

Head 007 - Judicial Service Commission

1. Financial Statements

1.1 Qualified Opinion

Head 007 -The audit of the financial statements of the Judicial Service Commission for the year ended 31 December 2022 comprising the Statement of Financial Position as at 31 December 2022 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. The Summary Report containing my comments and observations on the financial statements of the Judicial Service Commission was issued to the Accounting Officer on 31 May 2023 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the commission was issued to the Accounting Officer on 26 June 2023 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

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 Judicial Service Commission as at 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The 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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the preparation of annual and periodic financial statements.

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

1.4 Auditor's Responsibility 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 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 and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the 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

I express the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendations made by me regarding on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Non-Compliance of Financial Statements with Circular Provisions

The Financial Statements should be prepared in terms of state Accounts Guideline No. 2022/05 dated 13 December 2022 however, instances of Non-Compliance with those provisions appear below.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) As per paragraph 7.5 of the State Accounts Guideline No. 2022/05 dated 13 December 2022, the balance in the statement of financial performance as at 31 December 2022, should be equal to the total of the balance as per the statement of imprest reconciliation and the imprest balance at the end of the year, but , the imprest balance of Rs.219,868 in the ACA-3 of the treasury books as at 31 December was not shown in the statement of financial performance and it was not shown in the statement of financial position under financial assets as cash in transit and the imprest balance under current liabilities.	The statement of financial performance does not show the imprest balance as at 31 December 2022 as there was no imprest balance in the books of accounts on that date. That is clearly indicated by ACA-3 Statement of imprest Accounts, and accordingly the balance in the statement of imprest reconciliation as per ACA-7 is Rs. 6,312,856 and the imprest account balance as per ACA- 3 is Rs. 0, so that total balance of the statement of financial performance is Stated as Rs. 6,312,856 and Rs. 219,868 has been remitted to the Treasury on 31 December 2022 as the imprest balance indicated by you. Accordingly, in accordance with paragraph 7.5 of the State Accounts Guideline No. 2022/05, the balance of the statement of financial performance has been correctly indicated and there is no imprest balance as at 31 December 2022 as per the institutional books of account (ACA-3). An imprest balance is shown as per the books of treasury accounts. It had been informed that since the financial statements are prepared according to the departmental books of account, and this has already been settled to the treasury, it has not been shown under current assets as cash in transit imprest balance as current liabilities.	Financial Statements should be prepared in accordance with the State Accounts Guideline and the imprest balance should be accurately stated in the statement of financial position.

- (b) According to the format of cash flow statement introduced in terms of paragraph 06 of the state Accounts Guideline, the value of Rs. 3,603,750 of the income from the sale of disposal vehicles and other assets during the year in cash flow generated from investment activities should be put under the provision for divestiture proceeds and Sale of physical assets, but it was reported under cash flow generated from operating activities.
- It had been informed that the income received from the sale of disposed vehicles and other assets during the year were omitted and thus shown under the cash flow generated from operating activities in the cash flow statement.
- Income Received from the sale of assets should be accurately stated in the statement of cash flow.

1.6.2 Accounting Deficiencies

(a) Reconciliation Statement on Advances to Public Officers Account

Audit Observation	Comments of the Accounting Officer	Recommendation
Regarding the recovery of a loan balance of Rs.185,000 from an officer who has left the service for more than 05 years, no action has been taken in accordance with paragraphs 4.5 and 4.6 of Chapter XXIV of the establishments code	Rs.185,000 loan balance of the existing debtor had more than 10 years of service, so this loan was issued without guarantors, and it had been informed that according to Chapter XXIV 4.6 of the establishments code and Public Finance Circular No. 05/2019, arrangements are being made to recover the loan balance.	The provisions of the establishments code should be followed to recover the loan balance.

(b) Non-Maintenance of Registers and Books

It was observed during audit test checks that the Commission had not maintained the following register.

Audit Observation	Comments of the Accounting Officer	Recommendation
Security Register According to Financial Regulation 891(1), the officers who are required to keep security related to	It had been informed that the Security Register has been prepared and will be submitted for observation.	A Security Register shall be maintained of the officers to be security, containing

09 categories of employees had not fulfilled that requirement and had not prepared a security register containing relevant information.

the information referred to 891(1) of the Financial Regulation.

2. Financial Review

2.1 Expenditure Management

Audit Observation

According to paragraph 03 (xvii) of the National Budget Circular No. 03/2022 dated 26 April 2022, if there are savings of provisions allocated for incurring expenses within the year should not be used for other expenditure prior to the end of the year, but Rs.4,350,000 Provisions in 02 recurrent objects had been transferred to other objects.

