

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Judges' Institute for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

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 Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, The Institute 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.

1.4 Audit Scope (Auditor's responsibility 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 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.
- Obtained 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 internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institutes' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause to cease the Institute to continue as a going concern.
- Evaluated the overall presentation, 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Institute, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute:
- Whether the it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit observations related to the preparation of Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with the reference to particular standard	Management comment	Recommendation
<p>a) In accordance with paragraph 53 of Sri Lanka Public Sector Accounting Standards No. 01, the Institution had not disclosed comparative information regarding the previous period in the statement of changes in net assets presented for the year under review.</p>	<p>It was informed that comparative information is to be disclosed in the year 2023</p>	<p>Financial statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standards.</p>

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| <p>b) According to paragraph 14 of Sri Lanka Public Sector Accounting Standard No. 15, the balances should be presented as a comparison between the values of the budget document and the actual values or as a separate financial statement or as budget columns of the financial statements presented in the transition period, but the institution was not prepared in this way.</p> | <p>It was informed that from the year 2023, the budget information will be presented in the financial statements.</p> | <p>Financial statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standards.</p> |
| <p>c) Although in accordance with paragraph 65 of Sri Lanka Public Sector Accounting Standards No. 07 the residual value and useful life of an asset must be reviewed at the end of each annual reporting period, but Office equipment, wood furniture, Computer equipment and Electrical equipment worth Rs.49,234,914 were fully depreciated as at 31 December 2022 and had not been reviewed. Accordingly, the estimated error had not been revised according to Sri Lanka Public Sector Accounting Standards 03.</p> | <p>In this regard, 02 committees have been appointed including the staff officers of the Ministry of Justice and the officers of the Institute of Judges. It was informed that the recommendations will be implemented accordingly.</p> | <p>Sri Lanka's public sector accounting standards should be followed.</p> |
| <p>d) Regarding the asset of Legal Data Base amounted to Rs. 3,517,995 included in the financial statements of the year under review, the following disclosures were not made as per the paragraph No. 117 of Sri Lanka Public Sector Accounting Standards No. 20.</p> <p>(i) whether the useful life is indefinite or definite, if indefinite the useful life or the rate of depreciation used;</p> <p>(ii) Depreciation method used for</p> | <p>This legal database was identified as an asset in the year 2017 and as a committee has been appointed to review all the assets, it was informed that it is expected to act upon its recommendations</p> | <p>Relevant disclosures should be made in accordance with Sri Lanka Public Sector Accounting Standards.</p> |

<p>intangible assets with indefinite useful lives.</p>	<p>It was informed that a committee has been appointed to review all the assets and that it is expected to act upon its recommendations.</p>	<p>Sri Lanka Public Sector Accounting Standards should be followed.</p>
<p>e) In accordance with Sri Lanka Public Sector Accounting Standards No. 20 and No. 108, the Data storage system, which is in an inactive regrading to conclude whether the events and conditions necessary to confirm the continuity of useful life and if the non-continuing useful life is subject to review in each reporting period and changes from indefinite to definite, accounting estimates should be accounted for as a change, according to Sri Lanka Public Sector Accounting Standard No. 03, but due to the fact that the Institution had not followed the accounting standards,so as the Institutes' assets and financial performance had been overestimated by Rs.3,517,995 in the year under review,</p>	<p>It was informed that this has been recognized as an asset and a capital grant as per the audit recommendations for the financial year 2018 presented on 24th February 2021, amortized accordingly and deferred income (relevant to the financial year) has been recognized.</p>	<p>According to Sri Lanka Public Sector Accounting Standards, government grants should be recognized as assets and liabilities.</p>
<p>f) According to paragraph No. 44 of Sri Lanka Public Sector Accounting Standard No. 11 the grants made by the government should be recognized as assets and liabilities, but the institution had not taken steps to identify the capital grant receipts of Rs.518,400 in accordance with this accounting standard.</p>	<p>Although the audit fees related to the years 2018, 2019 and 2020 have been paid in the year 2022, provision has been made for the expenditure in the respective years. The difference between the provision made in those respective years and the actual</p>	<p>According to Sri Lanka Public Sector Accounting Standards, changes in estimates should be identified in the financial statements.</p>
<p>g) Contrary to Clause No. 41 of Public Sector Accounting Standards of Sri Lanka No. 03, the over-allocation of audit fees related to the year 2018, 2019 and 2020 amounting to Rs.480,000 had been deducted from accumulated deficit instead of being recognized in the</p>		

calculation of the financial result of the year under review. Accordingly, the deficit and accumulated deficit of the year under review were overstated by Rs.480,000 .

expenditure was Rs. It was reported that 480,000.

