

Head 110 – Ministry of Justice and Prison Reforms

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Justice and Prison Reforms for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Sub-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 Ministry of Justice and Prison Reforms was issued to the Chief Accounting Officer on 02 July 2020. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Ministry of Justice and Prison Reforms was issued on 20 August 2020 to the Chief Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements prepared in accordance with the State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Ministry of Justice and Prison Reforms as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified 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 qualified opinion.

1.3 Responsibilities of Chief Accounting Officer for the Financial Statements

Chief 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 is 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 Ministry 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that effective internal control system for the financial control of the Ministry 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 Responsibilities 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 General'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.
- 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 Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the structure and content of the financial statements containing the disclosures and the transactions and events that underlie the financial statements in an appropriate and reasonable manner.

I communicate with the Chief 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 furnished in the previous year had been executed.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The value of 03 vehicles belonging to the Ministry had not been accounted and the total value of 12 vehicles that were formally transferred to other institutions was Rs. 34,200,000 had not been deducted from the accounts.	The Asset value needs to be corrected.	Action will be taken to account the value of 02 vehicles in this year and the value of the vehicle to be repaired will be assessed and accounted after completion of repair. The 07 vehicles had been formally transferred to other Ministries and Institutions.
(b) Although Rs. 18,796,073 was spent on the purchase of furniture and office equipment and plant and machineries during the year under review, a sum totalling Rs.10,689,136 of assets and reserves balances in the statement of financial position had been understated due to Rs. 8,106,936 had recorded under acquisitions through purchases in financial statements (ACA- 6 format).	The total cost of aquisition of assets during the year should be capitalized.	Although the value of Rs.10,345,693 incurred on acquisition of assets during the year had been accounted as an expense of the Cigas program, it had not accounted as an asset and, action will be taken to rectify in the year 2020. Further, although the value of the assets purchased during the year was shown Rs.343,444 less as per the query, the correct final balance as at 31 December 2019 is shown in the Assets Report.

1.6.2 Imprest Balance

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
The unsettled imprest balance of Rs.4,809,450 since year 1998 had not been stated under financial assets and current liabilities in the statement of financial position.	The unsettled imprest balance should be stated in the statement of financial position.	Action will be taken to include the value of an un settle imprest balance of Rs.4,809,450 since 1998 under Financial Assets in the Statement of Financial Position in the future.

1.6.3 Non-maintenance of Registers and Books

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
The Record of Losses under Financial Regulation 110 and the Record of Liabilities under Financial Regulation 214 had not been maintained.	Documents should be maintained in accordance with the Financial Regulations.	Steps will be taken to update and maintain the current Record of Losses in the future. Steps will be taken to update and maintain the Record of Liabilities in the future.

1.6.4 Responsibilities of the Chief Accounting Officer

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
Although the Chief Accounting Officer shall ensure that all audit queries be answered within the specified time as required by the Auditor-General in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018, replies for 06 Audit Queries had not been furnished in terms of paragraph 3.5 of the report.	Action should be taken in terms of provisions in Section 38(e) of the National Audit Act, No.19 of 2018.	Comments not submitted.

1.6.5 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the Laws, Rules and Regulations observed during the sample audit tests are described below.

Observation ----- Reference to Laws, Rules and Regulations ----- Public Administratio n Circulars -----	Non-compliance -----	Recommendation -----	Comments of the Chief Accounting Officer -----
(a) Circular No.30/2016 dated 29 December 2016	The test of fuel consumption of 20 vehicles selected for the sample audit test had not been carried out in accordance with the Circular.	Actions should be taken according to the Circular.	Necessary arrangements are being made by appointing a committee as per Public Administration Circular No. 30/2016 to the fuel test of all vehicles in this Ministry.
(b) Circular No.02/2018 dated 24 January 2018.	The Human Resource Development Plan had not been prepared.	Actions should be taken according to the Circular.	Although an Annual Performance Agreement or Human Resource Development Plan according to that had not been prepared as per Public Administration Circular No. 2/2018, various training programmes and projects are being implemented for relevant officers in every post and

Annual Performance Agreements are being prepared for existing staff grade and non-staff grade officers.

