

## Head 07- Judicial Service Commission

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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The audit of the financial statements of the Judicial Service Commission for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income and cash flow statement for the year then ended, and notes to the financial statements, including the summary of significant accounting policies, 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 provisions of the National Audit Act No.19 of 2018. The Summary Report including my comments and observations on the financial statements of the Judicial Service Commission was issued to the Chief Accounting Officer on 18 June 2019 in terms of Section 11 (1) of the National Audit Act No.19 of 2018. The Annual Detailed Management Report relating to the Judicial Service Commission was issued to the Chief Accounting Officer on 10 June 2019 in terms of Section 11(2) of the National Audit Act. This report is furnished to Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act No.19 of 2018.

In my opinion except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Commission as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 qualified opinion.

#### 1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

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The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and with Section 38 of the National Audit Act No.19 of 2018.

As per Section 16(1) of the National Audit Act No.19 of 2018, the Commission 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 by the Commission.

The Chief Accounting Officer should confirm that an effective system of internal control is prepared and maintained for the financial control of the Judicial Service Commission in terms of Sub-section 38(1)(d) of the National Audit Act and a review on the effectiveness of the system is made from time to time and as such, necessary changes are being made to effectively carry out the system.

#### **1.4 Auditor's Responsibility for the Audit of the 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 audit's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatements 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 Commission's internal control.
- 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.

I communicate with the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## 1.5 Report on Other Legal and Regulatory Requirements

I state the following, in terms of Section 6(d) and Section 38 of the National Audit Act No.19 of 2018.

- (a) It could be stated that the financial statements of the year under review correspond with the preceding year on, not having a requirement of preparing financial statements for the preceding year.
- (b) The recommendations on the financial statements had not been furnished on not having a requirement of preparing financial statements relating to the preceding year by the Judicial Service Commission.

## 1.6 Comments on Financial Statements

### 1.6.1 Non- compliance of Financial Statements with the provisions of the Circulars

Even though the financial statements should be prepared in terms of the Public Accounts Circular No.267/2018, the instances where deviations being made from those requirements appear below.

<u>Audit Issue</u>	<u>Recommendation</u>	<u>Comment of the Chief Accounting Officer</u>
(a) A sum of Rs. 2,851,622 that should be reported as Other Receipts in the Statement of Financial Performance had been reported as non- tax revenue and that value had been stated in the ACA 01 Format that should be prepared by an Institution of which a Revenue Accounting Officer remains in service.	The ACA 01 Format should not be made relevant on a Revenue Code not being existed for the Judicial Service Commission.	Action would be taken to not to include Other Revenue Receipts valued at Rs.2,851,622 included in the ACA- 01 Format hereafter.
(b) The Cross Entry amounting to Rs.4,199,025 that had been stated only as a Credit Note in	Action should be taken in terms of Paragraph 7(vi) of the Circular in preparing the Imprest Money Adjustment Account.	It had not been stated that the value of the Cross Entries in preparing the Imprest Account in terms of the Paragraph 7(vi) of the

the Financial Statements in the year under review had not been included in the Imprest Money Adjustment Account on not accurately preparing the Imprest Money Adjustment Accounts in terms of the Paragraph 7(vi) of the Circular.

Public Accounts Circular No.267/2018. As such, it had been adjusted with the Imprest Account Balance received from the statement of financial performance instead of including it to that balance.

### 1.6.2 Statement of Financial Performance

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The following observations are made.

<u>Audit Issue</u>	<u>Recommendation</u>	<u>Comment of the Chief Accounting Officer</u>
Even though the total receipts in the Advances to Public Officers' Account amounted to Rs.4,791,924, it had not been included under the non- Revenue Receipts in the Statement of Financial Performance.	That, the total receipts in the year in the Advances to Public Officers' Account valued at Rs.4,791,924 should be noted under non- Revenue Receipts in the Statement of Financial Performance.	The cash receipts in the Advance Account had been included in a manner that adjusts with the total balance of the Imprest Account. It had not been included in the Statement of Financial Performance on those being Receipts that are being carried out by the Cross Entries in the Advance Account and those Receipts not being included in the Imprest Account.

## 2. Financial Review

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**2.1 Expenditure Management**  
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The following observations are made.

