

Judicial Infrastructure Maintenance Trust Fund - 2014

The audit of financial statements of the Judicial Infrastructure Maintenance Trust Fund for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 and the income and expenditure account, statement of changes to the accumulated fund and the 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(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 22 of the Deed of Trust of the Fund dated 17 July 2007. My comments and observations on the above financial statements appear in this report.

1.2 Responsibility of the Management for the Financial Statements

The management is responsible for the preparation and fair presentation of those 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 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 judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Fund'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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by managements, as well as evaluating the overall presentation of financial statements.

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, 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 Judicial Infrastructure Maintenance Trust Fund 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 Lack of Evidence for Audit

Although an acting allowance of Rs.97,187 had been paid to two officers whom engage in the duties of the Fund on acting basis, the appointment letters and lists of duties given to them had not been furnished to audit.

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

The non- compliance with Laws, Rules, Regulations etc. were observed in audit are given below.

Reference to Laws, Rules and Regulations

Non- compliance

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| (a) Section 18 of the Deed of Trust | Although the meetings of the Trustees should be conducted at least once in every two months, only 04 Meetings had been conducted during the year under review. |
| (b) Public Finance Circular No.PF/423 of 22 December 2006 | |
| i. Paragraph 3.2 (b) | Even though the balance of the Fund should be immediately credited to the Consolidated Fund, it had not been done so. |
| ii. Paragraph 4.1 (a) and (c) | A sum of Rs.15,083,768 had been incurred as capital expenditure during the year under review without having an approved budget. |

3. Financial and Operating Review

Financial Results

According to the financial statements presented, the operations of the Fund for the year ended 31 December 2014 had resulted in a deficit of Rs.7,869,167 as compared with the corresponding deficit of Rs.25,904,494 for the preceding year, thus indicating an improvement of Rs.18,035,327 in the financial results for the year under review. The increase of Government grants and decrease of infrastructure maintenance expenses by Rs.2,000,000 and Rs. 16,923,327 respectively were the main reasons attributed for this improvement.

4. Operating Review

4.1 Financial Performance

According to the financial statements presented and other information made available for audit, the infrastructure maintenance expenditure of the Fund for the year under review amounted to Rs. 14,782,999. The following statement shows a summary of the expenditure for the year under review and the expenditure for the preceding year and the cumulative expenditure as at 31 December 2014.

Description	Expenditure for the year ended 31 December		Cumulative Expenditure as at 31 December 2014
	2014	2013	
	Rs.	Rs.	Rs.
Kalutara High Court Zone	4,555,740	9,274,098	14,129,710
Hambantota/Matara High Court Zone	29,987	4,755,435	8,139,431
Chilaw/Puttalam High Court Zone	-	1,252,309	3,876,077
Office of the Court Improvement Trust Fund	-	-	209,081
Colombo High Court Zone	-	3,625,827	11,349,034
Kurunegala High Court Zone	-	7,677,832	9,507,787
Kegalle High Court Zone	-	1,522,900	3,915,392
Galle High Court Zone	3,339,504	1,050,000	4,453,201
Awissavella High Court Zone	968,000	-	1,340,598
Anuradhapura High Court Zone	2,254,172	-	3,014,172
Jaffna High Court Zone	-	406,000	406,000
Gampaha High Court Zone	-	1,610,110	10,395,810

Monaragala Zone	1,593,900	-	1,593,900
Polonnaruwa Zone	1,558,649	-	1,558,649
Judicial Service Commission Networking Project	483,047	531,816	1,014,863
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Total	14,782,999	31,706,327	74,903,705
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The following observations are made in this connection.

- (a) Releasing the funds to the High Court Zones for purchasing the equipment and to incur maintenance cost of the Courts is the only activity of the Fund. Accordingly, a sum of Rs.74,903,705 had been released to the Court Zones during the period from 2009 to 2014. Even though relevant procurement activities had been carried out by the Court Zones, an overhead expenditure of Rs.1,290,329 had been incurred by the Fund thereon during this period.
- (b) At the meantime, the Infrastructure Division of the Ministry of Justice and Labour Relations had been approximately spent an amount of Rs.800 million per year for the same activities as their major function. Therefore, utilizing the funds for same activities as a separate function of the Fund is questionable in audit.

5. Accountability and Good Governance

5.1 Corporate Plan and Action Plan

A Corporate Plan for the Fund had not been prepared with a view to achieve the objectives and goals of the Fund and an Action Plan also had not been prepared relating to the activities to be carried out during the years from 2009 to 2014.

5.2 Budgetary Control

A budget since the year 2009 and even for the year under review had not been prepared.

5.3 Internal audit

An internal audit on the activities of the Fund had not been carried out.

5.4 Audit and Management Committee

Audit and Management Committee meetings had not been held from the inception of the Fund. Further, the alternative arrangements for the discussion had not been arranged.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Secretary to the Judicial Service Commission from time to time. Special attention is needed in respect of the following areas of controls.

- (a) Internal Audit
- (b) Budgeting