

Head 7- Judicial Service Commission

1. Financial Statements

1.1 Unqualified Audit Opinion

The audit of the financial statements of the Judicial Service Commission for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Judicial Service Commission was issued to the Chief Accounting Officer on 30 June 2021. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Judicial Service Commission was issued on 19 July 2021 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, the accompanying financial statements of the Judicial Service Commission give a true and fair view of the financial position as at 31 December 2020 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 Unqualified 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 opinion.

1.3 Responsibilities of Chief Accounting Officer and 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 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.

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 Commission 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'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 on economic decisions taken by users 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,

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 Commission's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Sections 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 the Financial Statements

1.6.1 Statement of Financial Position

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

The cost of 09 items of goods and equipment auctioned during the year under review had not been removed from the Non-Financial Assets Statement.

The necessary steps will be taken to eliminate the cost of auctioned goods and equipment as disposals in the Non-Financial Assets Statement (ACA-6).

Correct values should be included in the financial statements.

1.6.2 Imprest Balances

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

The imprest balance of Rs.33,086 included in the Treasury printouts but settled to the Treasury was not mentioned in the statement of financial position under current assets and current liabilities.

The imprest balance of Rs.33,086 held in the cash book as per 4.1 of the Government Accounting Guideline No. 05/2020 had been settled to the Treasury on 31 December 2020 and the balance in the cash book had been zero. Therefore, it is emphasized that the above amount is no longer our imprest balance as at 31 December 2020 and the amount is not mentioned in the statement of financial position in accordance with the Generally Accepted Accounting Principles and Sri Lanka Accounting Standards.

Financial statements should be prepared base on the Treasury printouts and even though it had been settled to the Treasury, it should be shown in the accounts as it shows the balance in the treasury printouts.

2. Financial Review

2.1 Expenditure Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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Although the 2020 budget allocation for salaries, wages and other employee benefits is Rs.66,100,000, as it was stated in the Financial Performance Statement as Rs.63,500,000, the total estimated recurrent provision was understated by Rs.2,600,000.	The budget provision of Rs.2,600,000 received on behalf of Special Law services under salaries wages and other employees' benefits were not included in the final balance of salaries wages and other employees' benefits in the Financial Performance Statement due to a technical error. But that provision is entered in all other formats including ACA- (2i). These provisions received on behalf of Special Law Services expenditure amounting to Rs.2,600,000 is equal with budget provisions shown in the financial performance statement as salaries wages and other employees' benefits.	Correct values should be included in the financial statements.

2.2 Certification to be done by the Chief Accounting Officer

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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Although the Chief Accounting Officer should ensure that there is an effective	The Director General of the Department of Management Services had approved a cadre to establish of an Internal Audit Unit for the Judicial Service	Action should be taken in accordance with the provisions of the Audit Act.

methodology for the proper execution of the internal audit function as per the provisions of Section 38 of the National Audit Act No. 19 of 2018, that requirement had not been fulfilled.

Commission by the letter No. DMS/1021 Vol I dated 18 July 2017. However, as the activities of the Secretariat of the Judicial Service Commission are being carried out in a temporary building, the Internal Audit Unit has not yet been established due to lack of adequate space.

2.3 Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with the provisions of the laws, rules and regulations observed during the audit test checks are analyzed below.

Observation Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
(a) Guideline No. 06 under Paragraph 10.1 of the Public Finance Circular No. 2020/02 dated 28 August 2020	The cash flow statement had been prepared by eliminating receipts and payments through cross-entries without preparing on a common basis.	The cash flow statement had prepared according to the A.C.A- C format mention under paragraph 06 of Guideline No. 06 issued by the Department of Public Accounts in accordance with paragraph 10.1 of the Public Finance Circular 02/2020. Although the cash flow statement is referred to as “common basis” in the relevant paragraph, there is no explanation or definition of	Financial statements should be prepared in accordance with the circular instructions.

what that means. However, the basic premise of preparing a cash flow statement is to prepare it based on the actual cash inflows to the entity and cash outflows from the entity. In there, non-cash receipts and payments (by cross entries and journal entries etc.) are eliminated. We have also used this method in preparing the cash flow statement.

(b) Public Administration Circular No. 2018/02 dated 24 January 2018	No action had been taken to implement the human resource development plan and implement skill programs as per the circular.	A Senior Officer had been appointed in the entity to prepare Human Resource Development Plans and implement Capacity and Skills Programs as per the provisions of Public Administration Circular No. 2018/02 dated 24 January 2018 and related other works are currently underway.	Action should be taken in accordance with the circular.
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2.4 Issuance and Settlement of Advances

----- Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
At the end of the year under review, there was a loan balance of Rs. 185,000 due from an officer for more than 03 years.	Necessary action is being taken to recover this loan balance in accordance with the relevant provisions of the Ministry of Finance Circular No. PFD/RED/CJR/2019/04 and the Establishments Code.	Action should be taken to recover the outstanding loan balance immediately.

