

Sri Lanka Judges' Institute - 2015

The audit of financial statements of the Sri Lanka Judges' Institute for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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.

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 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 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. Subsections (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 2015 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 Accounting Deficiencies

The following observations are made.

- (a) The balance of the Provision for Gratuity Account as at 31 December 2015 had been understated by Rs.125,839. Out of that, sums amounting to Rs.66,442 and Rs.59,397 relating to the preceding years and the year under review respectively had not been identified and adjusted in the financial statements.
- (b) Action had not been taken to assess and account for the value of 570 books received as donations.
- (c) A sum of Rs.48,469 payable for the Courts Networking Project as at the end of the year under review had not been brought to account.

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

The following non-compliances were observed.

Non- compliance with Laws, Rules, Regulations etc.	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulations 137 and 138	An advance of Rs.449,745 had been paid in respect of training programmes without approving or certifying payment vouchers.
(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka Paragraph 7.1 of Chapter VIII	Approval of the Secretary to the line Ministry had not been obtained for a sum of Rs.124,179 paid to 07 employees as overtime exceeding 20 hours per month.
(c) Circular No.2004/Lib/01 of 26 January 2004 of National Library and Documentation Services Board Section 3.1	An Annual Board of Survey had not been conducted relating to the library books valued at Rs.2,285,125 existed as at the end of the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Institute for the year under review had been a surplus of Rs.1,902,742 as compared with the corresponding surplus of Rs.6,196,073 for the preceding year, thus indicating a deterioration of Rs.4,293,331 in the financial result of the year under review as compared with the preceding year. Decrease of recurrent receipts by Rs.2,632,807 and the increase of salaries and wages by Rs.1,955,183 in the year under review as compared with the preceding year had mainly attributed to the deterioration in the financial results.

In the analysis of financial results of the year under review and 04 preceding years, the surplus of the year 2011 amounting to Rs.2,581,136 had deteriorated up to a deficit of Rs.5,340,626 by the year 2012. Even though the surplus of the year 2013 amounting to Rs.2,131,221 had improved up to Rs.6,196,073 in the year 2014, it had deteriorated up to Rs.1,902,742 again in the year 2015. Taking into consideration the employees' remuneration and depreciation on the non-current assets, the contribution which was Rs.4,318,220 in the year 2011 had become a negative value of Rs.4,139,605 by the year 2012 and it had improved up to positive values of Rs.3,441,756 and Rs.9,321,632 in the years 2013 and 2014 respectively. However, the contribution of the Institute had deteriorated up to Rs.7,670,047 again in the year 2015.

4. Operating Review

4.1 Performance

In terms of the Sri Lanka Judges' Institute Act, No. 46 of 1985, the main objective of the Institute was to organize and hold meetings, conferences, lectures, workshops and seminars with a view to improving the professional expertise of judicial officers and advancing their knowledge and skills.

The following matters were observed in the audit examination on the activities carried out for the achievement of above objectives during the year under review.

- (a)
- (i) Even though 56 six training programmes and 08 workshops had been planned to be conducted for judicial officers according to the Action Plan for the year 2015, according to the Performance Report, the number of training programmes and workshops conducted had been 23 and 01 respectively. As such, the percentage of overall performance stood at 37.3.
 - (ii) The duration of training programmes for High Court Judges, District Judges and Magistrates and the Presidents of Labour Tribunals had been limited to 03 hours per day. Accordingly, programmes had been conducted only for 66 hours during the year under review and a sum of Rs.2,684,400 had been paid therefor, thus the expenditure per hour had been Rs.40,672.

- (b) Even though a sum of Rs.732,845 had been spent under the Courts Networking Project from the year 2013 up to October 2015, seminars could not be conducted using the facilities of this Project.

4.2 Underutilization of Funds

According to the financial statements presented, a sum of Rs.13.5 million existed as the minimum balance of the Current Account maintained at a State bank by the Institute throughout the year without being utilized. Further, attention of the Institute had not been paid to utilize that money in short term investments.

5. Accountability and Good Governance

The following observations are made.

5.1 Budgetary Control

- (a) In terms of Section 8(1) of the Finance Act No.38 of 1971 and Paragraph 5.2.5 of the Circular No. PED 12 of 02 June 2003, a budget should be prepared for each financial year and a copy should be presented to the Auditor General 15 days before the commencement of the relevant year after obtaining the approval of the Board of Governors of the Institute three months before the commencement of the relevant financial year. Nevertheless, action had not been taken accordingly.
- (b) Variances ranging from 23 per cent to 100 per cent were observed between the budgeted and actual income and expenditure relating to 18 objects, Thus it was observed that the budget had not been made use of as an effective instrument of management control.