

**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 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy information 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 the 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 financial statements give a true and fair view of the financial position of the Institute as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka 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 (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 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 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 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 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 Institute'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 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 it has performed according to its powers, functions and duties; and
- Whether the resources 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.

### **1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards**

<b>Non-compliance with the reference to particular standard</b>	<b>Management comment</b>	<b>Recommendation</b>
(a) Although in accordance with paragraph 65 of Sri Lanka Public Sector Accounting Standards No. 07 the residual value and useful life of an asset must be reviewed at the end of each annual reporting period, but Office equipment, wood furniture, Computer equipment and Electrical equipment worth Rs.49,234,914 were fully depreciated as at 31 December 2022 and had not been reviewed. Accordingly, the estimated error had not been revised according to Sri Lanka Public Sector Accounting Standards 03.	A review committee consisting of members of the Ministry of Justice and the Judges’ Institute has been appointed, and it had been informed that the committee will proceed according to the accounting standards as soon as the task of reviewing the assets is completed.	Assets should be reviewed in accordance with the referred accounting standard.
(b) Regarding the asset of Legal Data Base amounted to Rs. 3,517,995 included in the financial statements of the year under review in Sri Lanka Public Sector Accounting	A Technical Evaluation Committee and an Asset revaluation Committee consisting of technically competent members have been appointed to review this asset,	Relevant disclosures should be done in accordance with the referred accounting standard.

Standards No. 20 and No. 117, and it had been informed that whether the useful life is the necessary disclosures will indefinite or definite, if be made as per the committee's indefinite the useful life or the recommendation. rate of depreciation used and Depreciation method used for intangible assets with indefinite useful lives.

- (c) In accordance with Paragraph No. 31 of Sri Lanka Public Sector Accounting Standards No. 20, intangible assets should be measured at initial cost, but for the preparation of the legal data base, which had been spent Rs. 2,112,195 has been capitalized as Rs.3,517,995 in the financial statements resulting in intangible assets of Rs. 1,405,800 were overstated in the financial statements.
- The foreign institute that contributed to the development of the legal database system informed that they do not have the information, and it had been informed that this asset is to be revalued according to the recommendations of the Asset revaluation Committee and the Technical Evaluation Committee.
- Actions should be taken in accordance with the referred accounting standard.
- (d) Although the capital grant accounting policy has been changed from the year 2021, the institution recognized Rs. 1,311,907 as deferred income related to the years 2021 and 2022 without taking steps to account for it as stated in the paragraph 44 of Sri Lanka Public Sector Accounting Standards No. 11 in the year under review. Journal entry had debited the Accumulated Surplus/ (Deficit) Account and credited the Contribution Progress Account. As a result, the accumulated surplus/(deficit) of that value was understated and the balance of the contributed capital account was overstated in the statement of financial position.
- It had been informed that in the year 2024, this would be corrected and the capital account balance, accumulated surplus/ (deficit) would be adjusted.
- Actions should be taken in accordance with the referred accounting standard.

### 1.5.3 Accounting Deficiencies

<b>Audit Observation</b>	<b>Management comment</b>	<b>Recommendation</b>
(a) In the year under review capital grant received of Rs.315,999 and recurrent grant received of Rs.18,346,346 should be shown separately in the financial performance statement, but capital grant received were also shown as revenue grants.	It had been informed that this mistake has been corrected.	Grant received should be accurately stated in the financial performance statement.
(b) Although in the statement of financial position of the year under review the balance of capital grant is Rs.17,003,576 and the balance of accumulated deficit is Rs.10,302,382, correspondingly according to the statement of change in net assets the said balance is Rs. 18,315,483 and Rs. 11,614,289. Therefore, between those balances there was a difference of Rs.1,311,907.	It had been informed that this change has occurred due to showing the journal entry No. 12/136 in the statement of change in net assets made for the adjustment of deferred income related to the years 2021 and 2022.	The statement of changes in net assets should be prepared correctly.

