

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 2022 comprising the statement of financial position as at 31 December 2022, the statement of financial performance for the year then ended and cash flow statement 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 Department of Legal Affairs in terms of Section 11 (1) of the National Audit Act No. 19 of 2018 was issued to the Accounting Officer on **28 April 2023**. The Annual Detailed Management Audit Report relevant to the Department in terms of Section 11 (2) of the Audit Act was issued to the Accounting Officer on 22 June 2023. This Report is presented to the 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 give a true and fair view of the financial position of the Department of Legal Affairs as at 31 December 2022, 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 Chief Accounting Officer and Accounting Officer for the 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 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. 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 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 furthermore;

- Appropriate audit procedures were designed and performed 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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 the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluate 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 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 express the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements were consistent with those of the previous 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

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Public Finance Department No. PFD/RED/REG/02/CC/2022, paragraph I of the letter dated on 26 May 2022, paragraph 10 of Public Finance Circular No. 02/2020 dated 28 August 2020 and 16(2) of the National Audit Act No. 19 of 2018 , According to that annual performance report should be submitted to the Auditor General along with the annual financial statements .But the annual performance report of year 2022 had not submitted to the Auditor General by 28 February 2023 as per the provisions of the above circulars and the Act.	It was stated that agree with the audit observations and a draft of the annual performance report for the year 2022 has been submitted on 03 April 2023.	To comply with the Audit Act and other circular provisions .
(b) The Investigations were not carried out in time in terms of Finance Regulations 104(1), 104(3) and 104(4) regarding a missing laptop during the period 10 June - 18 June 2021	Agree with the audit observations. the Inquiry conducted under financial Regulation 104(1) (a) into the disappearance of S/N 8HDJ4C2 - DELL LAPTOP computer belonging to this department and the recommendations of the committee appointed to determine who is the persons responsible for the said decision ,and it should be based on police investigation is primarily based on scientific evidence.Also stated that already sent a letter to Fort police station to requesting the progress of Investigation about this matter.	Expeditious recovery of loss should be done in accordance with financial Regulation.

3. Operational Review

3.1 Planning

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the public Finance Circular No. 01/2014 dated 17 February 2014 and No. 02/2020 dated 28 August 2020, the action plan should contain the updated organizational structure of the institution, approved staff and existing staff and the Imprest requirements plan for annual activities. But we observed that Department of Legal Affairs had not included above details in their action plan.	In preparing the annual action plan of the department, more priority has been given to include information regarding legal matters, and also we hope to Included following Information next time. <ul style="list-style-type: none">• Details of the updated organizational structure, approved staff and existing staff related to the year in preparation of the action plan for the coming year.• It was stated that the annual procurement plan.	The action plan should be prepared in accordance with the provisions of the Public Finance Circular
(b) Although the action plan should be prepared by including details such as areas of responsibility, responsible officer and period (from January to December) as per the form to prepare the annual action plan given on the website of the Department of Public Finance, the relevant form while preparing the action plan of the Legal Affairs Department was not properly prepared.	The activities of this department are not activities that carry a financial burden related to the budget and that non-financial activities such as settlement of cases and introduction of bills. that it is difficult to include them under the guideline (b) introduced by public finance circular no 02/2020, Therefore, according to a form prepared by the department, the time frame in which the activities will be included and implemented has also been mentioned.	As per the instructions of the Public Finance Department, the department should prepare a suitable action plan.

3.2 Non accomplishment of Functions

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) According to the Action plan the following bills should submitted to Parliament in the years 2021 and 2022, but they had not been submitted to Parliament by 31 December 2022.</p> <ul style="list-style-type: none"> • The Lady Lahore Loan Fund Act No. 38 of 1951 • Colombo Stock Exchange De-Communization Act • Secured Transactions Act • Local Trust Receipts Ordinance • Registered Mass and Savings Ordinance • Institutes of Certified Management Accountants of Sri Lanka Act No. 23 of 2009 • “Shrama Vasana” Fund Act 	<p>Some bills were not presented Which are presented to Parliament according to the policy decisions of the government. The process of submitting bills should be done with the cooperation of a number of related institutions and that it does not depend solely on the will of the department. As per the powers of the Honorable President, since each institution has been gazetted under the ministries from time to time. some bills initiated by us have to be referred to other ministries .therefore It was also stated that the role of finalizing those Acts is not assigned to the department</p>	<p>Actions should be taken to fulfill the contents of the annual action plan.</p>
<p>(b) Amendments related to the following 09 Acts which were included in the 2021 and 2022 Annual Action Plans to be amended and submitted to the Parliament had not been made and submitted to the Parliament by 31 December 2022.</p> <ul style="list-style-type: none"> • Amendments to Money Laundering Prevention Act No. 05 of 2006 • Amendments to the Financial Transactions Reporting Act No. 06 of 2006 • Amendments to the Suppression of Terrorism Financing Convention Act No. 25 of 2005 	<p>Some bills were not presented Since the presentation of a bill to the Parliament is done according to the policy decisions of the government. The process of submitting bills should be done with the cooperation of a number of related institutions and that it does not depend solely on the will of the department. As per the powers of the Honorable President, since each institution has been gazetted under the ministries from time to time. some bills initiated by us have to be referred to other ministries. therefore It was also stated that</p>	<p>Actions should be taken to fulfill the contents of the annual action plan</p>