- h)** According to Paragraph No. 80 (c) of Sri Lanka Public Sector Accounting Standard No. 01, liabilities to be settled within 12 months from the reporting date should be recognized as current liabilities, but the total value of Rs. 1,107,555 related to gratuity allocations by the institution under current liabilities had been identified. Accordingly, the entity had not made a distinction between gratuity allocations as movable and non-movable liabilities.

It was informed that it will be allotted in the year 2023 as scheduled.

Sri Lanka Public Sector Accounting Standards should be followed.

1.5.3 Documentary Evidences not made available for Audit

	Item	Amount in Rs.	Evidence not available	Management comment	Recommendation
a)	Property, plant and equipment	3,057,383	Relevant vouchers, assessment reports to confirm the date of purchase	It was informed that since the requested information is more than 10 years old, it is impractical to submit the purchased invoices and valuation reports for audit.	Relevant reports should be submitted to verify the ownership and existence of the assets.
b)	Legal database system	3,517,995	Fixed Asset Register	It was stated that it was entered in the fixed asset register and corrected.	Asset should be recorded correctly in the Fixed assets register

1.6 Non-compliance with Laws, Rules, Regulations and Management decisions etc.

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Management comment	Recommendation
a)	According to the provisions of the Stamp Duty Act No. 43 of 1982 and the Special Gazette No. 1503/13 dated 01 February 2008	For the payment Rs. 25,000 above, Rs. 25 stamp duty should be charged, but in 05 cases stamp duty was not charged for payments of Rs.158,100.	It was informed that arrangements were made to collect stamp duty in future.	The provisions of the Stamp Duty Act should be followed.
b)	Asset Management Circular of Secretary to the Treasury No. 01/2017 dated 28 June 2017	Information for the year 2022 related to documenting all non-financial assets of the government for the purpose of asset and cost management was not submitted to the Comptroller General.	It was informed that the updated information related to the year 2023 is being prepared to be sent to the Comptroller General.	It should be done as per the circular.
c)	Public Administration Circular No. 02/2018 dated 24 January 2018	According to the circular, the annual performance agreements for the year 2022 were not signed for the entire staff, which should be done from the year 2018.	It was informed that annual work performance agreements have been signed for the year 2023.	It should be done as per the circular.
d)	Paragraph 02 (i) of Asset Management Circular No. 02/2017 dated 21 December 2017 issued by Secretary to the Treasury	According to the circular, the ownership of two vehicles used by the institution had not been taken over	Ownership of one vehicle It was informed that the relevant documents have been forwarded to the Ministry of Justice on September 22, 2022 to be handed over to the institution.	It should be done as per the circular.
e)	Paragraph 09 of State Finance Circular No. 01/2020 dated 28 August 2020 and Financial Regulations 315(1), 880	No arrangements had been made to obtain security deposit from the officers who were supposed to to keep securities.	It was informed that the institution will proceed according to the security Ordinance in 2023.	It should be done as per the circular.

2. Financial review

2.1 Financial Results

The operating result of the year under review was a deficit of Rs.6,925,257, while the corresponding deficit of the previous year was Rs.1,035,725. Accordingly, a deterioration of Rs. 5,889,532 was observed in the financial result. This decline is mainly due to decrease in recurrent grants by Rs.2,040,355 and increase in conference and training expenses by Rs. 4,673,505 and salaries and wages by Rs. 1,116,071 and stationery and translation, electricity and water bills by Rs.622,750.

3. Operational Review

3.1 Procurement Management

	Audit Observation	Management Comment	Recommendation
a)	According to Article 4.2.1 of the Procurement Guidelines, a master procurement plan should be prepared that including expected procurement activities for a period of at least 03 years, but the institution had not prepared such a plan.	It was informed that it will be prepared for the year 2024.	The provisions of the Government Procurement Guidelines Code should be followed.
b)	An amount of Rs.2,112,225 spent in the year 2016 in relation to the purchase of a Legal Database System, had done away with the procurement guidelines of Democratic Socialist Republic of Sri Lanka. Accordingly, no procurement committee reports and technical evaluation committee reports, which are the main procurement documents, were submitted in the procurement file.	It was informed that the entity of Bell Solution had been chosen the Intuition based on the fact that at that time it was maintaining the website of this Intuition, the websites of government institutions including the Supreme Court and the Court of Appeal, and that it was expected to build the SLJInet Database through the website of this Intuition.	Government procurement guidelines should be followed.
c)	Although appointment letters were sent by appointing a technical evaluation committee to correct the errors in the currently inactive legal database system, the board approval related to the technical evaluation committee appointments, and none of the related meeting reports were included in the file.	Since the year 2018, work is being done related to updating SLJInet Database. Under the USAID CORE Justice Project, the project was submitted for updating the SLJInet Database in 2021 after a long study from 2019. After referring the said project to the	The provisions of the Government Procurement Guidelines should be followed.

