

## **Head 04 - Judges of the Superior Courts**

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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 Judges of the Superior Courts for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended 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. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Judges of the Superior Courts was issued to the Chief Accounting Officer on 23 July 2019. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Judges of the Superior Courts was issued on 10 July 2019 to the Chief Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of 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 financial statements give a true and fair view of the financial position of the Judges of the Superior Courts as at 31 December 2018, and 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 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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Institute 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 Institute.

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Institute and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibility for the Audit of 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 auditor's summary 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 Institute'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 Requirements

As required by Sub-section 6 (d) of the National Audit Act, No.19 of 2018, I state the followings:

- (a) As there was no requirement of preparation of financial statements by the Judges of the Superior Courts for the preceding year, I could not state that the financial statements of the year under review are consistent with the preceding year.
- (b) As there was no requirement of preparation of financial statements by the Judges of the Superior Courts for the preceding year, recommendations on financial statements had not been made by the Institute.

## 1.6 Comments on Financial Statements

### 1.6.1 Statement of Financial Performance

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
(a) According to the Treasury printouts, receipts of other sources had been Rs.4,977,069. Nevertheless, receipts of other sources had been indicated as Rs.5,393,905 in the Imprest Account as at 31 December 2018, thus overstating in the financial statement by Rs.416,836.	Accounts should be prepared in terms of provisions of the State Accounts Circular No. 267/2018 of 21 November 2018.	A sum of Rs. 416,836 had been overstated in the financial statement than the receipts of other sources indicated in monthly computer printouts, by a mistake. Instructions have been given to correct this and to proceed carefully with accounting.
(b) Expenditure on other goods and services and subsidies, grants and transfers should be disclosed separately in the Statement of Financial Performance. However, all those expenses had been included as other recurrent expenditure of Rs.43,973,269.	Action should be taken in terms of provisions of the State Accounts Circular No. 267/2018 of 21 November 2018.	Values relating to Notes No. 06 and 07 to be disclosed separately under ACA – 06 of the Statement of Financial Performance have been shown separately. However, those values could not be indicated separately due to failure in understanding the manner in which those values should be indicated in the Statement

Financial Performance. Instructions were given to rectify it in the future.

- (c) Even though the value of transfers in terms of Financial Regulation 66/69 for recurrent expenditure of the Format ACA-2 in financial statements should be Rs.700,000, that value had been indicated as Rs.70,000 in the relevant Format.
- Values of financial statements should be brought to account accurately.
- The accurate value of transfers in terms of Financial Regulation 66/69 for recurrent expenditure of the Format ACA -2 in financial statements had been Rs.700,000. It has been included as Rs.70, 000 due to error in entering data into the computer and instructions were given to rectify it.

### 1.6.2 Statement of Financial Position

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The following observation is made.

#### Audit Observation

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In reporting non-financial assets in terms of paragraphs 3.1 and 3.3 of the State Accounts Circular No. 267/2018 of 21 November 2018, the Chief Accounting Officer should ensure that the value of those assets be tallied with the individual assets value. However, the value of non-financial assets of Rs.4,299,924 as at 31 December 2018 of the Institute had been declared as a zero value in main ledger balances of the Treasury. As such, reconciliation of non-financial assets had not been made in terms of circulars.

#### Recommendation

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Registers including an accurate report on non-financial assets as at 31 December of every year should be maintained in compliance with the Treasury balance.

#### Comments of the Chief Accounting Officer

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The value of Rs.4,299,924 according to the Register of Non-financial Assets had not been tallied with reports on assets of the Treasury. As such, the value thereof was converted into zero (0) value and as a result, the value thereof had not been included in the statement of financial position. However, the value thereof has been updated with Treasury Registers at present.

### 1.6.3 Advance Accounts Balances

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
----- In the preparation of financial statements, figures in Specimen Forms from ACA- 01 to ACA - 6 should be based therefor. However, receipts and payments of advances had been recorded as Rs.713,180 and Rs.445,760 in the Statement of Financial Performance and Rs.846,406 and Rs.581,986 in the Specimen Form ACA respectively.	----- Financial statements should be prepared in terms of paragraph 3.6 of the State Accounts Circular No.267/2018 of 21 November 2018.	----- Advances paid and received in cash have been included in receipts and payments of advances included in the statement of financial performance. However, receipts and payments of advances included in the Specimen Form ACA have been shown as cash and cross entries separately.

### 1.6.4 Imprest Account

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
----- A difference of Rs.416,836 was observed between settlements and receipts of imprests of Treasury printouts and financial statements.	----- Values of financial statements should be brought to account accurately.	----- A sum of Rs.416,836 has been overstated in settlements and receipts of imprests than the Final Treasury Accounting Statement due to a mistake. An amount received under Advance "B" Account and an unidentified sum of Rs.28,924 had been included therein. Instructions were given to carry out computations carefully and accurately in future accounting activities.

## 2. Financial Review

### 2.1 Management of Expenditure

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
Entire provisions of Rs.1.21 million made for 04 Objects had been saved without being utilized.	Annual estimates should be prepared in terms of provisions of Financial Regulation 50.	Provisions had been saved due to failure in submitting applications for local travelling expenses by Judges and carrying out repairs of capital nature in motor vehicles allocated for Judges.

### 2.2 Incurring of Commitments and Liabilities

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
The statement of commitments and liabilities under Note (iii), should be in line with the statement of commitments and liabilities issued by the General Treasury relevant to each Expenditure Head. However, the value of liabilities of the statement of liabilities issued by the Treasury had been a zero value and the value of liabilities of the statement of commitments and liabilities included in the financial statement of the year under review had been Rs.472,007.	Action should be taken in terms of provisions in paragraph 3.4 of the State Accounts Circular No. 267/2018 of 21 November 2018.	Bills relating to liabilities remained as at 31 December 2018 have been received after 31 December 2018. As such, those liabilities had been indicated as a zero value in the statements of the Treasury as at 31 December 2018. Moreover, a report on those liabilities had been included in the financial statements at the instance of submission of financial statements.

**3. Good Governance**  
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**3.1 Internal Audit**  
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The following observation is made.

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----
An Internal Audit Unit had not been established and the post of Internal Auditor had been vacant.	An Internal Audit Unit should be established in terms of paragraph 40(1) of the National Audit Act, No.19 of 2018 and the Financial Regulation 133.	An Internal Audit Unit has not been established.

**4 Human Resources Management**  
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The following observation is made.

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----
Two vacancies existed as at 31 December 2018 and those two posts were at the senior level by which main functions are carried out.	Action should be taken to fill vacancies for providing more efficient and effective services.	Appointments of Judges are made by His Excellency the President on the approval of the Legislative Council.