

Sri Lanka Judges' Institute - 2013

The audit of financial statements of the Sri Lanka Judges' Institute for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and the statement of income and expenditure, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 Section 13 (1) of the Finance Act, No. 38 of 1971 and Section 10(3) of the Sri Lanka Judges' Institute Act, No. 46 of 1985. My comments and observations which I consider should be published with the annual report of the Institute in terms of Section 14 (2) (c) of the Finance Act, appear in this report.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institution (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements 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 Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Judges' Institute as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

Accounting Deficiencies

The following observations are made.

- (a) Thirty Computers, 25 computer chairs and 34 other items of assets valued at Rs. 3,715,317 received from the Ministry of Justice in the year 2011 had not been brought to accounts. As a result the value of assets and provision for depreciation had been understated by Rs.3, 715,317 and Rs.743,063 respectively.
- (b) All assets including office equipments, furniture, library books, computers, computer accessories and electrical items belonging to the Institute had been depreciated by 10 per cent per annum without being considered the useful lifetime of those assets.
- (c) A sum of Rs. 167,800 withdrawn from the savings account during the year under review had not been brought to the cash flow statement.

2.3 Non- compliance with Laws, Rules, Regulations and Management Decisions

The following non – compliance with Laws, Rules, Regulations etc. were observed in audit

Reference to Laws, Rules, and Regulations

Non- compliance

(a) Financial Regulations

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|---------------------------------------|---|
| i. Financial Regulation-228 | Details of the respective expenditure account had not been stated in the body of the payment vouchers. |
| ii. Financial Regulations-756 and 757 | An Annual Boards of Survey had not been conducted. |
| iii. Financial Regulations-1646 | Daily running charts and monthly performance summaries had not been furnished to the Auditor General in respect of the pool vehicle of the Institute. |

(b) **Circular provisions**

Section 3.1 of the National Library and Documentation Services Board's Circular No. 2004/Lib/1 of 26 January 2004

Although an Annual Boards of Survey relating to the Library books should be carried out by the Institute, it had not been done accordingly.

3 Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Institute for the year ended 31 December 2013 had resulted in a surplus of Rs. 2,502,752 as against the deficit of Rs. 5,340,626 for the preceding year, thus indicating and improvement of Rs.7,843,378 in the financial results as compared with the preceding year. The increase of receipts for the year by Rs. 9,418,918 as against the increase of total expenditure by Rs.1,575,540 had been mainly attributed for this improvement.

4. Operating Review

Performance

The Performance Report had been prepared only to covering the period from January to August 2013 and not for the whole year. Therefore it was not possible to state a comment on the performance of the Institute.

5. Accountability and Good Governance

Presentation of the Financial Statements

According to the Section 10(4) of the Sri Lanka Judges' Institute Act, No.46 of 1985, the accounts of the Institute for each financial year should be submitted to the Auditor General within one month after the closer of the financial year. Nevertheless, the financial statements for the year under review had been submitted only on 10 June 2014.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director of the Institute from time to time. Special attention is needed in respect of the following areas of controls.

- a. Accounting.
- b. Verification of Assets.