

Head 230 - Legal Draftsman's Department

1. Financial Statements

1.1 Qualified Opinion

Head 230 -The audit of the financial statements of the Legal Draftsman's Department for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 Legal Draftsman's Department was issued to the Accounting Officer on 08 May 2023 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the department was issued to the Accounting Officer on 12 June 2023 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 give a true and fair view of the financial position of the Legal Draftsman's Department as at 31 December 2022 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 described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor's Responsibilities Section. 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 for the Financial Statements

The 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 the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department 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 summary 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 and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- 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 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 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 terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendations made by me regarding on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Non-Compliance of Financial Statements with Circular Provisions

The financial statements should be prepared in terms of state Accounts Guideline No. 2022/05 dated 13 December 2022 however, instances of non-compliance those provisions appear below.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) As per paragraph 7.5 of the State Accounts Guideline No. 2022/05 dated 13 December 2022, the balance in the statement of financial performance as at 31 December 2022 should be equal to the total of the balance as per the statement of imprest reconciliation and the imprest balance at the end of the year, but the imprest balance of Rs.6020 in the ACA-3 of the treasury books as at 31 December was not shown in the statement of financial performance and it was not shown in the statement of financial position under financial assets as cash in transit and the imprest balance under current liabilities.	–	Financial statements should be prepared in accordance with the State Accounts Guideline.

- (b) According to the cash flow statement format introduced in accordance with paragraph 06 of the State Accounts Guideline, interest income amounted to Rs. 543,683 and the expenditure amounted to Rs.632,890 incurred for Capacity Building should be shown in the cash flow generated from operating activities, but due to the inclusion of the said income and expenditure in the cash flow generated from investing activities, the net cash flow generated from operating activities was understated by Rs.89,207 and the net cash flow generated from investing activities was overstated by that amount.
- From the year 2023, distress loan interest income will be recorded under “Cash flow generated from operating activities”, That the expenditure of Rs.632,890 incurred for "capacity building" is an expenditure incurred under the capital expenditure object "2401 - Staff Training" . therefore, It had been informed that it is not correct that record it under recurrent expenditure. Since staff training is an investment activity, the expenditure incurred for capacity building is shown under Cash flows generated from investing activities in the “construction and purchase of physical assets and acquisition of other investment”
- The data should be entered under the correct classification in the cash flow statement.

1.6.2 Accounting Deficiencies

Property Plant and Equipment

The following deficiencies were observed in accounting for property, plant and equipment.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) As at 31 December 2021, the value of the vehicle fleet is Rs. 59,975,000, but it had brought forward the opening balance of the year under review as Rs.53,700,000. At the same time vehicles value of Rs.6,275,000 were disposed during the year, but it was not included in the ACA format 6.	Agree with audit observations. That is there is an error in the way information is displayed in the ACA format 6 attached with the financial statements. But the CIGAS program of the department had been informed that the value of the disposed car during the year was Rs.6,275,000.	should be record the opening balance correctly in the ACA Format 6.

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| (ii) | As at 31 December 2021, Although the value of machinery and equipment is Rs.43,049,723, but it had been brought forwarded the opening balance of the year under review as Rs.40,863,680. Although Rs.2,186,043 value of machinery and equipment were disposed during the year, it was not included in the ACA format 6. | It had been informed that the total value of machinery used during the year is Rs.2,186,042. | Opening balance and disposal value should be correctly recorded in the ACA Format 6. |
| (iii) | During the year, Rs. 53,000 value of machinery and equipment purchased was not included in ACA Format 6 as purchases. | It had been informed that purchases of machinery during the year were correctly entered in the amount of Rs.53,000. | Purchase value should also be recorded in the ACA Format 6. |
| (iv) | Changes in (i), (ii), (iii) above had not been done with in terms of Financial Regulation 427 (3). | Further, it had been informed that since the closing balances of the asset account of this department as at 31 December 2022 are correctly recorded in the ACA format 6, so there has been no impact on the financial statements or the asset account. | Actions should be taken in terms of the Financial Regulations. |

2. Financial Review

2.1 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The entire allocation of Rs. 50,000 for one capital object had been saved.	It had been informed that due to having to act according to the National Budget Circular No. 03/2022 dated 26 April 2022, the provisions of the relevant recurrent and capital objects had been saved.	Preparation of cost estimates should be done with proper study
(b) Rs. 1,030,071 were saved out of Rs. 3,140,000 for 02 recurrent objects and 02 capital objects, and the savings ranged from 25 percent to 47 percent.	It had been informed that due to having to act according to the National Budget Circular No. 03/2022 dated 26 April 2022, the provisions of the relevant recurrent and capital objects had been saved.	Expenditure estimates should be prepared with proper study.

