

Sri Lanka Judges' Institute – 2017

The audit of financial statements of the Sri Lanka Judges' Institute for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of financial performance, 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. A detailed report in terms of Section 13(7)(a) of the Finance Act was issued to the Director of the Institute on 20 August 2018.

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 Auditing Standards of Supreme Audit Institutions (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.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Sri Lanka Judges' Institute as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

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

The following non- compliances with laws, rules and regulations were observed in audit.

Reference to Laws, Rules and Regulations

Non- compliance

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| (a) Financial Regulation 396 of Financial Regulations of the Democratic Socialist Republic of Sri Lanka | Action had not been taken relating to cheques valued at Rs.6,424 that were issued, exceeding 06 months but, not furnished for payments as per the Bank Reconciliation Statement as at 31 December 2017, in terms of Financial Regulations. |
| (b) Library and Documentation Services Board No.2004/ ප්‍රස්ඪ/01 of 26 January 2004 | The Annual Board of Survey had not been carried out relating to Library Books valued at Rs.6,701,271 remained as at the last date of the year under review. |
| (c) Section 19 of the Sri Lanka Public Sector Accounting Standard 01 and the Department of Public Enterprises Circular No.45 of 02 October 2007. | A statement that the responsibility of preparing and furnishing of financial statements will be accepted by the Board of Management had not been furnished with the financial statements. |

3. Financial Review

Financial Results

According to the financial statements presented, the financial result of the Institute for the year under review had resulted in a deficit of Rs.11,233,770 as against the corresponding surplus of Rs.30,740,552 for the preceding year, thus indicating a deterioration of Rs.41,974,322 in the financial result in the year under review as compared with the preceding year. Even though the Income had been increased by a sum of Rs.123,032,510 as compared with the preceding year, the increase of the operating expenditure and other expenses by sums of Rs.153,749,284 and Rs.7,911,882 had been the main reason for the deterioration of this financial result.

In analyzing financial results in the year under review and of 04 preceding years, even though the financial result from the year 2013 to the year 2016 indicated a surplus, it had been a deterioration in the year 2017.

The total contribution had indicated an improvement from a sum of Rs.3,441,756 in the year 2013 to a sum of Rs.10,335,479 in the year under review after adjusting personnel emoluments and depreciation for non- current assets and it had been decreased by 74 per cent in the year under review as compared with the preceding year.

4. Operating Review

4.1 Performance

Provisions for the needs of the Sri Lanka Judges' Institute, established under the Sri Lanka Judges' Institute Act, No.46 of 1985 are being provisioned by the Ministry of Justice. The subjects and the functions of the Institute are to facilitate in exchanging opinions and ideas relating to judicial and legal matters among Judicial Officers, organizing and conducting Meetings, Conferences, Lectures, Workshops and Seminars with the intention of improving the professional competency of the Judicial Officers and with the intention of improving their knowledge and talent, preparing and conducting training and research courses relating to various sectors on adjudicating justice and to supply library facilities and other educational equipment for Judicial Officers. The following observations are made relating to the implementation of those functions by the Institution.

- (a) Even though it had been planned to conduct 60 training sessions for District Judges, Additional District Judges and for Magistrates and 06 training programmes for Registrars within the year as per the Action Plan, only 32 training sessions and 02 training programmes respectively had been conducted by 31 December 2017 and 04 other training programmes to implement in the year under review had not been implemented.
- (b) Even though provisions amounting to Rs.500,000 had been made available in the Annual Estimate for training the Staff, those provisions had not been utilized even by the end of the year under review.

4.2 Personnel Administration

Even though the Approved Cadre of the Institute had been 26, 08 vacancies were observed as at that date on the Actual Cadre as at 14 March 2018 being 18.

5. Sustainable Development

Every Public Institution should act in terms of Sustainable Development Goals, Agenda 2030 of the United Nations and the Institute had been aware of the manner that action should be taken relating to the functions under the scope of the Institute, relating to the year under review.

The Sustainable Development Goals and the objectives that should be achieved by the Institute as per the scope of the Institute, on being aware of, on the Agenda 2030, as given above. As such, it had been mentioned that training of the Judges had been identified as the Sustainable Development Goal of the Institute.

6. Accountability and Good Governance

6.1 Presentation of Financial Statements

Even though the Financial Statements and the Draft Report should be furnished to the Auditor General within 60 days after the close of the Year of Accounts in terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the Financial Statements of the Institute had been furnished to the Auditor General on 29 March 2018.

6.2 Internal Audit

An Internal Audit Unit had not been established by the Institute and even though an Internal Audit Inquiry had been carried out relating to the year 2016 by the Internal Audit Unit of the Ministry of Justice, an Internal Audit Inquiry had not been carried out relating to the year under review.

6.3 Procurement Management

The following observations are made.

- (a) The approval of the Board of Directors had not been obtained for the Procurement Plan prepared by the Institute for the year 2017.
- (b) Even though a sum of Rs.7,500,000 had been estimated for the acquisition of 03 Items of Fixed Assets including in the Procurement Plan, those Assets had not been acquired even by the end of the year.

6.4 Budgetary Control

Even though a Budget should be prepared for every Financial Year and the approval of the Board of Control of the Institute should be obtained 03 months prior to the commencement of the relevant Financial Year and even though a copy of the Budget should be furnished to the Auditor General 15 days prior to the commencement of the relevant year in terms of Section 8(1) of the Finance Act, No.38 of 1971 and in terms of Paragraph 5.2.5 of the Public Enterprises Circular No.PED.12 of 02 June 2003, the approval of the Board of Control had not been obtained for the Budget prepared for the year under review and a copy of the Budget had not been furnished to the Auditor General.

7. 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.

Area of Systems and Controls -----	Observation -----
(a) Stocks Control	<ul style="list-style-type: none">• Not updating the Inventory Book.• Not issuing Receiving Orders for the Receipts of Goods.
(b) Financial Control	Not taking action relating to the cheques not presented for payments.