

Superior Courts Complex Board of Management - 2013

The audit of financial statements of the Superior Courts Complex Board of Management for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and the statement of income and expenditure, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13 (1) of the Finance Act, No. 38 of 1971 and Section 11(2) of the Superior Courts Complex Board of Management Act, No. 50 of 1987. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14 (2) (c) of the Finance Act, appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements 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 Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, except for the effect of the matters described in paragraph 2.2 of the 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 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards (SLPSAS)

The following observations are made.

(a) SLPSAS 3 – Accounting Policies’ Changes in Accounting Estimates and Errors

According to the provisions in the standard, an entity should be corrected the material prior period errors retrospectively in the first set of financial statements authorized for issue. However, the Board had adjusted a prior period errors amounting to Rs. 318,661 relating to previous 04 years period in thire financial statements of the year under review in contrary to the provisions in the standard.

(b) SLPSAS 7 – Property, Plant and Equipment

Even though the depreciation of a fixed asset should begin when it is available for use, in contrary to this requirement the Board had charged a full depreciation in the year of sale of an asset an non in the year of purchase.

2.2.2 Accounting Deficiencies

Although the capital grant should be a credit balance in the financial statements, the capital grants amounting to Rs. 321,083,080 had been shown as a debit balance in the financial statements for the year under review.

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non compliances with laws, rules and regulations ect. were observed in audit.

Reference to Laws, Rules and Regulations	Non-compliance
(a) <u>Financial Regulations</u>	
i. Financial Regulation 133(1) (a)	An internal audit had not been carried out by the Board in terms of provisions in the Financial Regulations.
ii. Financial Regulations 1646	Vehicles log books had not been maintained by using FORM No.267.
(b) Public Administration Circular No 41/90 of October 1990	Fuel consumption of motor vehicles had not been tested once in every 06 months.
(c) Public Enterprises Circular No.PED/12 of 02 June 2003	(i) Budgeted cash flow statement and statement of financial position had not been included in the budget prepared for the year under review. (ii) Although the Annual Budget should be submitted to the Auditor General not later than 15 days before the commencement of the ensuing year, it was submitted only on 30 January 2013.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operation of the Board for the year ended 31 December 2013 had resulted in a deficit of Rs. 18,382,575 as compared with the corresponding deficit of Rs.11,497,626 for the preceding year, thus indicating a further deterioration of Rs. 6,884,949 in the financial results for the year. The increase of other operating expenditure by Rs.17,862,714 as compared with the increase of government grant for recurrent expenditure by Rs.10, 977,765 was the main reason for this deterioration in the financial results of the year under review

3.2 Analytical Financial Review

The continuous increase in the deficit year by year had been adversely affected to the Accumulated Fund of the Board. The deficit and the balance of the Accumulated Fund as at end of the year under review and the preceding four years are given below.

Year	Deficit	Balance to the Accumulated Fund
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	Rs.	Rs.
2013	18,392,274	(321,083,080)
2012	11,915,862	(197,936,899)
2011	2,483,781	(79,475,324)
2010	894,478	43,330,279
2009	2,919,119	47,560,636

The Board had sustained deficit of Rs.18,382,575 for the year 2013 and had negative net assets position of Rs. 141,538,454 as at the end of the year under review due to rapidly increase of deficit during the year under review and for the previous four years. Thus the ability of the Board to continue as a going concern without the financial assistants of the General Treasury is doubtful.

4. Operating Review

4.1 Performance

The Board of Management had been appointed under the Superior Courts Complex Board of Management Act, No.50 of 1987 in order to control, administer, manage and maintain the Superior Courts Complex, and the buildings including the additions, alterations and improvements as may be necessary to enhance the amenities of the Complex. However, out of the total expenditure of Rs.121 million incurred during the year under review only a sum of Rs.9 million had been spent to perform these main objectives.

4.2 Identified Losses.

The following observations are made.

- A sum of Rs.187,191 had been paid as interests due to non-payment of electricity bills in stipulated time period.
- A provision of Rs. 257,467 had been made in the accounts as surcharge due to error calculation of gratuity for the year under review.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

According to Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements of the Board for the year under review should be submitted to the Auditor General within 60 days after the close of the financial year. Nevertheless, the financial statements for the year under review had been submitted only on 30 may 2014.

5.2 Budgetary Control

Significant variances were observed between the budgeted and actual expenditure for the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

5.3 Audit and Management Committee

Audit and Management Committee had not been in the Board and Board participate in the Audit and Management Committee of the Ministry of Justice.

6. Systems and Controls

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

(a) Accounting

(b) Control over Assets