2. Financial Review

2.1 Expenditure Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) Although the provision totalling Rs.11.65 million in year 2018 and also totalling Rs.12 million in year 2019 had been allocated for 2 Object Codes, the allocations had totally saved as the Commercial Mediation Board of Sri Lanka was inactive.	The actions should be taken by the organization to complete the tasks included in the Action Plan within the stipulated time frame as estimates are prepared based on the Action Plan.	The Commercial Mediation Board of Sri Lanka was included in the purview of the Minister of Justice in 2016. Problems had arisen in presenting the necessary amendments to Parliament to enforce the inclusion of officials from this Ministry and the Ministry of Finance as members of its Board of Management. Therefore, the provision has been saved as the operation and providing services of the Commercial Mediation Centers was not practically implemented.
(b) Although it was not planned to acquire plants and machinery for the Mediation Panel Board from the Procurement Plan 2019, allocations of Rs.100,000 which had been allocated from the annual estimate under that expenditure code were totally saved.	Since estimates are prepared based on the Action Plan, the organization should take action to complete the tasks included in the Action Plan within the time frame.	Since it is difficult to mention the need for funding to this expenditure code, allocations were estimated during the year assuming that expenditure would be required under these expenditure codes. But allocations were saved due to the lack of expenditure during the year.

2.2 Issuance and Settlement of Advances

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The loan balances of the three interdicted officers amounted to Rs. 323,197 had remained outstanding for a period of 7 to 12 years.	Loan balances should be recovered immediately.	A case had filed to one officer through the Attorney General's Department. Although one officer had been reinstated, it couldn't be able to confirm whether he was assumed duties. Further inquiries will be made to recover the loan balances. Legal actions is being taken against one official's loan balance.
(b) The outstanding loan balance totalling Rs.301,405 of the 4 officers who were vacated post remained outstanding for a period of 04 to 21 years.	Recoveries need to be made immediately.	Although applications had been made to the Department of Public Finance to write off the loan balances of two officers under Financial Regulation 109, it was returned by informed as inadequate information. Legal action is being taken to recover the loan balances of two officers.

2.3 Deposits Balances

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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Action had not been taken as per Financial Regulation 571 relating to Rs. 1,996,949 received from 2015 to 2017 for three types of deposits and an amount of Rs.1,316,041 had received in 22 March 2017 from	The money received should be used for the relevant purpose and if not, action should be taken in accordance with	Comments not submitted.

UNDP project for settlement of Financial expenditure incurred on behalf of Regulation 571. Mediation Day hold in month of November 2016.

3. Operating Review

3.1 Abandonment of un-finishing projects

Audit Observation

The construction of the two storied building for Legal Aid and Community Correction in Puttalam was awarded to an outsider on 15 September 2010 at a contract value of Rs. 5,583,770 and the works were to be completed by 27 March 2011. However, the construction works had stopped without complete the works even as at 4 October 2019. Although Rs. 5 million had allocated from the annual estimate in 2014 for the completion of construction, no provision had been utilized for that year. As a result, the objectives of establishment of a separate building for counseling of community correctional offenders and conducting of office works had not achieved.

Recommendation

Works should be completed immediately as per the agreement.

Comments of the Chief Accounting Officer

Works have not yet been completed as work on the project had been abandonment by the contractor. I report that the allocations made for this project in the 2014 Annual Estimate have not been utilized due to the abundant of construction of the building. The Legal Aid Office are being operated by completed the works on the ground floor of the two-story building.

3.2 Assets Management

The following observations are made.

Audit Observation

(a) Although 22 vehicles included in the value of vehicles of the Ministry and 03 vehicles not

Recommendation

The ownership should be formally transferred.

Comments of the Chief Accounting Officer

Comments not submitted.

included in the value of vehicles had been handed over to other Ministries and Departments in the year 2018 and 2019 respectively, their ownership had not been formally transferred.

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| (b) Five vehicles were idle for a period of 8 months to 1 ½ year and out of those, the value of 03 vehicles also had not included in the vehicle value report of the Ministry. | Measures should be taken to repair vehicles that can be repaired and used, and dispose of vehicles that cannot be used. | Comments not submitted. |
| (c) A cab handed over to the Deputy Minister for duty had met with an accident on 08 March 2017. Since that day it was retained at an external location and after 2 years 06 months and 20 days (930 days) it was loaded in another vehicle and brought to the premise of Ministry of Justice on 28 September 2019. Although the term of office of the Deputy Minister had ended on 27 October 2018, during that period it was failed to take over the vehicle. The report of the Board of Inquiry appointed on 07 June 2017 regarding the accident had not submitted till December 2019 and action had not been taken also to repair the vehicle. | Investigations should be completed immediately and action should be taken to protect the assets of the Ministry. | Comments not submitted. |
| (d) An inquiry had not been conducted till 29 November 2019 on a vehicle met with an accident on 06 May 2019 as per Financial Regulation 104 (1) (a). | Relevant inquiries should be conducted immediately. | Comments not submitted. |

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| (e) | The value could not be assessed due to the lack of title deeds, tracing copies and transfer certificates of the two block of lands of 75 perches land in the Nuwara Eliya Circuit Bungalow enjoying by the Ministry of Justice and the land in the building where the Legal Draftsman's Department is located. | Action should be taken to obtain legal documents and assess the value. | Comments not submitted. |
| (f) | The value entered in Cigas Vehicle Assets Report regarding 17 vehicles was less than the insurance value entered in Vehicle Register in the Transport Division as at 31 December 2019. | Accurate vehicle values should be identified and entered. | Comments not submitted. |

3.3 Losses and Damages

Audit Observation

A sum of Rs.51,330,000 had written-off during the year from unsettled imprest balance of Rs.56,139,450 had not been shown in the Statement of write-off from books.