### 1.5.4 Documentary Evidences not made available for Audit

<b>Item</b>	<b>Amount Rs.</b>	<b>Audit Evidence not provided</b>	<b>Management comment</b>	<b>Recommendation</b>
Property, plant and equipment	3,057,383	Invoices, valuation reports	The institution does not have any invoices or valuation reports related to these assets purchased before the year 2012, and it had been informed that the information was obtained from the cash books and accounts of the previous years and entered in the fixed assets register.	Relevant evidence should be submitted to verify the fixed assets balances

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management comment	Recommendation
(a) <b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>			
i 103(1) b	Actions had not been taken regarding a vehicle accident that happened on 11 September 2019, according to financial regulations.	It had been informed that arrangements have been made to avoid such delays in the future.	Actions should be taken as per the referred Financial Regulations.
ii 104 (3)	In relation to a vehicle accident that occurred on 11 September 2019, the time delay could not be confirmed due to the fact that the date of the preliminary report was not mentioned as per the financial regulations, and the full report was submitted after 03 years.	It had been informed that arrangements have been made to avoid such delays in the future.	Actions should be taken as per the referred Financial Regulations.
iii 104(4)(xi)	Although the steps taken to prevent such losses in the future should be included in the full report, this was not done in the full report in relation to the above accident.	It had been informed that the notes will be applied in future reports.	Actions should be taken as per the referred Financial Regulations.
iv 168(3)	Although all the receipts should be stamped by including date with the	It had been informed that it has been corrected.	Actions should be taken as per the referred Financial Regulations.

departmental seal but it was not done in regarding 05 receipts.

- v. 225 (1) Although all the payment vouchers should be filled and prepared correctly and completely in the prescribed formats should be submitted for all the payments, but in respect of 06 payment vouchers amount of Rs.274,960 the date of certification of expenditure and the date of approval were not recorded.
- It had been informed that it has been corrected.
- Actions should be taken as per the referred Financial Regulations.
- vi. 262 (2)
- As there may be a risk of once paid vouchers being presented for payment again, all paid vouchers and supporting documents should be stamped "Paid" on the surface, but regarding 10 petty cash vouchers amount of Rs.10,080 were not done so.
  - Although the date of payment recorded in the cash book should be sealed "Paid" on each payment voucher, the audit could not verify the actual date of payment in respect
- It had been informed that in future every small bill will be sealed "Paid".
- Actions should be taken as per the referred Financial Regulations.
- It had been informed that in future, according to the financial regulations, the same date mentioned in the cash book will be recorded in the "paid" seal.
- Actions should be taken as per the referred Financial Regulations.

of 03 payment vouchers value of Rs.122,799 where the date recorded on the stamp "Paid" and the date recorded in the cash book were different.

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| vii. 1645 (a) (c) | As per the Financial Regulations, the daily running charts in relation to 02 vehicles were not maintained regularly and up-to-date.  | It had been informed that daily running charts will be maintained properly.  | Actions should be taken as per the referred Financial Regulations.  |
| viii. 1646        | Although the monthly summary journeys of each month should be submitted to the Auditor General along with the original copy of the monthly summary of journeys, but actions had not been taken in respect of 02 vehicles.as per the financial regulations for the year 2023. | It had been informed that the running charts related to the year 2023 will be presented in the future.   | Actions should be taken as per the referred Financial Regulations.  |
| (b)               | Asset Management Circular No. 01/2017 dated 28 June 2017   | Information for the year 2023 related to documenting all non-financial assets of the government for asset and cost management had not been submitted to the Comptroller General. | It had been informed that steps will be taken in the future. Actions should be taken as per the referred circular.                                |
| (c)               | Paragraph 3.1 of Public Administration Circular No.  | fuel consumption test had not been regarding one vehicle.  | After receiving the inspection report of the technical consultant of the van NC 3601, which Actions should be taken as per the referred circular. |



30/2016 dated  
29 December  
2016

carried out the fuel test,  
it had been informed that  
it is intended to carry out  
the fuel test of the motor  
vehicle number bearing  
CAK 0230.

- (d) Public Enterprises Circular No. 01/2021 dated 16 November 2021 Section 6.6 of the Operations Manual for Public Enterprises Statutory institutions are supposed to submit a draft annual report with financial statements to the Auditor General within 60 days after the end of the financial year, but it had not been dealt with accordingly. It had been informed that this delay was due to the unable to get the approval of the Board of Management. Actions should be taken as per the referred circular.

