

## **Superior Courts Complex Board of Management**

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### 1. Financial Statements

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#### 1:1 Qualified Opinion

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Superior Courts Complex Board of Management as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1:2 Comments on Financial Statements

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##### 1.2.1 Accounting Deficiencies

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The matters observed are given below.

- (a) The value of the land on which the Superior Courts Complex is situated had not been assessed and brought to account.
- (b) The building facilities of the Board had been utilized by several institutions and in this regard, rentals had not been recovered from those institutions by the Board.
- (c) Vehicle maintenance expenditure amounting to Rs.187,500 for the year under review had not been brought to account as capital expenditure.

##### 1.2.2 Accounts Receivable and Payable

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The following observations are made .

- (a) The value of debtors as at end of the year under review amounted to Rs.4,338,535 and out of this, balances totalling Rs.1,303,019 and balances totalling Rs.44,729 had remained outstanding from 01 to 05 years and more than 5 years respectively while any provision had not been made for doubtful debts.

- (b) The value of creditors as at end of the year under review amounted to Rs.390,434 and out this, the balances totalling Rs.158,923 and balances totalling Rs.231,509 had not been settled from 01 to 05 years and more than 05 years respectively.

1.2.3 Lack of Evidence for Audit

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 The audit evidence shown against the following items of accounts had not been submitted for audit.

Item	Value	Documentary Evidence not Presented
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	Rs.	
(a) Buildings	2,421,470,587	Documentary evidence to confirm the ownership
(b) Lands	-	Assessment value and title deed

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

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 Instance of non-compliances with the following laws, rules regulations etc. were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
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(a) F.R 751	The report of the Board of Survey had not been submitted to the Auditor General.
(b) Treasury Circular No. 842 of 19 December 1978.	The Register of Fixed Assets had not been properly maintained.
(c) Treasury Circular No. 2004/01 of 24 February 2004	A draft final accounts and the draft annual report had not been presented within 60 days after the close of the year of accounts.

(d) **Public Enterprises**  
**Circular No.PED 12**  
**dated 02 June 2003**

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I. Section 5:2:5

Even though the budget approved by the Board of Control should be submitted to the Ministry of Justice, the Department of Public Enterprises and the Auditor General within 15 days prior to commencement of the year under review, it had not been done accordingly.

II. Section 7:4:4

A Committee had not been established in an appropriate manner for providing training to the employees in order to enhance the effectiveness of the employees and the employees had not been selected for the training programmes.

III. Treasury Circular  
No.IAI/2002/02  
dated 28 November  
2002

A separate register of fixed assets had not been maintained in respect of computers and computer accessories.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the working of the Board of Management for the year ended 31 December 2011 had resulted in a deficit of Rs.2,483,781 as compared with the corresponding deficit of Rs. 894,478 for the preceding year. The increase of operating expenditure by Rs. 2,731,127 and increase of prior year adjustments by Rs.1,211,256 was the reason for improvement in the financial results for the year under review by Rs.1,589,304 as compared with the preceding year.

3. Operating Review

3.1 Performance

The following matters were observed.

(a) According to the Budget for the year under review, the capital expenditure was Rs.50 million. It was planned to obtain a sum of Rs.45 million from the Government of China and a sum of Rs.5 million from the Government of Sri Lanka as provision for the above expenditure. A sum of Rs.2.32 million had been obtained as capital grant from the Government of Sri Lanka during the year 2011 and out of this, a sum of Rs.1,507 million had been spent. The management had failed to obtain Rs.45 million which was expected to obtain from the Government of China. Therefore, activities such as maintenance and renovation of building expected to carry out from the above provision could not be completed.

(b) Even though it was expected to complete 29 activities according to the action plan for the year under review, only 09 activities had been completed during the year.

3.2 Uneconomic Transaction

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Even though a sum of Rs.532,822 had been spent for publishing newspaper advertisements and for conducting interviews in several instances without a proper plan for filling 06 posts which remained vacant during the year under review, out of those vacancies, only 02 posts had been filled.

3.3 Transactions of Contentious Nature

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According to the financial statements, electricity expenditure for the year under review amounted to Rs.28,920,894 and it represented 87 percent of the total utility expenditure. The following matters were observed on the examination of the electricity expenditure.

- (i) Even though the Board had provided halls/ rooms of the Supreme Courts Complex to other institutions for utilization, charges had not been recovered from those institutions for utilization of electricity and as such the annual electricity expenditure had increased.
- (ii) Attention had not been drawn by the Board for preparing a sustainable programme considering the minimization of the electricity expenditure and the timely necessities.

4. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Board from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets
- (b) Inventory
- (c) Debtors and Creditors
- (d) Contracts
- (e) Financial Control