

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Legal Aid Commission for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of Income and expenditure, statement of changes in Equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Commission as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**1.2 Basis for Qualified Opinion**

My opinion is qualified on the matters described in paragraph 1.5 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 qualified opinion.

**1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, The Commission 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.

**1.4 Audit Scope (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 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.
- Obtained 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 internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluated 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Commission , and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Commission has complied with applicable written law, or other general or special directions issued by the governing body of the Commission;
- Whether the it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5. Audit Observations on the Preparation of Financial Statements

### 1.5.1 Internal Control over the Preparation of Financial Statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

### 1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

<b>Non Compliance with the reference to particular Standard</b>	<b>Management comment</b>	<b>Recommendation</b>
(a) The Commission had not been used the statement of financial position format specified in Sri Lanka Public Sector Accounting Standards No. 01 while preparing the statement of financial position.	It had been informed that the Legal Aid Commission had prepared the statement of financial position for the year 2022 according to the format of the previous years, and that it will be prepared in accordance with the correct format in the coming years.	Financial statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standards.
(b) Although the surplus should be shown separately on the property revaluation according to the format of the statement of changes in equity mentioned in Sri Lanka Public Sector Accounting Standards No. 01, the value of Rs.1,550,000 which is the revaluation surplus of 03 revalued vehicles in the year 2022 was not shown in the statement of changes in equity	It had been informed that in the coming year, actions should be taken to present as per Sri Lanka Public Sector Accounting Standards.	Actions should be done as per the Sri Lanka Public Sector Accounting Standards.
(c) In accordance with paragraph 65 of Sri Lanka Public Sector Accounting Standards No. 07, the residual value and the useful life of an asset shall be reviewed at the end of each annual reporting period, but as at 31 December 2021, the commission has fully depreciated and the residual value of Rs.31,822,859 assets like computers, office equipment and furniture were not reviewed. Accordingly, the estimated error had not been revised according to Sri Lanka Public Sector Accounting Standards No. 03.	It had been informed that there is a problem in doing this due to the fact that there is not enough money to spend on the revaluation activities, Because lot of money has to be spent on the revalue of the equipment.	Actions should be done as per the Sri Lanka Public Sector Accounting Standards.
(d) According to paragraph 47 of Sri Lanka Public Sector Accounting	It had been informed that there is a problem in doing this due to the fact	Actions should be done as per the Sri

<p>Standard No. 07, property, plant and equipment items that have only insignificant changes in their fair value should be revalued every three or five years, but the Commission had not been revalued in the last 5 years that on 31 December 2022, excluding motor vehicles, Rs. 92,137,572 value of other property plant and equipment.</p>	<p>that there is not enough money to spend on the revaluation activities as a lot of money has to be spent on the revalue of the equipment.</p>	<p>Lanka Public Sector Accounting Standards.</p>
<p>(e) According to paragraph 49 of Sri Lanka Public Sector Accounting Standards No. 07, when revaluing an item of property, plant and equipment, belonging to that assets should be revaluated as an entire class of property, but only 03 motor vehicles value of Rs.1,220,000 has revaluated by value of Rs.1,550,000 and 02 vehicles worth Rs.950,000 had not been revaluated.</p>	<p>Revaluations are conducted every five years therefore It had been informed that the revaluation of three-wheelers was done in the year 2018 and it will be revaluated again in the year 2023.</p>	<p>Actions should be done in terms of the Sri Lanka Public Sector Accounting Standards.</p>
<p>(f) Although the Grants made by the government should be recognized as asset and revenue according to paragraph 44 of Sri Lanka Public Accounting Standards No. 11, the capital grant receipts of Rs. 7,300,000 were not recognized according to this Accounting Standard.</p>	<p>It had been informed that these problems will be resolved in the coming years.</p>	<p>Actions should be done to recognize capital grant receipts in terms of the Sri Lanka Public Sector Accounting Standards.</p>
<p>(g) According to paragraph 80 (c) of Sri Lanka Public Sector Accounting Standards No. 01, liabilities to be settled within 12 months from the reporting date should be recognized as current liabilities, but the total value of Rs.82,528,824 related to gratuity allocations had only been identified as non-current liabilities.</p>	<p>It had been informed that these problems will be resolved in the coming years.</p>	<p>Current liabilities should be recognized correctly in terms of the Sri Lanka Public Sector Accounting Standards.</p>

### 1.5.3 Accounting Deficiencies

Audit Observation	Management comment	Recommendation
<p>According to the calculations of the audit, the fixed deposit interest income and the interest income receivable for the year are respectively Rs. 533,292 and Rs. 357,079, However those</p>	<p>It had been informed that the fixed deposit interest receivable was shown in the financial statements in the year 2022 as it was shown in the previous years.</p>	<p>Interest income on fixed deposits should be correctly disclosed in the financial statements.</p>

incomes have been accounted as Rs. 767,312 and Rs.399,989 respectively. So as the interest income and interest income receivable have overstated by Rs. 234,020 and Rs.42,910 respectively.

#### 1.5.4 Documentary Evidences not made available for Audit

Item	Amount Rs.	Audit Evidence not provided	Management comment	Recommendation
Property, Plant and Equipment	15,656,035	Vouchers, valuation reports related to purchase.	In the preparation of the fixed assets register in the year 2009, its opening balances are the purchases of fixed assets such as computers, office equipment and furniture purchased for the head office and branches of the commission in the years prior to the year 2009, and this information was obtained based on the cash book of the respective years. It had been informed that these notes were also audited in the respective years.	The relevant schedules should be submitted for audit to ascertain the balances relating to fixed assets.

