

## **Sri Lanka Judges' Institute -2016**

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The audit of financial statements of the Sri Lanka Judges' Institute for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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**

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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**

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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 the 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**

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### **2.1 Opinion**

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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 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Non- compliance with Laws, Rules, Regulations and Management Decisions.**

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In terms of Financial Regulation 237, and 751 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, a certificate to the effect that the goods had been received, was not observed with respect to the payment vouchers relating to the office equipment, furniture and fixings, computer accessories, library books and stationeries, purchased in the year under review at a value of Rs. 6,468,061, whilst there had been no certification that those goods had been included in the Register of Fixed Assets, inventory books, and the acquisition registers.

## **3. Financial Review**

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### **3.1 Financial Result**

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According to the financial statements presented, the financial result of the Institution for the year under review had been a surplus of Rs. 30,740,552 as compared with the corresponding surplus of Rs. 1,902,742 for the preceding year, thus indicating an improvement of Rs. 28,837,810 in the financial result of the year under review. The said improvement in the financial result had been mainly attributed to the receipt of the sum of Rs. 42,360,676 in the year under review with respect to a capacity development project.

The analysis of the financial results of the year under review and 04 preceding years revealed that the deficit of Rs. 5,340,626 for the year 2012 had improved with fluctuations to a surplus of Rs. 30,740,552 by the year 2016. However, when the employee remuneration, and the depreciation on non-current assets had been adjusted with the financial result, the contribution for the year 2012 had become a minus value of Rs. 4,139,605, but the value had become positive in the following years, and by the end of the year under review, it had improved up to Rs. 40,272,542.

## **4. Operating Review**

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### **4.1 Performance**

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

The examination of the activities carried out in the year under review in order to achieve the said objectives, revealed the following matters.

- (a.) According to the Action Plan for the year under review, it had been planned to conduct 58 training programmes and 08 workshops for the judicial officers. However, according to the performance report, the number of training programmes and workshops conducted had been 21, and 03 respectively. As such, it was observed that the expected level of performance had not been achieved.
- (b.) Following a budget proposal of the year 2016, an Action Plan had been prepared under 04 activities by obtaining provisions amounting to Rs. 63,000,000 for the Institute through Head 110 of the Ministry of Justice relating to capacity enhancement of the Sri Lankan Judges. Of the provisions amounting to Rs. 40,000,000 made for purchasing computers, being one of the said activities, 99.74 per cent had been spent to purchase computers. However, the provisions amounting to Rs. 12,000,000 and Rs. 1,000,000 made for another two of the activities, providing foreign scholarships for the Judges, and training programmes for the staff, respectively had totally been saved, whilst a sum of Rs. 7,538,128 representing 75.4 per cent of the provisions amounting to Rs. 10,000,000 made for establishing the SLJI Net, had been saved; thus observing that the budget proposals could not be implemented properly.

#### **4.2 Uneconomic Transactions**

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As the newspaper advertisement published to recruit for the post of research officer, had contained errors, the advertisement had to be published again. The sum of Rs. 225,112 spent on publishing the erroneous advertisement had been a fruitless expenditure.

#### **4.3 Underutilization of Funds**

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The minimum balance of Rs. 2,172,403 in the current account being maintained by the Institute at a State bank, had remained underutilized throughout the year, but attention had not been drawn to initiate short-term investments by following the provisions of Section 11 of the Finance Act, No. 38 of 1971.

#### **4.4 Staff Management**

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Three posts in the approved cadre of the Sri Lanka Judges' Institute, had remained vacant even by 01 June, 2017.

## **5. Accountability and Good Governance**

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### **5.1 Internal Audit**

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An Internal Audit Unit had not been established in terms of Financial Regulation 133. The Internal Audit Unit of the Ministry of Justice had allocated a period of 50 man-days in its internal audit programme to conduct audits on the Sri Lanka Judges' Institute in the year under review. However, as no internal audit report had been furnished, it could not be verified that an internal audit had been conducted.

### **5.2 Budgetary Control**

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The following observations are made.

- (a) In terms of Section 8 (1) of the Finance Act, No. 38 of 1971, and Paragraph 5.2.5 of the Public Enterprises Circular, No. PED/12, dated 02 June, 2003, a budget should be prepared for every financial year, and approval of the Board of Governance should be obtained thereon prior to 03 months of the commencement of the relevant financial year thereby presenting a copy to the Auditor General prior to 15 days of the commencement of the relevant year. Nevertheless, the approval of the Board of Governance had not been obtained for the budget prepared for the year under review, and a copy thereof had not been furnished to the Auditor General.
- (b) Due to reasons such as, the variances ranging from 28 per cent to 1068 per cent between the budgeted and actual expenditure in respect of 17 Items of Expenditure for the year under review, incurring a sum of Rs. 4,228,697 for the expenses for which no provisions had been approved for the year under review, and non-utilization of the provision amounting to Rs. 1,500,000 approved for purchasing machinery and electric appliances, it was observed that the budget had not been made use of as an effective instrument of management control.