

Judicial Infrastructure Maintenance Trust - 2018

1.1 Unqualified Opinion

The audit of the financial statements of the of Judicial Infrastructure Maintenance Trust for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be tabled in Parliament appear in this report.

In my opinion, the financial statements of the Trust give a true and fair view of the financial position of the Institute as at 31 December 2018, 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 Unqualified Opinion

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 unqualified 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 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 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 scepticism 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.
- Evaluate 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 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 Institute to cease to continue as a going concern.
- 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 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 Trust, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Trust has complied with applicable written law, or other general or special directions issued by the governing body of the Trust;
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

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

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comments of the Management	Recommendation
a) Section 40 (1) of the National Audit Act, No. 19 of 2018.	An Internal Auditor had not been appointed thus failing to conduct internal audits.	Provision is made under Head 110 of the Judicial Infrastructure Maintenance Trust, Ministry of Justice. As such, the internal audits thereof should be carried out by the Internal Audit Unit of the Ministry of Justice & Prison Reforms.	Section 40(1) of the National Audit Act, No. 19 of 2018 should be adhered to.
b) Section 3.2 (b) of the Public Finance Circular, No. PF/423, dated 22 December 2006.	Despite being stated that excess funds of the Trust should be remitted to the Consolidated Fund without delay, a sum of Rs. 9,600,818 had been retained in the current account of the Trust as at the last date of the year under review.	Approval had been granted by the Board of Trustees at the 04 th meeting of the Judicial Infrastructure Maintenance Trust held on 2018.12.31 to purchase office equipment worth Rs. <u>6,114,494.25</u> for the judicial zones of Kalmune, Batticaloa, Ampara, Polonnaruwa, Tangalle, Gampaha, Kegalle, Galle, and Monaragala. Accordingly, the remaining balance of the current account had been retained to incur expenses thereon.	Section 3.2 (b) of the Public Finance Circular, No. PF/423, dated 22 December 2006 should be followed.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 5,530,408 as against the corresponding deficit of Rs. 6,035,148 in the preceding year thus observing an increase of Rs. 11,565,556 in the financial result. This improvement had mainly been attributed by the decrease in the infrastructure maintenance expenses of the year under review by Rs. 12,140,658.

3. Operating Review

3.1 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
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<p>This Trust had been established by a Deed of Trust dated 17 July 2007 and in terms of Section 1(A) of the Deed of Trust, its main functions were the improvement and maintenance of judiciary quarters, record rooms, production rooms, judges' rooms, Registrar's office, libraries of the judges and common places relating to the above premises and provision of information technology facilities, office equipment and furniture relating to the above premises. The matters observed are as follows.</p> <p>a) The Ministry of Justice had granted a sum of Rs. 10,000,000 for the Trust in the year under review. Together with the receipt of interest on fixed deposits amounting to Rs. 60,874, the total of the revenue amounted to Rs. 10,060,874. Only office equipment had been purchased for the judicial zone of Colombo in the year under review by incurring a sum of Rs. 3,582,550. No maintenance activities whatsoever had been done thus failing to achieve the said main objectives.</p>	<p>No requests on maintenance activities had been made by any judicial zone within the year under review. Only IT and wooden furniture related items had been requested. As such, in addition to the office equipment supplied for the judicial zone of Colombo, action had been taken at the meeting of the Board of Trustees held on 2018.12.31 to supply office equipment worth Rs. 6,114,494.25 for 09 judicial zones.</p>	<p>Action should be taken ensuring the fulfilment of main objectives in terms of Section 1(A) of the Deed of Trust.</p>

- b) A sum of Rs. 120,000,000 had been allocated by the Department of Judicial Administration in the year under review for the acquisition of capital assets relating to the improvement of infrastructure in the judicial zones. Incurring a sum of Rs. 105,735,865 therefrom, furniture and office equipment had been purchased. As such, a sum of Rs. 3,582,550 had also been spent by the Trust itself on the same work.
- No comments had been made.
- One institution should incur expenses.

3.2 Management Inefficiencies

Audit Observation

In terms of Section 18 of the Deed of Trust, the Board of Trustees should hold its meetings after every 2 months, but only 4 meetings had been held in the year under review.

Comments of the Management

Matters mentioned in the Paragraph are agreed upon.

Recommendation

The Board of Trustees should hold its meetings after every 2 months in terms of Section 18 of the Deed of Trust.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation

The Action Plan prepared to achieve the objectives and targets of the Fund in the year under review, had not been approved by the Board of Trustees even by the end of the year under review.

Comments of the Management

Matters mentioned in the Paragraph are agreed upon.

Recommendation

Approval of the Board of Trustees should be obtained for the Action Plan within the year under review.