

Head-323 – Department of Legal Affairs

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Department of Legal Affairs 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. In terms of Section 11(1) 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 Legal Affairs was issued to the Accounting Officer on 11 June 2021. In terms of Section 11(2) of the Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 28 April 2021 to the Accounting Officer. This report will be presented in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements of the Department of Legal Affairs give a true and fair view of the financial position of the Department as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for 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 the 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 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 of the Department.

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 Responsibility 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 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.
- 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

As required by Sub-section 6 (1)(d) of the National Audit Act, No.19 of 2018, I state the followings.

- (a) That the financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements relating to the preceding year, had been implemented.

2. Financial Review

2.1 Non-compliance with Laws, Rules and Regulations

In terms of Guideline 6 issued by the Department of Sate Accounts in compliance with paragraph 10:1 of Public Finance Circular No.02/2020, the cash flow statement (Format - ACA –C) should be roughly prepared. However, it was observed that the cash flow statement made available to Audit, had not been prepared accordingly. As such, the following observations are made.

Audit observation	Comments of the Accounting Officer	Recommendation
(a) Income of Rs. 590,730 collected by other Revenue Accounting Officers had not been indicated under operational activities.	Even though the financial value of Rs.590,730 had been indicated in the statement of financial performance as other receipts, actual figures relating to the said value had not been received by the Department in cash or cash equivalents. As such, those figures, not included in the cash flow statement, are the recoveries made through cross entries.	Action should be taken in terms of Guidelines.
(c) According to Departmental Books, recoveries of advances amounting to Rs.815,018 made during the year, had not been indicated under the cash flow arising from investing activities, thus understating the cash inflows by the same amount.	The financial value of Rs.815,018 had included the recovery of loans and advances made through cross entries and remittance of loans of employees who had transferred out from the Department and as there is no actual outflows of cash or cash equivalents, it had not been included in the cash flow statement.	It is necessary to indicate the gross value of recovery of advances under investing activities of the cash flow statements.
(c) Even though payment of advances had been Rs.659,980 according to Departmental Books, payment of advances had been indicated as Rs.221,400 in the cash flow statement, thus understating the cash outflows by Rs.438,580.	The financial value of Rs.438,580 is not an actual value paid by the Department as loans and advances for the staff and as the said value comprised of loans remitted from employees who had transferred in from other Departments and the balances of advance accounts, that value was not indicated in the cash flow statements.	It is necessary to indicate the gross value of payment of advances in the cash flow statements.

3. Operating Review

3.1 Other Observations

Audit Observation	Comments of the Accounting Officer	Recommendation
According to annual estimates, the minimum limit of receipts was Rs.300,000. However, reconciliations had been made by indicating the said limit as Rs.200,000 in Annexure 01 of the Advances to Public Officers "B" Account, submitted to Audit.	It had been informed that there was no request made for increasing the minimum limit of receipts up to Rs.300,000 for the year 2020 and it could be an error occurred in printing copies by the Department of State Accounts and that it is indicated as Rs.200,000 even in the budget estimate issued for the year 2021 by the Department of National Budget and in the print outs issued by the Department of State Accounts.	It is necessary to consider annual estimates in the preparation of relevant reconciliation statements.

3.2 Performance

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the Draft Performance Report 2020, it was observed that the matters of 02 files existing from the preceding year for obtaining instructions of the Attorney General's Department and for observations of the Department of Legal Affairs, had not been finalized up to the end of the year.	It had been notified that legal instructions had not been given by the Attorney General's Department relating to 02 files existing from the preceding year for obtaining legal instructions.	It is necessary to take prompt action on files received for legal matters.

4. Human Resource Management

Audit Observation

Even though the approved cadre of the Department stood at 19, the actual cadre was 14, thus observing 05 vacancies in the cadre representing 26 per cent.

Comments of the Accounting Officer

It had been notified that the post of Director General is a post to be appointed by the Cabinet and 02 posts became vacant during the year 2020 and action will be taken to fill the remaining vacancies.

Recommendation

If vacancies existing in the cadre adversely affect the performance of the Department, it is necessary to take action to fill those vacancies or to revise the approved cadre.