

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Judges' Institute for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net assets 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(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 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2021, 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 Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 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 Institute'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 intend to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per 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.

1.4 Audit Scope (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 skepticism 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.
- Obtained 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 Company's internal control.
- Evaluated 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 Company'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 Company to cease to continue as a going concern.
- Evaluated 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 Institute, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute:

- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5. Audit Observations on the preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
<p>According to paragraph 65 of Sri Lanka Public Sector Accounting Standard No. 07,by Reducing the residual value and useful life of an asset shall be reviewed at the end of each annual reporting period, but the assets of the Sri Lanka Judges’ Institute, whose value was zero, amounting to Rs.46,211,466 had not been revaluated. Accordingly, the estimated error has not been revised according to Public Sector Accounting Standard 3 of Sri Lanka.</p>	<p>By the Ministry Of Justice Dated 16th January 2023 it was informed that the members have been appointed for the asset revaluation committee and further work will be done accordingly.</p>	<p>Action should be taken in Accordance With The Sri Lanka Public Sector Accounting Standards.</p>

1.5.3 Accounting Deficiencies

Audit observation	Management Comment	Recommendation
<p>a) An amount of Rs. 7,142,090 which should be</p>	<p>It was informed that on 02nd December 2022, this balance has</p>	<p>Since there is no authority to spend the year ending balance in</p>

remitted to the treasury through the Ministry on 31st December 2019, but remained idle till 02nd and 05th December 2022, and Rs 7,142,090 was not settled in current assets as at 31st December 2021 as a balance of suspense account.

b) 1,374,471 rupees was deducted from the capital grants as amortization without amortizing the assets value in the respecting years and without recognizing its depreciation value.

c) At the end of the year under review, the total shown in the financial statements was Rs. 59,387,302 non-current assets with dates of acquisition due to the fact that a schedule confirming single balances or a fixed asset document was not submitted to the audit, the value that was accounted for those assets and the reviewed year Rs. 1,297,718 could not ascertain the accuracy of the depreciation value.

entered in the cash book and remitted to the ministry of justice.

Since the library books of Rs.400,182 obtained from capital grants in the year 2020 will be amortized for 10 years (10%), this Rs.40,018 is the amortized value for the year 2021 related to those library books.

As recommended in the Auditor General's report for the year 2019, the sum of Rs.1, 291,309 received for the skills and training programs in the year 2019 was not recognized as income for that year, and that amount has been adjusted to the accumulated fund.

It was also informed that the sum of Rs. 30,151 has been adjusted to the accumulated fund to correct the non-recognition of amortized value in the year 2020 for the above-mentioned library books.

It was informed that the depreciation has been adjusted according to the fixed asset register updated in the year 2022.

the cash book for further years, the excess amount should be sent to the Ministry for remittance to the treasury at the end of the relevant year.

Amortization related to assets purchased through capital grants should be correctly identified and deducted from the capital grants.

Transaction should be accurately accounted

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
a)Section 6.6 of the Operational Manual referred to in PE/COP/POLI/Circular and Public enterprises Circular No. 01/2021 dated 16 November 2021	Although the annual financial statements of statutory bodies must be submitted to the Auditor General within 60 days of the end of the financial year, the financial statements of the institution were submitted to the Auditor General on 28 December 2022 and the annual report must be submitted to Parliament within 05 months of the end of the financial year, but the institution's 2020 The annual report of the year had not been submitted to Parliament by February 10, 2023.	It Was informed that Although the financial statements for the year ending December 31, 2021 had been submitted for audit on October 8, 2022, it had to be retrieved again to correct the accounting errors mentioned in the 2020 report and the annual report for the year 2020 was submitted to the Ministry on December 19, 2022 for Cabinet approval.	Actions should be taken to present the financial statements on the due date as per the circular.
b) Treasury Secretary's Asset Management Circular No. 01/2017 dated 28 June 2017	Information related to documented all non-financial assets of the government for asset and cost management was not submitted to the Comptroller General.	The relevant reports for the years 2021 and 2022 have not been forwarded and it was informed that the relevant reports for the year 2023 will be forwarded to the Comptroller General as per the circular.	Action should be taken in accordance with the Circular.

(C)Financial Regulations of the Democratic Socialist Republic of Sri Lanka	It was informed that necessary arrangements are being made to obtain security.	
(i)Financial Regulations 315(1)	According to the financial regulations, arrangements had not been made to get the security from the officers who should have given security in the institution.	After being informed that Cheque No 785870 dated 03. October 2020 was lost, a "stop payment" order was made to the bank and the Cheque was duly canceled and a new cheque dated 10 March 2021 was issued under the number 785955. Actions should be taken in accordance with the Financial Regulations.
(ii)Financial Regulations 392	Due to misplacement of the Cheque No. 785870 issued on October 03, 2020 bearing Rs. 25,372 was reissued on March 10, 2021 with a Cheque number 785955 equal to the above value, but no actions should be taken to obtain an indemnity letter as per the financial regulations.	It was informed that according to the provisions of Public Administration Circular 02/2018 for the year 2023, the human resource development plan will be prepared and annual performance agreements will be signed. Actions should be taken in accordance with the Financial Regulations.
d).Public Administration Circular No. 02/2018 dated 24 January 2018	A human resource development plan had not been prepared based on the form of Annex 02 of the circular and the signing of annual performance agreements for all staff, which should be done from the year 2018, had not been done based on the form of Annex 01 of the circular.	Actions should be taken in accordance with the the circular.

<p>(e).Paragraph 2 (i) of Treasury Secretary's Assets Management Circular No. 02/2017 dated 21 December 2017.</p>	<p>According to the circular, the ownership of two vehicles used in the institute had not been taken over.</p>	<p>It was informed that the documents related to obtain the registered ownership of the NC 3601 vehicle had been forwarded to the Ministry of Justice on September 22, 2022.</p>	<p>Action should be taken in accordance with the Circulars.</p>
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2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 1,035,725 and the corresponding deficit in the preceding year amounted to Rs.10, 614,763. Therefore an improvement amounting to Rs. 9,579,038 of the financial result was observed. The main reasons for the improvement are decrease of seminars and training expenses of Rs. 186,458, and foreign training program expenditure of Rs. 557,568, electricity and water charges by Rs.174,577, depreciation and amortization by Rs.9,852,807 and increase of salaries and wages by Rs.653,867, annual subscriptions by Rs.461,500, postal charges by Rs.102,160 .

3. Operational Review

3.1 Identified Losses

Audit Observation -----	Management Comment -----	Recommendation -----
<p>The letter was received on November 01, 2019 along with the invoice of Institutional Expenses to be paid to the Chandigarh Judicial Academy for the training of judges during the period from August 14, 2019 to August 18, 2019 and Rs. 366,491 was paid on January 21, 2021. Thus Due to the delay in the payments, on the change in the exchange rate, an extra amount of Rs.32, 606 had to be paid.</p>	<p>It was informed that the payment of the invoice has been delayed due to the delay in obtaining the relevant approval and confirmation of the invoice items related to the said payment.</p>	<p>It should be ensured that the payments are made on due date so that the government does not suffer any loss.</p>