

## **Judicial Infrastructure Maintenance Trust - 2019**

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### **1.1 Unqualified Opinion**

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The audit of the financial statements of the Judicial Infrastructure Maintenance Trust for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in equity 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 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 03 of the National Audit Act No. 19 of 2018 and Section 22 of the Deed of the Judicial Infrastructure Maintenance Trust dated 17 July 2007. My comments and observations which I consider should be tabled in Parliament appear in this report.

In my opinion, the financial position as at 31 December 2019, and financial performance and cash flows for the year then ended give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards.

### **1.2 Basis for Unqualified Opinion**

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). 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 Management and Those Charged with Governance for the Financial Statements**

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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 Trust'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 intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

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

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Trust 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 of the Trust.

## 1.4 Auditor's Responsibilities for the Audit of Financial Statements

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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.
- Obtain 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 Trust's internal control.
- 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 Trust's 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 the Trust to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate 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 significant audit findings, weaknesses in internal control, and other matters identified during the course of my audit were brought to the notice of those charged with governance.

## 1.5 Report on Other Legal Requirements

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Special provisions have been set out for the requirements of the National Audit Act, No. 19 of 2018.

- In terms of provisions of Section 6(1) (d) (iii) of the National Audit Act, No. 19 of 2018, the financial statements of the Trust are consistent with the preceding year.
- The recommendations made by me in the preceding year have been included in the financial statements presented as required by Section 6(1) (d) (iv) of the National Audit Act, No. 19 of 2018.

## 1.6 Non-compliances with Laws, Rules, Regulations, and Management Decisions

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The following observations are made.

	<b>Reference to Laws, Rules, Regulations and Provisions</b>	<b>Non-compliance</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
a)	Section 3.2 (b) of the Public Finance Circular, No. PF/423, dated 22 December 2006.	Measures should have been taken for the immediate transfer of excess funds of the Trust to the Consolidated Fund. However, a balance of Rs. 3,786,197 had been retained in the current account of the Trust as at the end of the year under review.	Not replied.	The Circular should be followed.
b)	Financial Regulation 371 (5).	Although no expenses had been incurred from the petty cash imprest after August 2019, the cash balance of Rs. 1,905 existed as at that date had not been settled even by 31 December 2019.	Not replied.	The Financial Regulations should be followed.

## 2. Operating Review

### 2.1 Winding Up of the Trust

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
Although Cabinet approval had been given for winding up the Trust in terms of Section 03 of the Public Finance Circular, No. 02/2018, dated 18 August 2018, this had not been disclosed in the financial statements. Furthermore, action had not been taken even up to 23 June 2020 to wind up the Trust contrary to Section 04 of the Circular.	Not replied.	Winding up of the Trust should be disclosed in the financial statements.

### 2.2 Management Activities

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
a) Irrespective of the Cabinet approval being given to wind up the Trust, action had been taken to purchase office equipment worth Rs. 5,453,741 in the year under review for use of 08 judicial zones that had been approved at the meeting of the Board of Directors held on 31 December 2018.	Not replied.	Action should be taken to wind up the Trust.
b) In order to improve infrastructure of the judicial zones, a sum of Rs.113,954,161 had been incurred under the Head of Judicial Administration as well thereby acquiring capital assets in the year under review.	Not replied.	It is suitable to incur expenses only by one institution.