<u><b>Audit Issue</b></u>	<u><b>Recommendation</b></u>	<u><b>Comment of the Chief Accounting Officer</b></u>
<p>(a) <u>Non- utilization of provisions</u>            Even though a sum of Rs.2.35 million had been provisioned by the Annual Budget Estimate for the payment of the installments for the motor vehicles procured on Operational Lease Method, a sum of Rs.2.11 million of it had been transferred to 04 Other Objects under Financial Regulations 66/69 and, the remaining provision amounting to Rs.233,000 as well had been utilized.</p>	<p>The Expenditure Estimate should be accurately prepared by paying proper attention on the effectiveness and on the efficiency in terms of the provisions stated in the Financial Regulation 50.</p>	<p>A requirement of obtaining motor vehicles on operational lease basis did not arise on disposing of the requirement of obtaining a Van on the Commission deciding to hand over the examinations conducted by the Judicial Service Commission, to the Department of Examinations and on obtaining two Motor Cars belonging to the Ministry of Justice, to the Vehicle Pool of the Judicial Service Commission. As such, those provisions were transferred to Other Objects and provisions amounting to Rs.233,000 had been saved without being utilized.</p>
<p>(b) <u>Under- utilization of provisions</u>            The total net provision relating to 06 Recurrent Objects had been a sum of Rs.5.7 million and, the total expenditure relating to those Objects as at the last date of the year under review had been a sum of Rs.3.44 million. As such, the net savings amounting to Rs.2.25 million</p>	<p>The Expenditure Estimate should be accurately prepared by paying proper attention on the effectiveness and on the efficiency in terms of the provisions stated in the Financial Regulation 50.</p>	<p>The total expenditure had not been reconciled with the Estimates on unavoidable reasons and on external reasons despite the Expenditure Estimates being prepared by paying proper attention by including all expenses that could be reasonably predicted under the remaining conditions, to</p>

were ranging from 28 per cent to 86 per cent.

the Estimates. The restriction of the local travel expenses, the decrease of the Officers who are entitled to uniforms, carrying out of only the essential maintenance activities, not being able to conduct the examinations as intended, transferring of the Officers who obtained loans and the settlement of loans could be stated as reasons in this connection.

### 3. Operational Review

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#### 3.1 Planning

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The following observations are made.

<u>Audit Issue</u>	<u>Recommendation</u>	<u>Comment of the Chief Accounting Officer</u>
The Action Plan prepared for obtaining the key functions and the intended results of the Commission for the year 2018 in terms of the Public Finance Circular No.01/2014 of 17 February 2014 had not been prepared in terms of the above Circular on not including the updated Organizational Structure, Approved Cadre and the Actual Cadre, Activity Plan prepared as per the priorities based on the Annual Budget and the Imprest Requirement Plan, n that Acton Plan.	The Action Plan for the year should be prepared in terms of the Public Finance Circular No.01/2014 of 17 February 2014.	The Annual Action Plan for the year 2018 had been prepared in terms of the National Budget Circular No.06/2015 and in terms of the Format sent along with the Letter dated 01 February 2016 of the National Budget Department. Action would be taken to furnish the Action Plan by including the relevant matters in terms of the Public Finance Circular No.01/2014 from the year 2019.

#### 4. Good Governance

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##### 4.1 Internal Audit

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The following observations are made.

<u>Audit Issue</u>	<u>Recommendation</u>	<u>Comment of the Chief Accounting Officer</u>
Even though a post of an Internal Auditor had been approved in the Approved Cadre of the Commission, an Internal Auditor had not been appointed in terms of Section 40(1) of the National Audit Act No.19 of 2018.	An Internal Auditor should be appointed for carrying out the Internal Audit of the Commission in terms of Section 40(1) of the National Audit Act No.19 of 2018.	The Staff had been approved to establish an Internal Audit Unit for the Judicial Service Commission by the Letter of DMS/1021/Vol 1 and dated 18 July 2017 of the Director General of the Department of Management Services. The activities of the judicial Service Commission Secretariat is being carried out in a temporary office with limited space set up using the container boxes from 15 November 2017 by withdrawing from the building in which the Judicial Service Commission Secretariat is located, on that building remaining in a dilapidated state. Those recruitments had not been made on not having any space whatsoever for the newly increased staff on the recruitment of the staff, as approved above.

##### 4.2 Audit and Management Committee

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 The following observations are made.

<u><b>Audit Issue</b></u>	<u><b>Recommendation</b></u>	<u><b>Comment of the Chief Accounting Officer</b></u>
An Audit and Management Committee had not been appointed by the Commission in terms of the provisions in Section 41(1) of the National Audit Act No.19 of 2018.	The Audit and Management Committee Meetings should be conducted in the required periods by appointing an Audit and Management Committee in terms of the provisions in Section 41(1) and (2) of the National Audit Act No.19 of 2018.	The posts of the Chief Internal Auditor, Internal Auditor and the Judicial Clerk remain vacant due to not having sufficient space for the establishment of an Internal Audit Unit. A such, a hindrance remains in carrying out an Internal Audit and in conducting Audit and Management Committees.

## 5. Human Resources Management

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 The following observations are made.

<u><b>Audit Issue</b></u>	<u><b>Recommendation</b></u>	<u><b>Comment of the Chief Accounting Officer</b></u>
The number of vacancies for various posts of the Commission by the end of the year under review had been 69.	Action should be taken to fill the vacancies for the essential posts expeditiously. The revisions of the number of staff should be made in the instance where excess posts remain.	Action had been taken to execute the duties by completing 12 vacancies by excess officers belonging to the Approved Cadre and 16 posts by the post of the Judicial Registrar and by the Officers of the Judicial Management Service, of those 69 vacancies. Moreover, the Judicial Service Commission Secretariat had been able to achieve an optimum level performance relating to the year 2018 even in the midst of those vacancies.