Comments of the Accounting Officer

It had been informed that the treasury has also knowingly transferred the remaining provisions of the recurrent objects for the necessary expenses to be incurred for the continuation of the office activities.

Recommendation

Provisions should be utilized as per the circular.

2.2 Incurring of Liabilities and Commitments.

Audit Observation

In respect of the year 2022 paid in the year 2023 value of Rs. 210,790 liabilities were not included in the liabilities register and the statement of commitments and liabilities as at 31 December 2022.

Comments of the Accounting Officer

The budget estimates of 2023 allocate cash for the December 2022 telephone bill and the institutional cleaning service bill payments, so they have not been allocated as commitments and liabilities for the year under review. However, it had been informed that if state that it is necessary to indicate next year's payment liabilities in relevant to the year under review, Financial Statements will be prepared accordingly in the coming years.

Recommendation

Correct liability value should be shown in the financial statements.

2.3 Certifications of Chief Accounting Officer/ Accounting Officer

Accounting Officer should certify the following matters in terms of provisions set out in section 38 of the National Audit Act, No 19 of 2018. However, it had not been done.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control exists in the department and carry out periodic reviews to monitor the effectiveness of such systems, and accordingly make any alterations as required for such systems to be effectively carried out. such reviews should be carried out in writing, and a copy thereof Should be presented to the Auditor General. But no statements had been furnished to the audit that the reviews had been carried out.	For the establishment of an effective internal control system for financial control in the office, authorization is given in writing at the beginning of each year, with a copy to the audit branch, and it must be said that its effectiveness is continuously monitored throughout the year. It had been informed that no further such written review was conducted as there was no issue in the effectiveness of the internal control system that required a change.	Action should be taken in terms of provisions in Section 38 of National Audit Act No. 19 of 2018.
(ii) The Chief Accounting Officer and the Accounting Officer shall ensure the timely preparation and submission of annual and other financial statements and in addition, the Chief Accounting Officer shall be required to submit annual reports to Parliament pertaining to the auditee entity. However, the said requirements had not been fulfilled due to audit observation indicated in Paragraph 3.1 (a) in the report.	It had been informed that the necessary activities to table the annual performance report in the parliament are being carried out.	Action should be taken in terms of provisions in Section 38 of National Audit Act No. 19 of 2018.

2.4 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks carried out are analyzed below.

Observation Reference to Laws, Rules, and Regulations	Value (Rs.)	Non-Compliance	Comments of the Accounting Officer	Recommendation
(i) Financial Regulations of the Democratic Socialist Republic of Sri Lanka 103 (1) (e)		The damage to a Motor vehicle on 09 December 2021 was not included in the losses and damages register, and it was not included in the recoveries of statement of losses and waivers, statement of write off from the books to be Presented with the Financial statement of the year 2022.	It had been informed that the information relation to the motor vehicle bearing number WP KX 6732 was not included in the statement of losses and waivers.	Accidental damage to vehicles should also be recorded in the losses and damages register and in the statement of losses and waivers in the financial statements and in the statement of write-off from books.
(104) (1) (a)		Actions had not been taken according to Financial Regulations for damage to a motor vehicle	It had been informed that the motor vehicle bearing the number KX 6732 was damaged due to being scratched by an animal during the night and the relevant insurance company was informed about it. Therefore It had been informed that after checking the car, the insurance company sent the car to the service provider for repairs. It had been informed that the insurance company related to the car had given an	As per Financial Regulations the actions should be taken regarding vehicle accidents

		amount of Rs.63,209 to the company that provided the service, and the commission paid the amount of Rs. 2,941 that had to be paid in addition to the amount reimbursed by the insurance company	
1646	According to the Financial Regulations, the original copies of running charts and monthly summary of 05 vehicles were not submitted to the Auditor General.	It had been informed that the original copies of the monthly summary of the vehicle running charts have been submitted to the Auditor General on the appointed dates.	As per Financial Regulations actions should be taken regarding vehicle.
(ii) Public Administration Circulars			
Circular No. 05/2008 and No. 05/2008 (i) dated 06 February, 2008 and 24 January, 2018	In order to make public sector activities more efficient and to improve mutual understanding and mutual trust between the parties involved, every government institution should introduce the citizen/client charter, but the department has not yet introduced the Citizen/Client Charter.	It had been informed that as per Public Administration Circular No. 05/2008 and 05/2008 (i) the necessary activities are being carried out for the preparation of the Citizen/Client Charter.	Actions should be taken in terms of the Circular
paragraph 3.1 of Circular No. 30/2016 dated 31 December 2016	According to the circular, no fuel consumption test was done in respect of 05 vehicles.	Due to the shortage of fuel in the country, a limited amount of fuel of about 20 liters per car per week was release by	Actions should be taken regarding fuel consumption as per Finance Regulations

QR code.
According to
circular Public
Administration
Circular 30/2016, it
had been informed
that it was not
possible to carry
out fuel
consumption tests
in the year
2022.