3. Operational Review

3.1 Assets Management

Audit Observation

A Jaguar motor car worth of Rs.2,500,000 remained idle for three years.

Comments of the Chief Accounting Officer

Attempts were made to sell the “Jaguar” motor car on three occasions through tenders, but no bids come up to its estimated value on any occasion. Therefore, as per the decision of the Tender Board, it has been directed to obtain the assistance of the Department of Motor Traffic to obtain a recommendation on a more appropriate course of action, either to repair for use or re-evaluate the vehicle. This was delayed due to lockdowns, curfews and travel restrictions imposed on the COVID pandemic in the country in 2020. However, an Examiner of the Department of Motor Traffic had recommended on 10 February 2021 that it is suitable the vehicle would be re-assessed and sold. Action is currently being taken to re-assess it.

Recommendation

Appropriate action should be taken with regard to idle assets.

3.2 Management Weaknesses

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Although the provision of Rs.5,000,000 had been provided for the renovation of the Commission building during the year under review, the provision was completely saved due to the non-commencement of renovations. The officers have been on duty in the temporary container blocks for more than three years due to non-renovation since 2017.</p>	<p>Cabinet approval was given on month of March 2020 to construct through a selected contractor by an open competitive bidding under the technical consultancy of Central Engineering consultancy Bureau (CECB) subject to obtaining the approval of the Department of National Planning for the project of reconstruction of the old building belonging to our office and construction of a new building on the same premises.</p> <p>It was informed us that approval for the construction of the new building could not be granted during that year by the letter No. NP/GOV/PP/JUS/20/07 of the Department of National Planning dated 09 September 2020. Accordingly, the CECB was informed to prepare detailed estimates for the renovation of the old building, but due to the COVID-19 pandemic in the country, the building could not be renovated due to matters beyond the control of the Judicial Service Commission Secretariat.</p> <p>However, the renovation works of the building and the provisions we had received for it in the year 2021 had been handed over to the Ministry of Justice and arrangements had been made to accomplish that task through the Ministry of Justice.</p>	<p>Provisions should be used for the relevant work.</p>

4. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) There were 77 vacancies in 16 posts in the Secretariat of the Judicial Service Commission and there were 24 officers in excess in 08 posts.	The number of posts approved by the Department of Management Services for the Secretariat of the Judicial Service Commission is 117 and the actual number of employees as on 31 December 2020 is 64. Actions had been taken to fulfill the duties of vacant posts through these officers. However, there are officers who exceed the approved cadre for certain posts according to the service requirements and we expect to conduct a comprehensive study on the service requirements and get the required number of employees for the posts approved by the Management Services Department. Even though it has a much smaller staff than the approved number of staff and despite minimal facilities, it is specifically mentioned that the Secretariat of the Judicial Service Commission, which supervises, directs and administrates the entire judicial system, maintains its Secretariat in a temporary building and manages its staff well.	Staff should be maintained properly.
(b) An office assistant who was paid by the Colombo High Court had been	Although the approved number of employees for Office Employees' Service was 21, the actual number of employees was 07. As a temporary remedy, action had been taken to	Action should be taken to fill the vacancies.

temporarily obtain a worker from Office Employees' employed by the Service from 16 January 2018 who is paid by Commission from the Colombo High Court. Taking the January 2018. necessary steps to transfer the employee permanently to our Commission through the Ministry of Justice was delayed due to the Covid-19 situation prevailing in the country in the year 2020. Once the Covid-19 pandemic situation in the country is over, the necessary steps will be taken to obtain the employee permanently to our Commission.

- (c) Only two drivers were employed for four running vehicles. Although the Judicial Service Commission had 04 vehicles in running condition, The relevant functions are performed through two drivers by managing the public money well and out of these 04 vehicles, 03 vehicles were given to us by the Treasury and the Ministry of Justice from their excess fleet. It was emphasized that these vehicles were not purchased by us by spending public funds. Further, the numbers of drivers approved by the Department of Management Services for the Secretariat of the Judicial Service Commission is 03 and at present only two drivers are being worked in our Commission. It will hoped to take necessary steps in the future to recruit vacant drivers. Arrangements should be made to recruit as required.