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| (c) | <p>According to Paragraph 3 (xvii) of the National Budget Circular No. 03/2022 dated 26 April 2022, if there is savings of the Provisions allocated for incurring expenses during the year, it should not be used for other expenditure prior to the end of the year. But the provision amounted to Rs. 2,927,000 in 04 objects had been transferred to other objects under Financial Regulation 66.</p> | <p>Circular 03/2022 dated 26 April 2022, is not an obstacle for incurring the necessary expenses to run the affairs of the department without interruption. Therefore, in order to incur such necessary expenses, after obtaining the approval of the competent authority the Secretary of Ministry. It had been informed that arrangements have been made to transfer the allocation of Rs.2,927,000 to the necessary objects by 04 objects Financial Regulations 66.</p> | <p>Provisions shall be utilized as per circular.</p> |
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2.2 Certifications of Chief Accounting Officer/ Accounting Officer

Accounting Officer should certify the following matters in terms of provisions set out in section 38 of the National Audit Act no 19 of 2018. However, it had not been done.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(i) The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control exists in the Department, 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. such reviews should be carried out in writing, and a copy thereof Should be presented to the Auditor General. But no statements had been furnished to the audit that the reviews had been carried out.</p>	<p>Until now, the financial control and organizational activities of the department have been carried out according to the financial regulations and the organization code. I would like to inform you that this department has not conducted a review of the type mentioned in the audit inquiry in previous years and we do not have a proper understanding of how to conduct such a review. Therefore, It had been informed that if your instructions are given regarding such a review, it will be done accordingly.</p>	<p>Action should be taken in terms of provisions in Section 38 of National Audit Act No. 19 of 2018.</p>

- (ii) The Chief Accounting Officer and the Accounting Officer shall ensure the timely preparation and submission of annual and other financial statements and in addition, the Chief Accounting Officer shall be required to submit annual reports to Parliament pertaining to the auditee entity. However, the said requirements had not been fulfilled due to audit observation indicated in Paragraph 3.2 (a) in the report.
- It had been informed that the submission of the annual performance report for the year 2021 to Parliament was delayed due to the delay in obtaining the necessary information from the relevant officers for the preparation of the performance report for the year 2021, as the fuel crisis in the country in 2022 restricted the call-up of staff.
- Action should be taken in terms of provisions in Section 38 of National Audit Act No.19 of 2018

2.3 Non-compliance with Laws, Rules and Regulations

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

Audit Observation

Reference to Laws, non-compliance Rules, and Regulations

Comments of the Accounting Officer

Recommendation

(i) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

1645 (a)

- Although the monthly summary of travels should be entered in the log books, but this was not done in respect of 09 vehicles

06 vehicles are assigned for the officers of this department. The officers have been informed to submit monthly summary of travels of those vehicles. It had been informed that no entry was made in the monthly summary of travels log books of these assigned official vehicles. Information on KM 0908 pool vehicle is entered up to November 2022 and should be forwarded for the December 2022 monthly summary of travels for audit by 15 January 2023. KM 0890 is under repair.

To act as per the Financial Regulations

- Repairs related to 02 vehicles were not entered in the log books. No answers provided.
- Two vehicle accidents were not Recorded in the log books. The accidents that occurred in vehicles KM 0908 and KM 0896 were not included in the log book due to an omission. It had been informed that they have taken steps to act correctly in this regard in the future.

(ii) **Public**

**Administration
Circulars**

Paragraph 3.1 of Circular No. 30/2016 dated 31 December 2016. 10 vehicles were not tested for fuel consumption. It had been informed that due to the lack of continuous office work in the years 2020 and 2021 and the restrictions imposed on the providing of fuel during the economic crisis in the country in the year 2022, it was not possible to conduct fuel test. Fuel consumption of vehicles should be checked as per the provisions of the circular.

Paragraph 01 of Circular No. 02/2018 dated 24 January 2018. Although the signing of the annual performance agreements for the entire staff of the department should be done from the year 2018, but it had not been done up to now. Agree with audit observations. It had been informed that instructions were given to the relevant officers to proceed according to the circulars. Performance agreements are to be signed as per the circular.

(iii) **State**

Accounts

Circulars

Paragraph 8.3
of Guideline
No.2022/05

Dated 13
December
2022

Although the
Statement of
reconciliation of
deposit accounts
was to be
submitted for audit
before 28th
February 2023,
but it was
submitted on
23rd May 2023.

As at 31 December 2022,
there was no balance in the
deposit account. However, it
had been informed that the
"blank report" prepared in
accordance with State
Accounts Guidelines 2020/03
was sent to the State
Accounts Department on 16
May 2023.