Ministry of Justice, a technical evaluation committee has been appointed to measure its feasibility, and efforts are being made to make the SLJNet Database ready for reuse as soon as possible. Furthermore, it was informed that arrangements are being made to obtain funds for this through a foreign donor agency.

- d) In accordance with 4.2.2 (a) of the Procurement Guidelines, the institution has not prepared a procurement schedule that describes the steps of each procurement action from the initiation to completion of the procurement process.

The institution's procurement plan has been prepared and it was informed that a procurement plan detailing each step will be prepared in the near future.

The provisions of the Government Procurement Guidelines should be followed.

3.2 Human Resource Management

Audit Observation	Management Comment	Recommendation
<p>Although the approved cadre of the institution was 26 as at 31 December of the year under review, but as at 31 December 2022, a deficiency of 10 employees in 07 posts were observed. Furthermore, in terms of Paragraph No. 05 (d) of the Sri Lanka Judges Institute Act No. 46 of 1985, the provision of library facilities for judicial officers is one of the primary objectives of the institution, but the position of librarian remained vacant as at the year under review.</p>	<p>The newspaper advertisement was published on January 08, 2021 for the recruitment of librarian and we received 435 applications. It was informed that this recruitment was temporarily suspended due to suspension of recruitment by circulars 03/2021 and 03/2022.</p>	<p>Arrangements should be made to complete the posts related to the performance of the institution.</p>

4. Accountability and Good Governance
4.1 Annual Report

Audit Observation	Management Comment	Recommendation
According to section 6.6 of the operational manual introduced by PE/COP/POLI/Circular and Public Enterprises Circular No. 01/2021 dated 16 November 2021, the annual report of the year 2022 had not been tabled in Parliament by 11 September 2023.	-	It should be done as per the circular.

4.2 Corporate Plan

Audit Observation	Management Comment	Recommendation
The institution had not prepared a strategic plan in accordance with Schedule I paragraph No. 2.3 dated 16 November 2021 of public Enterprises Circular No. 01/2021 (Guidelines on Public Enterprises)	According to the "Operational Manual for Government Owned Enterprises" issued on 16 November 2021, the following is to be done and informed that the Institute of Sri Lanka Judges is not a public enterprise. It was informed that it will be prepared for the year 2024.	It should be done as per the circular.

4.3 Annual Action Plan

Audit Observation	Management Comment	Recommendation
According to approved I and paragraph No. 2.3, of Public Enterprises Circular No. 01/2021 dated 16 November 2021 (Guidelines on Public Enterprises) the action plan must be forwarded to the relevant ministry, 15 days before the start of a financial year, but submitted to the Ministry of Justice on 29 December 2021 had done	It was informed that the action plan prepared for the year 2022 has been forwarded to the Ministry of Justice on June 22, 2022 after getting the approval of the Management Board.	It should be done as per the circular.

4.4 Internal Audit

Audit Observation	Management Comment	Recommendation
According to paragraph number 40 (1) of the National Audit Act No. 19 of 2018, the institution should have its own internal auditor to be appointed by the governing body of the institution to carry out internal audit work, but there was no internal auditor position included in the approved cadre of the institution.	Our institution prepared and forwarded the FR.71 form to the Ministry of Justice on 26 January 2021 to create a position of Internal Auditor Officer. In response to that, it was informed that the Ministry of Justice informed us on 25 April 2022 that there is no need to appoint a separate internal auditor as our institution is audited once a year by the Ministry of Justice's Internal Auditor Division.	It should be done according to the Act.

4.5 Budgetary Control

Audit Observation	Management Comment	Recommendation
Projected revenue statement, forecasted financial position statement and forecasted cash flow statement to be included in the main budget document as per paragraph 2.3 of Annexure I of 3 Public Enterprises Circular No. 01/2021 dated 16 November 2021 but were not included.	It was informed that it will be prepared for the year 2024.	It should be done as per the circular.