

Sri Lanka Judges' Institute - 2014

The audit of financial statements of the Sri Lanka Judges' Institute for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of financial performance, statement of changes in net assets 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 audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 2014 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

2.2.1 Non Adhering with Sri Lanka Public Sector Accounting Standards (SLPSAS)

SLPSAS 1 – Presentation of Financial Statements - An entity shall present, either on the face of the statement of financial performance or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant. However, expenses shown in the statements of financial performance had not been agreed with the above requirement.

2.2.2 Accounting Policies

A consistence accountancy policy had not been followed in recording the expenditure in the year under review and the previous year. Therefore, it was unable to compare the expenditure for each period and comment thereon.

2.2.3 Accounting Deficiencies

The following observations are made.

- (a) Capital grant amounting to Rs.7 million received from the line Ministry had been erroneously accounted for as recurrent income. Therefore, the excess of the year under review and the accumulated fund as at 31 December 2014 had been overstated and understated respectively by that amount.
- (b) Audit fees amounting to Rs.176,928 relating to previous three years had been erroneously accounted as expenditure of the year under review. Hence excess of the year under review had been understated by same amount.

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

According to Section 3.1 of the National Library and Documentation Services Board's Circular No.2004/Lib/1 of 26 January 2004 an Annual Boards of Survey relating to the library books should be conducted. Nevertheless, it had not been done so.

3. Financial Review

Financial Results

According to the financial statements presented, the operations of the Institute for the year ended 31 December 2014 had resulted in a surplus of Rs.12,827,455 as compared with the surplus of Rs.2,131,221 for the preceding year, thus indicating an improvement of Rs.10,696,234 in the financial results. The increase of total income for the year under review by Rs.15,692,275 as compared with the previous year was the main reason for this improvement in the financial results.

4. Operating Review

4.1 Performance

Even though a Performance Report for the year under review was furnished to audit, an Action Plan for the year under review had not been prepared stating the desired targets of the Institution. As a result, it was unable to compare the performance of the Institute with the expected targets.

4.2 Financial Management

An amount ranging from Rs.3 million to Rs.14 million were remained in the Bank account of the Institute during the last 11 months of the year under review without being utilized for the activities of the Institute.

5. Accountability and Good Governance

5.1 Budgetary Control

Significant variances were observed between the budget and actual income and expenditure for the year under review, thus indicating that the budget had not been made use of an effective instrument of management control.

6. Systems and Controls

Deficiencies observed in systems and controls 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) Assets Management
- (c) Planning
- (d) Financial Management