As per the State
Accounts Guideline,
the reconciliation
statement for the
deposits has to be
submitted on the due
date.

3. Operational Review

3.1 Planning

Audit Observation

According to paragraph 03 of
Public Finance Circular No.
02/2020 dated 28 August 2020,
the annual action plan for the
coming year must be prepared
and submitted to the Chief
Accounting Officer before
December 15 of the year under
review, but the department had
been submitted the action plan for
the year 2022 to the Secretary of
the Ministry of Justice on 13
January 2022

**Comments of the Accounting
Officer**

I agree with the points mentioned in
the audit query. It had been
informed that the relevant officers
were instructed to submit on the
scheduled date.

Recommendation

As per the circular, the
annual action plan
should be prepared and
submitted on the due
date.

3.2 Annual Performance Report

In terms of paragraph 10.2 of Public Finance Circular No.2/2020 Dated 28 August 2020, the Annual Performance Report should have been prepared in accordance with the Format specified in Guideline 14, issued by the Department of Public Finance. The following observations are made in this connection.

Audit observation	Comments of the Accounting Officer	Recommendation
<p>(a) According to paragraph 12.1 of the above circular, it should be submitted to Parliament before 150 days after the end of the financial year, but the annual performance report related to the year 2021 was submitted to Parliament on 10 August 2022. At the same time according to paragraph 10.2 of the circular, issued by the State Finance Department the Annual Performance Report should be prepared as per the format mentioned in Guideline No. 14, but the performance report submitted to the audit was not prepared accordingly.</p>	<p>Since the call-up of staff for the year 2022 was restricted, the submission of the annual performance report to Parliament was delayed due to the delay in obtaining the information required to prepare the performance report for the year 2021 from the relevant officers and the annual performance report referred in the Circular No. 2/2020 dated 28 August 2020 and prepared in accordance with the guidelines 14 issued by the State Finance Department as per paragraph 10.2. If there is any fault in it, It had been informed to point it out.</p>	<p>According to the circular, the performance report should be submitted to the Parliament on the due date and the annual performance report should be prepared by including all the details mentioned in the guideline No 14.</p>
<p>(b) As at 31 December 2022, there were 100 uncompleted requests for drafting laws.</p>	<p>100 undrafted requests as on 31.12.2022. These are requests received on or around 31.12.2022 or initial or amended drafts sent by this department and advice or observations of the Attorney General or those Ministries, Departments or Institutions or required Cabinet approval received on or around 31.12.2022 or still under discussion. Therefore, this department had been informed that they cannot be completed.</p>	<p>Action should be taken to improve the performance of the department.</p>

3.3 Procurements

The following observation is made.

Audit observation	Comments of the Accounting Officer	Recommendation
According to Section 4.2.1 (c) of the Government Procurement Guidelines, the procurement activities for the next year should be prepared in detail, but the department had not been so done .	In the revise budget in 2022, the allocation reserved for the purchase was only Rs.100,000 and that amount was authorized to be spent from October 2022. Also, in the year 2022, there was only two voice recorders that needed to be purchased. Accordingly, it had been informed that steps have been taken to revise the procurement plan in the year 2022.	The provisions of the Government Procurement Guidelines should be followed.

4. Good Governance

4.1 Internal Audit

The following observation is made.

Audit observation	Comments of the Accounting Officer	Recommendation
In accordance with the provisions of Section 40 (1) of the National Audit Act No. 19 of 2018, an internal audit unit had not been established in the Legal Drafting Department, and an Internal Auditor had not been appointed.	Disagree with audit observations. The "Internal Auditor" of this department is the "Chief Internal Auditor" of the Ministry of Justice, Prison Affairs and Constitutional Reform and the said Chief Internal Auditor has conducted an internal audit for the year 2022. Accordingly, it had been informed that the internal audit requirement mentioned in the National Audit Act has been fulfilled.	In accordance with the National Audit Act and the Financial Regulations, arrangements should be made to establish an internal audit unit.

5. Human Resource Management

The following observations are made.

Audit observation	Comments of the Accounting Officer	Recommendation
(a) As at 31 December 2022, the approved cadre of the department was 149, but the actual number of staff was 93, hence there were 56 vacancies.	I agree with the audit observations. It had been informed that action has been taken to fill the vacancies in the posts.	Arrangements should be made to fill the vacancies.
(b) There are 31 vacancies for 04 posts out of 11 senior and tertiary level posts which contribute directly to the performance of the Legal Draftman's Department for the purpose of drafting laws, but no recruitment has been done for this purpose. This number of vacancies are 49 percent of the approved staff.	It had been informed that action has been taken to fill the vacancies in the posts of officers who directly contribute to the performance of this department.	Arrangements should be made to fill the vacancies immediately