

Head 04 - Judges of the Superior Courts

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Expenditure Head of Judges of the Superior Courts 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 Expenditure Head of Judges of the Supreme Courts was issued to the Chief Accounting Officer on 26 June 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018 . The Annual Detailed Management Audit Report was issued to the Chief Accounting Officer on 31 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 financial position of the Institution 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

The Chief Accounting Officer is responsible for 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 .

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Institution 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 and maintained for the financial control of the Expenditure Head of Judges of the Superior Courts 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 express a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the Summary Report of the Auditor General 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 , 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 Sub-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 related to the preceding year had been implemented .

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) The opening balance of the year under review did not match with the closing balance of previous year in the statement of non-financial assets and there was no disclosure made in the financial statements in this regard.</p>	<p>The differences in between the balances of the previous year and the opening balances of the year under review should be disclosed.</p>	<p>As a result of non-financial assets did not match with the balance of Treasury assets as at 31 December 2018, the accounts have been prepared without considering the non-financial assets on the instructions of Treasury. All the assets remained as at 31 December 2018 and have been included in the accounts as opening balances and it was in line with non-financial assets balance and non-financial asset balance of the Treasury as at 31 December 2019. The opening balance as at 01 January 2019 has been stated as the opening balance of the ACA 6 report and it was not disclosed separately in the notes.</p>

- (b) Although the expenditure on acquiring the assets of the year under review was Rs.2,005,790 as per the vote ledger and ACA 2 (II), only a sum of Rs.1,969,990 had been stated under purchases in the statement of non-financial assets (ACA-6 Form) The expenditure on acquiring the assets should be accurately capitalized. Expenditures have been made during the year under expenditure object numbers on acquisition of assets in the year under review and those expenses have been reported to the Department of State Accounts in Treasury by the CIGAS Programme. It is informed that, it happens automatically under non-financial assets 9152 and 9165 under the CIGAS Programme and actions will be taken to inform to the Department of State Accounts in Treasury to take necessary steps regarding this. The balances of non-financial assets at the end of the year and the expenditure balances of expenditure objects were in line with Treasury accounts.
- (c) The value of the 26 vehicles belonging to the Expenditure Head had not been identified and taken into accounts. Arrangements should be made to account for the assets values. Discussions were made with the Department of State Accounts in Treasury to account for the vehicles under Supreme Court Judges Expenditure Head 04 and since inability to reach a final agreement regarding the accountable value of vehicles therein, it was impossible to take into accounts in the year 2019 . Actions will be taken to account for based on the insurance value of all vehicles owned by the Superior Court in the year 2020 .

1.6.2 Exceeding of Limits

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
(a) Although the minimum receipts limit authorized by the Appropriation Act for the Advances to Public Officers Account 'B' was Rs.400,000, as the actual receipts were Rs.384,540 it had not reached to the minimum receipts limit by Rs.15,460.	It should adhere to the limits imposed by Parliament for the advance activities.	The Hon. Judges have only applied for loans amounting to Rs. 136,470 during the year. Since that loan amount was also given in December 2019 , it is informed that it has been impossible to reach to the minimum receipt limit.
(b) There was a huge gap in between the maximum limit of the debit balance authorized by the Appropriation Act and the actual limit and in between the maximum limit of expenditure and the actual limit during the last 04 years with regard to advance 'B' account and as a percentage, it was a value exceeding 82 per cent.	Actions should be taken to revise the limits.	There are 23 Hon. Judges of the Superior Court and the Court of Appeal and loans are granted on request of those judges. The maximum expenditure limit for the year has been determined by considering the amount that can be applied for, to grant a loan if so requested. The limit of maximum debit balance has been determined accordingly.

2. Financial Review

2.1 Operating Bank Accounts

Audit Observation

Although it is prohibited to obtain overdrafts from any government bank account as per the Financial Regulation 387, there were overdrafts of Rs. 3,757,495 and Rs.4,901,237 on 20 and 23 December respectively in the year under review in the bank current account of the Expenditure Head and the bank had charged a sum of Rs. 8,029 as overdraft interest as at 31 December for that. The bank balance had become an overdraft of Rs. 5,029 on 31 December 2019 again.

Recommendation

Actions should be taken in terms of Financial Regulation 387.

Comments of the Chief Accounting Officer

The Slip File for the month of December for the payment of wages relevant to the account number 0007041537 under the Registrar of the Supreme Court Head No. 234 has been sent to the bank applying the account number 0007040024 by a mistake. There was a bank overdraft due to the payment of salaries in December by the account number 0007040024 and actions were taken to correct that payment in the next working day itself. Further, the accounting activities related to overdraft interest has been completed by the first week of January.