- Amendments to the Bank of Ceylon Ordinance
 - Amendments to the Companies Act
 - Amendments to the Insurance Industry Regularization Act No. 43 of 2000
 - Excise (Special Provisions) Amendment Bill No. 13 of 1989
 - Amendments to the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
 - Amendment to the Debt Recovery (Special Orders) Act No. 02 of 1990
- the role of finalizing those Acts is not assigned to the department.
- (c) According to the annual action plans for the years 2021 and 2022, it was included that the credit regulatory authority should be established, but this authority had not been established even by 31 December 2022. Although it was informed in response to the audit queries on June 06, 2022 that the final documents related to the establishment of that authority are being checked and it is to be completed within 02 weeks, but this work was not completed until March 2023.
- The establishment of credit regulatory authority is an extremely complex subject and at present steps have been taken to include it in the program of the International Monetary Fund. It was stated that the technical support of the International Monetary Fund has also been obtained for that, and the reason for the delay in the establishment of the Credit Regulatory Authority in the year 2021 was that the government had not reached a final agreement with the International Monetary Fund regarding the complex nature of the act and the technical support.
- Steps should be taken to complete the proposed activity expeditiously.
- (d) The number of pending cases in the Department of Legal Affairs was 381 as at 31 December 2021, and the number of cases received in the year 2022 was 77. Out of the 06 cases have been resolved in the year 2022, Other cases 452 were pending as at 31 December 2022.
- Agreed with the audit observations .
- To complete the work of the cases received by the department promptly.
- (e) Out of the files received for consultation by the Department of Attorney General's and for observation by the Department of Legal Affairs, the work on 09 files had not been completed by 31 December 2022.
- Agreed with the audit observations.
- The recommendation of the department should be expedited.

4. Human Resource Management

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the Public Administration Circular No. 02/2018 dated 24 January 2018 the Instruction given that how to prepare a human resource development plan in public institutions and how to deal with it have not been followed.	Agreeing with the observations of the audit regarding the signing of annual performance agreements and the preparation of a unique human resource development plan for the institution in accordance with State Administration Circular No. 02/2018 and It was also stated that Due to the transfer of staff officers in charge of the relevant subjects, and due to occasional factors such as the Corona epidemic and the oil crisis in the country since 2020, due to the problems of continuous attendance of employees and difficulties in participating in training, the basic activities have been carried out according to this circular, but it could not be implemented in practice.	Annual performance agreements to be signed as per Public Administration circular instructions.
(i) According to paragraph No. 01 of the above circular, annual performance agreements should be signed for all the staff working in the department from the year 2018 for increase the performance of the staff, but it was not done accordingly.	However, priority has always been reserved for all officers to complete training to meet their qualifications. In other cases, it was mentioned that the necessary training has been provided upon the request of the concerned employees and that the legal officers of the department have been regularly referred to local workshops and online foreign workshops provided by the Department of Foreign Resources so that it is not a burden on the government.	
(ii) As per paragraph 04 of the circular , even though the institution should be prepare a specific human resource development plan to reduce the skill gap. the department had not prepared such a human resource development plan	Agreeing with the observations of the audit regarding the signing of annual performance agreements and the preparation of a unique human resource development plan for the institution in accordance with Public Administration Circular No. 02/2018 and It was also stated that Due to the transfer of staff officers in charge of the relevant subjects, and due to occasional factors such as the Corona epidemic and the oil crisis in the country since 2020, due to the problems of continuous attendance of employees and difficulties in participating in training, the basic activities have been carried out according to this circular, but it could not be	Human resource development plan should be prepared according to the circular instructions of the Public Administration.

implemented in practice.

However, priority has always been reserved for all officers to complete training to meet their qualifications.

In other cases, it was mentioned that the necessary training has been provided upon the request of the concerned employees and that the legal officers of the department have been regularly referred to local workshops and online foreign workshops provided by the Department of Foreign Resources so that it is not a burden on the government.

(b) Approved Cadre and Actual Cadre.

The approved cadre of the department was **22**, out of which **07** posts were vacant. Among those vacancies, there were **05** senior level posts.

- Out of the 07 vacant posts, the post of Director General is a post to be appointed by the Council of Ministers. In the event that a Director General is appointed by the Council of Ministers, arrangements will be made to fill the remaining vacant driver posts.
- The Ministry of Finance, Economic Stabilization and National Policy has been notified to make arrangements to make appointments for the remaining 04 senior level posts and for the secondary level posts that are vacant..

To fill up staff vacancies subject to formal approvals.