

Head 07 - Judicial Service Commission

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Judicial Service Commission for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Chief Accounting Officer on 25 June 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Judicial Service Commission was issued to the Chief Accounting Officer on 20 July 2020 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 prepared in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the Judicial Service Commission as at 31 December 2019 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

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 Responsibilities of Chief Accounting Officer on Financial Statements

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

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

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Judicial Service Commission in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of 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 furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.

- Although it is not intended to express an opinion on the effectiveness of internal control of the Commission, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act No. 19 of 2018 .

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

1.6 Comments on Financial Statements

1.6.1 Cash Flow Statement

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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Even though the amount spent on construction or purchase of physical assets and acquisitions other investment was Rs. 3,187,258, since it was shown as Rs.2,976,258 under cash flows generated from investment activities in the cash flow statement (ACA-C Format), the	The relevant expenses should be accurately recorded in the cash flow statement in terms of State Accounts Circular No. 271/2019 dated 03 December 2019.	This will be corrected from the year 2020.

cash flow spent for the investment activities had been understated by Rs. 211,000 .

1.6.2 Non-compliance with Laws, Rules, Regulations

The instances of non-compliance with the provisions of the laws, rules and regulations observed during the audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Observation Non-compliance	Recommendation	Comments of the Chief Accounting Officer
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulations 104 (3) and 104 (4)	Preliminary reports in respect of two vehicle accidents had not been obtained and it had delayed period of 05 months and 06 months to submit the full report.	Arrangement should be made in accordance with Financial Regulations 104 (3) and (4).	We have not submitted a preliminary report regarding these accidents. A period of 05, 06 months has elapsed to submit the report in accordance with Financial Regulation 104 (4). Actions will be taken to submit those reports in the event of an accident promptly in future .

(ii)	Financial Regulations 1646	The daily running charts with the original copy of the monthly summary on travels had not been submitted to the Auditor General.	Actions should be taken in accordance with Financial Regulations.	Arrangements are being made to send them to the Auditor General from the year 2020.
(b)	Paragraph 03.1 of Public Administration Circular No. 30/2016 dated 29 December 2016	Vehicles owned by the Commission had not been inspected for fuel.	Should act in accordance with the circulars.	Actions will be taken to properly conduct the fuel tests in future for the vehicles bearing number KR - 5692 and number KX - 6732, and the motor vehicles bearing number KR - 2383 and KR - 2435 transferred by the Ministry of Justice in future.

2. Financial Review

2.1 Expenditure Management

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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The total net provision for 03 recurrent expenditure objects was Rs. 780,000 and thus the total expenditure relating to those objects was Rs.113,396, the net savings of Rs.666,604 had ranged from 74 per cent to 95 per cent from the net	Accurate expenditure estimates should be prepared with proper consideration on prudence and efficiency in accordance in terms of the provisions in Financial Regulations 50 .	The matters such as limitation of local travel expenses, decrease of uniformed officers, carrying out only essential maintenance as the institution is maintained in a temporary building and delays in construction of

Provision. Further, the net provision of one capital expenditure object was Rs.2,000,000 and being the total expenditure related to that expenditure object was Rs.5,920, the value of savings amounted to Rs.1,994,080 had been 99 per cent out of the net provision.

buildings have caused for savings.

2.2 Issuance and Settlement of Advances

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>There was a debt balance of Rs. 185,000 due from an officer for more than 02 years by 31 December 2019.</p>	<p>Actions should be taken to recover the outstanding loan balance without delay.</p>	<p>The officer who had left the service was informed to make arrangements to pay that amount, as there was no reply received, actions are being taken that should be followed in respect of the overdue debt balances as per Public Finance Circular No. 05/2019 (e).</p>

3. Operational review

3.1 Procurement

Audit Observation

Although the specifications of the items to be purchased should be specified exactly in the bid invitation letter prepared at the time of calling for bids in accordance with the provisions of Paragraph 2006 (5.6) of the Government Procurement Guidelines, the required model of the air conditioners had been communicated to the bidders by a fax message on 30 July 2019 without specifying the model that they intended to purchase in the bidding documents sent by registered post on 19 July 2019 .

Recommendation

The specifications of goods which are expected to be purchased should be specified exactly in accordance with the provisions of Paragraph 2006 (5.6) of the Government Procurement Guidelines.

Comments of the Chief Accounting Officer

Responsibility is taken to make arrangements to act in a way that not cause such errors in future.

3.2 Assets Management

The following observations are made.

Audit Observation

(a) A motorcycle and a motor vehicle belonging to the Commission had

Recommendation

Actions should be taken to repair the vehicles which are in repairable condition and put into

Comments of the Chief Accounting Officer

The SUZUKI HJ 125 K motorcycle bearing WPJX-0875 should be permanently disposed of

been in idle for 03½ years and 02 years respectively.

operation and the vehicles that are in the condition of disposable to be disposed in order to the relevant methodology.

before being delivered to the Technical College. Necessary arrangements are being made to obtain the service of a suitable examiner of the Department of Motor Vehicles for this purpose. Even though necessary arrangements have been made on several occasions to obtain the service of a motor vehicle examiner to get the quality inspection report of the Jaguar X - Type Classic car bearing WPKJ – 5005, it was unable to do so. Further actions have been taken to bring down an officer by the letter dated 27 January 2020 .

(b) Actions had not been taken to obtain the legal ownership of the 0.0959-hectare plot of land located in the premises of the Judicial Service Commission Secretariat.

Actions should be taken to obtain the legal ownership of the land.

The recommendation for handing over the land had been given to the Provincial Land Commissioner by the Colombo Divisional Secretariat by the letter dated 24 February 2020 . Relevant activities are being done accordingly.

3.3 Losses and Damages

Audit Observation

The Details with regard to two motor vehicle accidents that occurred during the year under review had not been included in the statement of losses and waivers in Note (i) of the financial statements under recovery/write offs/ omissions during the year .

Recommendation

The details with regard to the vehicle accidents should be stated in the statement of losses and waivers in Note (i) .

Comments of the Chief Accounting Officer

This will be corrected from the year 2020.

3.4 Management Weaknesses

Audit Observation

The requirements mentioned in the circular titled ‘Human Resource Development in Government Institutions’ had not been implemented in terms of Public Administration Circular No. 02/2018 dated 24 January 2018.

Recommendation

A Human Resource Development Plan should be prepared in accordance with Public Administration Circular No. 02/2018 dated 24 January 2018.

Comments of the Chief Accounting Officer

Arrangements are being made to prepare a Human Resource Development Plan for the Judicial Service Commission Secretariat for the year 2020 in terms of Public Administration Circular 02/2018 dated 24 January 2018 .

4. Human Resources Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) There were 71 vacancies in the total cadre as at 31 December 2019 . It had taken a 60 per cent portion in the approved staff.	Actions should be taken to fill the vacancies in essential posts.	Out of those 71 vacancies, actions have been taken to get performed the duties by filling 17 vacancies from the Judicial Officers and and the officers belonging to the service of the scheduled public officers and the vacancy in one post is covered by an officer appointed on contract basis.
(b) The actual number of employees over the approved number of employees of the Commission was 18.	Action should be taken to get the approval for the excess staff.	Answers have not been given.
(c) Five officers had been recruited for the post of Registrar of Courts which does not belong to the approved staff of the institution.	Actions should be taken to get the posts approved as needed.	Arrangements have been made to fill the duties of 04 Assistant Secretary posts from the officers of the Registrar of Courts Service.