Recommendation

Action should be taken to complete the information in the relevant format as per Section 6 of the State Accounts Circular No. 271/2019 dated 03 December 2019.

Comments of the Chief Accounting Officer

An amount of Rs.51,330,000 had been written-off during the year from imprest balance was omitted to enter to the Statement of write-off from books. Necessary steps were taken to prevent such situations recurring in the future.

3.4 Uneconomic Transections

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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Until the establishment of the International Arbitration Center in a permanent location, it had been operating on rent out location since 2013 and a rent of Rs.18.82 million had been paid from January to June 2019. Although this Centre was established in December 2016 as a company limited by guarantee, that company remained inactive due to the reasons such as lack of decision making on suppling of initial capital and non-appointment of a board of directors. Accordingly, although 06 years had passed since 2013, this Centre had failed to establish in a permanent location and the rent of Rs.18.82 million paid in 2019 was an uneconomic transaction due to the inactivity of the established company. The Centre was also removed from the role under the Ministry of Justice from July 2019.	This administrative problem needs to be solved immediately and money should be used economically.	Comments not submitted.

3.5 Unanswered Audit Queries

Detail about Audit Queries	Recommendation	Comments of the Chief Accounting Officer
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The answers for one audit query issued for the year 2018 and 05 audit queries issued for the year under review had not been submitted till 27 August 2020.	Action should be taken as per Financial Regulations No.155 and 452(1), and Section 38 (e) of the National Audit Act No. 19 of 2018.	We kindly inform you that we are currently preparing answers to these audit queries and steps will be taken to answer in the future.

3.6 Management Weakness

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
(a) A total of Rs. 594,286 had not been recovered out of the mobilization advance paid to an outsourced contractor on 21 October 2010 for the construction of the Legal Aid and Community Correctional Building in Puttalam amounting to Rs.254,691 and Rs.339,595 to be charged from the performance guarantee. Although advice had been sought from the Legal Division on 4 occasions from 28 June 2017 to 15 February 2018 regarding the recovery of that amount, the necessary instructions had not been received till 04 October 2019.	Action should be taken to recover the amount to be recovered immediately.	Further action will be taken accordingly by considering whether there is scope for legal action.
(b) Although the Ministry had commenced translating case decisions into Sinhala and Tamil languages on 01 August 2004, the translation unit was not operated as at 29 October 2019. Further, although Rs. 4,064,441 has been spent to translate and edit legal reports from Volume I of 2004 to Volume I of 2011 into Sinhala at that time, those printing had not been completed. Although 03 parts of Volume I of 2004 have been handed over to the Government Press to obtain a copy for the second proofreading, those had not took over again even as at 29 October 2019.	The relevant functions should be implemented after identification of the needs.	Comments not submitted.

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| (c) | 483 copies of each legal reports printed in English were kept in the Ministry and Accordingly, since 66,171 copies from 2010 to Volume I of 2016 were kept in the Ministry , the printing cost of Rs.1,281,512 of them would be idled. | Arrangements should be made to print as needed. | Comments not submitted. |
| (d) | The 81 units of the six types of equipment received by the Ministry of Justice in August 2019 from the International Arbitration Centre were still in stores without being used even as at November 2019. | Action should be taken to utilize by issuing to the required sections. | Comments not submitted. |
| (e) | The number of unresolved disputes in the Mediation Boards had increased from 25 per cent to 39 per cent due to non-attendance of disputants during the three years from 2017 to 2019. | Steps should be taken to provide an efficient service by buildup public confidence about Mediation Boards. | Comments not submitted. |

4. Human Resources Management

Audit Observation

 There were 35 staff vacancies in 06 posts as at 31 December 2019 in the Mediation Board Commission, the only body dealing with Mediation in Sri Lanka. The vacant post of Secretary has been filled on a contract basis to covering the duties since 12 June 2017. Although the Mediation Boards for Land Disputes and the Mediation Boards for Family Disputes of Migrant Workers are to be established in the future, those vacancies had not been filled.

Recommendation

 Action should be taken to fill the essential vacancies.

Comments of the Chief Accounting Officer

 Comments not submitted.