

Head 229 - Attorney General's Department

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Attorney General's Department 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 Attorney General's Department was issued to the 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 Department was issued to the Accounting Officer on 05 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 Attorney General's Department 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 Chief Accounting Officer and the Accounting Officer on Financial Statements

The Accounting Officer is responsible for 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 material misstatements 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 .

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 and 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.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to express a 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 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.
- It is not intended to express an opinion on the effectiveness of internal control but an understanding of internal control was obtained in order to plan appropriate audit procedures from time to time.
- Evaluate the structure of financial statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- The transactions and events underlying the structure and content of the financial statements are appropriately and fairly included in when submitting financial statements as a whole.

The 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) Recommendations made by me regarding the financial statements of the preceding year had been implemented .

1.6 Comments on Financial Statements

1.6.1 Revenue Receipts

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) There was a difference of Rs.6,665,211 in between the closing arrears revenue balance of the preceding year and the opening balance of the year under review.	Correction of accounting of the bills transferred in between years due to the mistakes as revealed during re-examination of accounts has led to this difference.	The opening balances of the financial statements should be stated accurately.
(b) There was a difference of Rs. 45,000 in the arrears revenue balance in between the financial statement and the schedule.	A bill of Rs. 45,000 paid by a local government body has been recorded as an arrears income.	Financial statements should be accurately prepared.

1.6.2 Recurrent Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Although the expenses belonging to the expenditure objects should be accounted for the relevant expenditure objects itself in terms of Financial Regulation 65 (1), a sum of Rs. 13,225,523 not applicable to relevant expenditure objects had been accounted for in the other expenses on 25 occasions after adjustments made by transfer slips during the year under review.</p>	<p>Provisions have been made for the year 2020 by 03 vote on accounts by the year 2020 and by the budget presented in December. At the times of the provisions made by the second and third vote on accounts for certain recurrent expenditure objects were not sufficient for the aforesaid period, payments were made by debiting to other recurrent expenditure objects remaining until the provisions would be made through future vote on accounts.</p> <p>As actions have been taken to rectify the relevant accounting process through 19 transfer slips after obtaining provisions for the relevant expenditure objects for the fourth quarter, I would like to inform you that there have been no erroneous debits on expenditure objects as mentioned in your audit query.</p> <p>Further, the travelling allowances of legal officers of the Attorney General's Department are accounted for under 1401 transport expenditure object. I would also like to inform you that</p>	<p>Expenditures incurred on each expenditure object should be accounted for on the relevant expenditure object</p>

the expenses mentioned in the audit inquiry accounted for under the 1401 expenditure object were the travelling expenses allowance paid to the legal officers who go for the duties outside the provincial .

1.6.3 Capital Expenditure

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>(a) Although the acquisition of capital assets for the year under review was Rs.51,954,296, showing that amount as Rs. 51,862,796 in the statement of non-financial assets, it had been overstated by Rs.91,500 .</p>	<p>The expenditure incurred on purchase of relevant assets has been omitted from being entered in the statement of non-financial assets of the CIGAS Computer Programme and it is informed that it would be corrected and the statement of non-financial assets will be updated and maintained.</p>	<p>Assets acquisitions should be accurately stated in the financial statements.</p>
<p>(b) There was a difference of Rs. 11,201,818 in between the balances in the statement of non-financial assets and non-financial assets accounts of the Treasury.</p>	<p>The errors occurred in entering the relevant assets into the CIGAS computer programme had caused for these differences.</p>	<p>Departmental accounts should be matched with Treasury accounts.</p>

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| (c) | Recurrent expenditure of Rs.600,394 had been incurred from the capital expenditure allocation. | The relevant expenses mentioned in the audit inquiry are the administrative expenses for the construction of Vavuniya and Mannar lawyers' quarters and the aforesaid administrative expenses are the expenses consisted in the estimates of the relevant projects. | Expenditures should be accounted for in the prescribed expenditure objects. |
| (d) | The statement of losses and omissions in the financial statements had not been entered the accidents involving in 38 accidents in the year under review and out of that, the assessed loss for 29 accidents was Rs. 1,146,964 . | All the accidents happened to the vehicles belonging to the Department are entered into register of vehicle accidents and the register of damages and losses has so far been included only in cases where the cheque for the accident has been issued in the name of the Attorney General. Actions will be taken to enter all the accidents related details in the register of damages and losses. | The vehicle accident losses during the year should be stated in the financial statements. |

2. Financial Review

2.1 Revenue Management

The following observations are made.

Audit Observation	Comments of the Accountng Officer	Recommendation
(a) Recovery of Revenue -----	Charges levied by the Attorney General's Department on Public	Necessary actions should be taken to recover the revenue due
Even though a sum of Rs.37,279,838 had been charged during the year	Department on Public	Necessary actions should be taken to recover the revenue due

under review from the arrears revenue of Rs. 223,535,446 in the preceding year and in the years before that, the total balance as at the end of the year was Rs. 308,831,925.

Corporations and Statutory Boards for providing legal advice and appearing in court at their requests are credited to the account of the Attorney General. Although the relevant bills were duly forwarded to those institutions the payments are delayed but, since they are government agencies, the necessary legal actions are being done continuously and reminders are issued from time to time to expedite the collection of fees.

to the government without any delay.