## 2. Financial review

### 2.1 Financial Results

The operating result of the year under review was a deficit of Rs.118,263, while the corresponding deficit of the previous year was Rs. 6,925,257. Accordingly, a growth of Rs. 6,806,994 was observed in the financial result. This growth is mainly due to increase in government grants received by Rs. 5,873,372 in the year 2023 and decrease in training program expenses by Rs. 3,015,740 and printing expenses by Rs. 200,688.

## 3. Operational Review

### 3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
The legal database system purchased at a cost of Rs.2,212,195 in the year 2016 has not been used so far and is currently inactive.	A report is to be prepared and sent by the experts of the University of Moratuwa regarding the method of updating this it had been informed that after receiving the report, will proceed accordingly.	A legal database system should be used.

### 3.2 Procurement Management

Audit Observation	Management Comment	Recommendation
(a) According to paragraph 04 of the Public Finance Circular No. 02/2020 dated 28 August 2020, the annual procurement plan should be prepared before December 10 of the recurrent year and the approval of the Chief Accounting Officer should be obtained and copies of it should be forwarded to the Auditor General, but the institution's procurement plan for the year 2023 had been submitted for audit on 16 November 2023.	As per the circular, it had been informed that the annual procurement plan will be prepared and obtained the approval of the chief accounting officer on the due date and it will be provided in the future.	Actions should be taken as per the referred circular.
(b) In accordance with paragraph 4.2.2(a) of the State Procurement Guidelines, the procurement plan submitted by entity had not been include a procurement time schedule describing in chronological order, step of each individual Procurement Action, from the point of commencement until its'completion.	It had been informed that the steps of each procurement action from the time of initiation to completion of the procurement activities were not specified separately, and the dates for commencement and completion of the activities were included.	Actions should be taken as per the referred circular.
(c) Although the main procurement plan was prepared to carry out 10 procurement tasks at an estimated cost of Rs.3,544,000 in the year 2023, only five procurement tasks with a value of Rs.1,940,166 had been implemented by the end of the year 2023, therefore 45 percent of the	It had been informed that the reason for this was the limitations of imprest, expenditure control circulars and the non-completion of repairs on the upper floor.	Actions should be taken according to the procurement plan.

estimated cost had been saved

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| (d) | A mobile phone value of Rs.45,999 has been purchased outside of the procurement plan in the year under review.  | According to the needs of the institution, a telephone value Rs. 45,999 was purchased and it had been informed that this was used to make the training programs of the judges more efficient.          | Actions should be taken according to the procurement plan. |
| (e) | According to the budget estimate for the year 2023, capital expenditure of Rs. 2,000,000 had been allocated only Rs. 315,974 had been spent of it. Accordingly, 84 percent of the estimated allocation saved unspent. | It had been informed that all the capital provisions were not utilized as there were difficulties in getting money as per the expenditure control circulars and to non-repair work on the upper floor. | Estimated provisions should not be underutilized           |

### 3.3 Human Resource Management

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) As at 31 December 2023, there was a shortage of 11 employees in 08 posts, even though the approved staff of the institution was 26. It had taken 42 percent of the approved staff.	The letter of the Director General of Management Services dated 24 April 2024 informed that the recruitment of those posts has been approved.	Vacancies should be filled without delay.
(b) According to Paragraph No. 05 (d) of the Sri Lanka Judges Act No. 46 of 1985, the primary objective of the institution is to provide library facilities for judicial officers, but the post of librarian remained vacant as at 31 December 2023. Furthermore, there were vacancies in the posts of secretary, technician.	It had been informed that the letter dated 08 April 2024 from the Director General of Management Services has approved the recruitment for the posts of librarian and technician, two applicants were called for the interview for the post of secretary, only one applicant participated and she was refused to accept the post.	Vacancies should be filled without delay.

#### **4. Accountability and Good Governance.**

##### **4.1 Internal Audit**

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
Paragraph No. 40 (1) of the National Audit Act No. 19 of 2018 states that the institution shall have its own an internal auditor appointed by the governing body of the institution to carry out internal audit activities, but the position of internal auditor was not included in the approved staff of the institution.	It was informed that the Ministry of Justice had informed on April 25, 2022 that it is not necessary to appoint a separate internal auditor as the audit will be done by the Internal Audit Division of the Ministry of Justice.	An internal auditor should be appointed as per the referred Act.