>	<p>It should be repaired and put to use and appropriate actions should be taken in respect of non-usable vehicles.</p>
<p>(b) Arrangements had not been made to properly undertake or to hand over the ownership of 04 vehicles undertaken from various institutions in the years 2019 and 2020 totalled to Rs.21,900,000 even by 31 December 2020 .</p>	<p>Necessary actions will be taken to hand over these vehicles to relevant institutions properly.</p>	<p>Arrangements should be made to properly undertake or to hand over expeditiously.</p>
<p>(c) A Cab with a market value of Rs. 5,000,000 had been brought to the premises of the Ministry of Justice in the year 2019 after an accident happened in the year 2017 . The party which had used this</p>	<p>The examination in respect of this accident is being done as per F.R. 104 by now and recovery of losses and further actions with regard to the legal actions to be taken will be made after receiving the Final</p>	<p>Examinations should be completed expeditiously.</p>

vehicle had left from the post in the year 2018 without properly handing over this vehicle to the Ministry. The report of the Examination Board which was appointed on 07 June 2017 in respect of the accident , copy of the police report, statement of the driver were unavailable in the file and arrangements have not been made to repair the vehicle or to identify the party responsible for the accident and to recover the loss to the government even by February 2021 .

Report with the recommendation of the Examination Board.

3.5 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
-----	-----	-----
(a) Even though a website had been initiated by the Ministry for providing information of the institution to the public, necessary facilities for the needs of the public, to express the accuses or praises on the institutions had not been made through that website.	A website has been initiated by the Ministry for providing information of the institution to the public and necessary arrangements are being made to update the website to facilitate the needs of the public, and to express the proposals or praises on the institutions through that website.	Relevant facilities should be made available.

- (b) Out of 93 staff disciplinary examinations filed in between the period from 2017 to 2020 a number of 52 disciplinary examinations had not been completed by March 2021 and there were uncompleted disciplinary examinations which were filed before the year 2017 .
- Arrangements are being made to inform to complete the investigations and submit the reports expeditiously for the 33 files for which the preliminary investigations have not been completed and there have been delays due to various issues related to the 07 files for which formal disciplinary inquiries have been initiated. Eleven files are have been kept until the end of the court proceedings or receiving information from the courts.
- Disciplinary investigations should be finished promptly.
- (c) Establishment of the Sri Lanka International Arbitration Center as a Regional Center for disputes arising out of international trade agreements and other international relations and it had been maintained in a leased location since 2013 until it was established in a permanent location and although it was established in 2016 as a limited company by guarantee, the company remained inactive due to the fact that a decision had not been taken to provide the required capital to the company and a Board of Directors had not been appointed. Even though a sum of Rs.42,040,238 had been paid as the rent of Rs.41,702,018 from July 2019 to December 2020, administrative cost of Rs. 64,800, refundable security deposit of Rs.273,420 during the year under review, the purpose of establishing of the center had not been achieved.
- This premises where this International Arbitration Center is maintained by now is being rented out on a daily basis at the request of various agencies and steps will be taken to establish there permanently after construction of the new court complex in Colombo
- This administrative problem should be resolved promptly and actions should be taken to achieve the objective of the establishment

4. Human Resources Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
-----	-----	-----
(a) There were vacancies in 19 in 11 senior level posts, 2 officers in one tertiary level posts, 33 officers in 03 secondary level posts and 05 officers in 04 primary level posts.	Relevant institutions have been informed about these vacancies.	Vacancies that are essential should be filled.
(b) There were 161 staff vacancies in 07 posts in the Mediation Board Commission as at 31 December 2020 . An officer had been recruited to cover the duties of the vacant post of Secretary on a contract basis from 12 June 2017.	The Ministry of Public Services, Provincial Councils and Local Government has been informed to take action to fill these vacancies.	-do-
(c) There were 04 staff vacancies in 04 posts in the National Integration Division.	These vacancies have arisen in assigning of the staff of the Division of National Integration and Reconciliation among the National Integration Division of the Ministry of Justice and the State Ministry of Prison Management Prisoners Rehabilitation after the 2020 Parliamentary General Elections and arrangements are being made at present to fill the vacancies.	-do-