2.5 Issuance and Settlement of Advances.

Audit Observation	Comments of the Accounting Officer	Recommendation
According to Public Finance Circular No. 01/2020 dated 28 August 2020 and revised Finance Regulations 371(2) imprest given to staff officers for any specific tasks must be settled within 10 days, but in respect of advances of Rs.100,000 given at one time had not been done accordingly.	Among sub imprest, in view of the situation with the fuel crisis in the country and the long New Year Vacation, Rs. 100,000 has been settled and it has been informed as per 371(2) of the Financial Regulations Rs. 2,000 and Rs. 40,000 of other two sub imprest settlements were done immediately after the completion of the work.	As per circular and Financial Regulations ad hoc sub imprest should be settled without any delay.

3. Operational Review

3.1 Annual Performance Report

In terms of paragraph 10.2 of Public Finance Circular No.2/2020 dated 28 August 2020, the Annual Performance Report should have been prepared in accordance with the Format specified in Guideline 14, issued by the Department of Public Finance. The following observations are made in this connection.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) As per 12.1 paragraph of Circular No. 02/2020 dated 28 August 2020, and PFD/RED/REG/02/CC/2022 Ministry of Finance letter dated 26 May 2022, had not been arranged to table the annual performance report of the year 2021 in Parliament.	It had been informed that the necessary activities to table the annual performance report in the parliament are being carried out.	As per the circular, the performance report has to be submitted on the due date.
(b) According to paragraph 10.2 of Public Finance Circular No. 02/2020 dated 28 August 2020, the annual performance report, which should be submitted with the annual financial statements in terms of section 16(2) of the National Audit Act No. 19 of 2018, has not been submitted with the financial statements.	It had been informed that the Performance Reports cannot be submitted along with financial statements according to the Honorable Attorney General's letter No. AG/28/2016 dated 27.09.2016 because it contains matters related to the entire judicial system and directly affecting the independence of the courts.	As per the circular, annual performance report should be submitted with the financial statements

4. Achievement of Sustainable Development Goals

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the letter issued by the Ministry of Sustainable Development and Wildlife No. MSDW/08/65 dated 27, April 2018, suitable actions have not been taken to achieve the Sustainable Development Goals.	It had been informed that officers were appointed to coordinate the achievement of sustainable development goals and necessary actions were being carried out to prepare a sustainable development program.	The sustainable development program should be prepared, according to the letter issued by the Ministry of Sustainable Development and Wildlife

5. Good Governance

5.1 Internal Audit

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
In accordance with the provisions of Section 40 (1) of the National Audit Act No. 19 of 2018, an internal audit unit had not been established in the Judicial Service Commission, and an Internal Auditor had not been appointed.	An internal audit unit has not been established due to the lack of sufficient space to establish an internal audit unit and even without an internal audit unit, without any waste of money/resources, by working according to the Establishments Code, Financial Regulations and related circulars, prudently managing public finances at a very high level in the organization. It had been informed that financial discipline will be maintained.	As per the National Audit Act and the Financial Regulations an internal audit unit should be established.

6. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although the approved cadre of the Commission was 117 as at 31 December of the year under review, however as at 31 st December there were shortages of 09 senior level posts, 03 tertiary level posts, 31 secondary level posts and 15 primary level posts.	Although the approved cadre is 117, as per the orders of the Judicial Service Commission, all activities related to the supervision, direction and administration of the entire judicial system are properly maintained by this Secretariat with a minimum number of 63 officers. It had been informed that even though a minimum number of employees are working, due to proper management and administration, all official activities are continued and the government money has been used with maximum efficiency, productively	Vacancies should be filled immediately.

effectiveness and prudent financial control.

- (b) According to paragraph 01 of Public Administration Circular No. 02/2018 and dated 24 January 2018, the signing of annual performance agreements for all staff should be done from the year 2018, but it has not been done so far and according to paragraph 04 of the circular, the Commission has not been prepared a human resource development plan.
- It had been informed that the annual performance contracts for the judicial staff have been signed and necessary activities are being done to prepare a human resource development plan.
- As per the circular, a human resource plan should be prepared and annual performance agreements should be signed