(b) Failure to Review Income Level from Time to Time

The fees charged for services should be revised from time to time considering the cost of providing those services and the changes in the prevailing economic conditions in terms of Paragraph 05 of the Fiscal Policy Circular No. 01/2015 dated 20 July 2015. The billed income of the Department for the year under review was Rs.101,349,896 and the revenue collected was Rs.62,764,949. As it had spent a sum of Rs.85,518,640 without statutory expenditure for revenue collection as per

As the revenue earned in the corporate branch the expenditure in that sector, a financial loss had not occurred.

The actual expenditure of the corporate branch Should be accurately identified.

expenditure ledger during the year under review, it was questionable whether the government had a financial benefit from it.

2.2 Expenditure Management

The following observations are made.

Audit Observation	Comments of the Accountng Officer	Recommendation
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(a) Due to non-preparation of estimates, the allocation of Rs. 23,000,000 in the capital expenditure object for the year under review had been transferred to another capital expenditure object in terms of Financial Regulation No. 50 .	Because of the Covid epidemic in the country, the procurement of purchase of furniture and office equipment for the new building of the Attorney General's Department which had been completed could not be done, there was a saving of provisions made available for that . By the time, a part of the provisions saved above were transferred to make payments to the Department of Government Buildings which carried out urgent repairs at the Government Advocates' quarters in Anuradhapura and Vavuniya.	Estimates should be made realistically and accurately.

- (b) Although the offices were closed for most of the year under review and worked with minimal staffing due to the Covid 19 epidemic, all the provisions made for 09 recurrent expenditure objects had been utilized. The savings had ranged from 21 per cent to 91 per cent of the provision made available for the acquisition of capital assets.
- Actions have been taken to fill the vacancies of Legal Officers in the Attorney General's Department during the year 2020 with a view to expedite judicial proceedings in accordance with government policy decisions. Although the expenditure required to pay fuel, travel expenses, stationery and other allowances to legal officers and other recurring expenses were considered in preparing the annual budget estimates, as a result of the non-inclusion of aforesaid provisions in the final budget estimate prepared by the Treasury in December 2020, shortfalls in provisions remained could be managed through approved provisions due to closure of offices and there was no savings in provisions. Since the procurement of purchasing of furniture and office equipment for the construction completed new building of the Attorney General's Department could not be carried out due to the Covid epidemic in the country, there was a saving of funds allocated for that.
- Expenditure management should be carried out prudently.

2.3 Entered into Liabilities and Commitments

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Although the any unreported liability and Commitment to the Treasury should not be settled in 2021, in accordance with Paragraph 3.4 of the Public Finance Circular No. 02/2020 dated 28 August 2019, payments had been made in the year 2021 for the liabilities amounted to Rs.3,604,295 which was not reported to the Treasury .	Only a sum of Rs. 38,650,385 had been reported to the Treasury as liabilities.	Actions should be taken in accordance with the circular instructions.
(b) The liabilities amounted to Rs.3,404,730 had been entered into exceeding the provisions of 03 expenditure objects in contrary to the Financial Regulations 94 (1).	Although the recurrent expenditures which were essential for the Department was taken into consideration in preparing the Annual Budget Estimates, Because there was a shortage of funds due to the non-inclusion of these provisions in the final budget estimate prepared by the Treasury in December 2020 the relevant liabilities had to be entered into.	It should act in accordance with Financial Regulations.

2.4 Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with the provisions of the laws, rules and regulations observed during the 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 Regulation 104(1)(a)	Preliminary investigation had not been conducted regarding 38 vehicle accidents related to the year under review.	Financial Regulations do not always conduct for an investigation into any loss or damage caused by an accident and examinations are carried out only in accordance with Financial Regulations only in cases where the cost of repairs due to an accident cannot be fully recovered from the insurance.	Actions should be taken in accordance with Financial Regulations.
(b) Financial Regulations 880(1)	Actions had not been taken to obtain security deposits from 04 officers who were required to keep security deposits in the Department.	Necessary instructions have been requested from the Ministry to implement the security deposit process.	Actions should be taken in accordance with Financial Regulations.

3. Operating Review

3.1 Annual Performance Report

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
A draft of the Annual Performance Report had not been submitted for audit in accordance with format mentioned in No.14 of the Guidelines issued by the Department of Public Finance as per the Paragraph 10.2 of the Public Finance Circular No. 02/2020 dated 28 August 2020 .	The Annual Performance Report for the year 2020 is being prepared and the report could not be completed due to the situation of Covid 19 epidemic and it is informed you that it would be prepared soon and submitted for audit.	The Annual Performance Report should be submitted in terms of the Circular.

4. Human Resources Management

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
Failure to fill 271 vacancies that is 54 per cent in senior level posts which are contributing to special functions in providing all necessary legal services and legal advice to government agencies, corporations and statutory bodies of the Government of Sri Lanka without delay and in expanding the broader objectives of the government was observed that this could have a direct impact on the performance of the Department.	Interviews for the recruitment of legal officers have been completed and the recruitment process has been delayed due to the situation of Covid 19 epidemic in the country.	Recruitment of staff for senior level posts should be considered as a priority to carry out the objectives and main functions of the organization effectively.