#### 1.6 Accounts Receivable and Payable

##### 1.6.1 Receivables

Audit Observation	Management comment	Recommendation
(a) An officer who worked in the commission had gone abroad for 5 years, but had not reported back to work. However actions have not been taken to recover the amount of Rs. 220,251 owing to the violation of the terms of related contract.	It had been informed that officer had agreed to pay in installments.	Action should be taken to collect the amount due as per the agreement.
(b) Advances value Rs.1,217,830 were given to the contractors for the repair of buildings in Kalutara, Bibila and Negombo centers, although between 01 and 04 years had passed, the said advances had not been recovered.	The repairs of Bibila and Negombo centers have been completed and the advances for those have been settled on 29April 2023. The Ministry of Justice was informed in a letter as the advances had been given by the Ministry of Justice for the repair of the Kalutara Center.	Action should be taken to recover the advances without delay.

### 1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management comment	Recommendation
(a) Section 11 of the Finance Act No. 38 of 1971	The relevant approvals had not been obtained for the fixed deposits of Rs. 7,447,775 invested in the state banks,	Due to non-availability of money for gratuity to be paid when the employees of the commission leave the service, an amount of two lakh fifty thousand rupees for a year was made for Gratuity Provision till the year 2021. But this was not done in the year 2022. Because it had been informed that the reason was due to lack of money and to reduce expenses according to government circulars.	Actions should be taken in terms of the Act.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka 395(h)	Bank reconciliation statements had been prepared by the officer maintaining the cash book himself, contrary to the Financial Regulations.	This has happened due to the vacancies in the commission and it had been informed that it will be corrected in the future.	Actions should be taken as per the Financial Regulations
(c) Section 9.1(b) of Public Finance Circular No. 01/2020 dated 18 August 2020	In 21 cases, the circular provisions were not followed in settlement of advances value Rs.815,225.	There are times when the program date changes depending on the conditions of the country and other factors, and in most cases, the balance of the advance payment is received by post, so it had been informed that due to the delay in their existing distribution, the program settlement reports are received late at the head office.	Actions should be taken as per the Circular.
(d) Public Finance Circular No. 01/2020 dated 28 August 2020 and Financial Regulations 315 (1), 880	In accordance with the Security Ordinance, no arrangements had been made to obtain security from the officers who were required to keep security.	Officers of the Commission are non-pensionable officers.	Actions should be taken as per the Circular.
(e) Paragraph No. 01 of Schedule I of Paragraph No. 2.3 of Public Enterprises Circular No. 01/2021 (Guidelines on Public Enterprises) dated 16 November 2021	The Commission had not prepared a strategic plan as per the guidelines.	It had been informed that the cooperate plan is being prepared for the year 2024-2029.	Actions should be taken as per the Circular.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.13,906,980 and the corresponding deficit in the preceding year was Rs.15,754,042. Accordingly a growth of Rs.1,847,062 was observed in the financial result. The main reasons for this improvement are comparison to the year 2021, in the year 2022 this growth includes government grants of the commission of Rs. 26,787,690, the increase in the income from the apprentice student's programs by Rs. 1,208,000.

## 3. Operational Review

### 3.1 Operational Inefficiencies

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
According to the 2022 Annual Draft Report of the Commission, the number of cases brought forward for providing legal aid as at 01 January 2022 was 38,099, and the number of newly filed cases from January to December 2022 was 11,380, so as the total number of cases to be done during that period 49,479. Among these, 10,740 cases had been settled by 31 December and 38,739 cases were to be settled on that day and it was 78 percent of the total number of cases to be providing services.	Answers had not been provided.	Performance should be maintained as per the objectives of the Act.

### 3.2 Human Resources Management

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
As at 31 December 2022, there were vacancies for the three main posts of Director General, Director (Legal) and Director (Administration and Finance) and 29 posts of Legal Officer under the "Management" service category.	The post of Director General is vacant from November 2022 and Administrator of the Commission has been appointed to cover the duties. The other two posts are internal posts. It has not been possible to fill the vacancies as there are no qualified candidates. It had been informed that steps will be taken to revise the recruitment procedure to suit the proper running of the institution by solving these problems.	Arrangements should be made to fill the vacancies.

**4. Accountability and Good Governance**  
**4.1 Annual Report**

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
According to Section 6.6 of the Public Enterprises Circular PED No. 01/2021 dated 16 November 2021, the 2022 Annual Report had not been tabled in Parliament by 11 September, 2023.	-	Actions should be taken as per the Circular.

**4.2 Internal Audit**

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
In accordance with Section 40 (1) of the National Audit Act No. 19 of 2018, the commission had not conducted an internal audit for the year 2022, and an Internal Auditor had not been appointed.	Previously, every year the internal audit of the Commission is conducted by the Internal Audit Division of the Ministry of Justice and there is no internal audit position in the Commission as per the recruitment procedure, however it had been informed that steps will be taken to include this position in the revision of the recruitment procedure.	Actions should be taken as per the Act.

**4.3 Budgetary Control**

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
The budget had not been prepared as per the guidelines of Paragraph No. 03 of Schedule I of Paragraph No. 2.3 of Public Enterprises Circular No. 01/2021 dated 16 November 2021 (Guidelines on Public Enterprises).	Before the circular dated 16 , November 2021, it had been informed that the budget document for the year 2022 would be prepared and submitted according to the format sent by the Ministry of Justice to be sent to the line ministry, the Ministry of Justice, before 30 June 2021.	Actions should be taken as per the Circular.