

## Head 234 – Registrar of the Supreme Court

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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The audit of the financial statements of the Registrar of the Supreme Court for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Registrar of the Supreme Court was issued to the Accounting Officer on 22 July 2019. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Registrar of the Supreme Court was issued on 10 July 2019 to the Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Registrar of the Supreme Court as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

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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 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

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The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the **Department** 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 of the Department.

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibility for the Audit of Financial Statements**

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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 summary 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 scepticism 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.
- Obtain 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 Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate 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.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## 1.5. Report on Other Legal Requirements

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As required by Sub-section 6 (d) of the National Audit Act, No.19 of 2018, I state the followings:

- (a) As there was no requirement of preparation of financial statements by the Registrar of the Supreme Court for the preceding year, I could not state that the financial statements of the year under review are consistent with the preceding year.
- (b) As there was no requirement of preparation of financial statements by the Registrar of the Supreme Court for the preceding year, recommendations on financial statements had not been made by the **Department**.

## 1.6 Comments on Financial Statements

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### 1.6.1 Non-compliance of Financial Statements with Circular Provisions

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Even though financial statements should have been prepared in terms of the State Accounts Circular No.267/2018 of 21 November 2018, instances of deviating from those requirements are given below.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Financial statements should be prepared based on the details in Formats ACA- 01 to ACA -6. However, in the preparation of statement of financial performance, differences totalling Rs.14,873,743 was observed at 02 instances.	In the preparation of the statement of financial performance in terms of provisions of paragraph 3.6 of the said circular, details relating to receipts and payments of advances should be brought to account as cash and cross entries.	It is agreed with your observation and instructions were given to prepare the statement of financial performance based on details in Formats ACA -1 to ACA – 6.
(b) Except for the instances where savings out of variations between the total net provision and actual expenditure is less than 5 per cent or Rs. 10,000 or whichever is higher, it is required to furnish explanations for variations at every other instance under each	It is required to furnish explanations for savings under each Object in terms of paragraph 3.5 of the circular.	Explanations for these variations have been furnished on 17 June 2019 after the audit query No.JPA/A/RSC/02/FS/18/G/52 submitted by you.

Object. However, 17 instances where explanations had not been furnished for savings of Rs.17,008,622 were observed.

- (c) Even though any commitment or liability not reported to the Treasury should not be settled in the year 2019 as a previous year expenditure, liabilities totalling Rs.1,115,587 not so reported to the Treasury had been paid in January and February 2019.
- In terms of paragraph 3.4 of the circular, all liabilities for each Object should be correctly identified and be in line with the statements of commitments and liabilities issued by the Treasury relating to each Item of Expenditure.
- Liabilities of the previous year have been settled in this year after obtaining the approval in terms of Financial Regulation 115.

## 1.6.2 Statement of Financial Performance

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The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Even though the other receipts of the year under review had been Rs.12,668,452, it had been indicated as Rs.13,049,015 in the statement of financial performance. As such, the other receipts had been overstated in accounts by Rs.380,563.	The Annual Financial Statements should be prepared in terms of the circular.	Instructions were given to correct this error of Rs.380,563.
(b) In terms of Financial Regulation 208, an expenditure totalling Rs.212,840 had been incurred by another Department and receipts of cross entries and payments of cross entries amounting to	Receipts and payments made by cash as well as by cross entries should be based in the preparation of the statement of financial performance and an Imprest Account should be prepared for identifying the difference indicated accordingly.	A sum of Rs.212,840 has been overstated under operations of the cash flow statement. Instructions were given to carry out future accounting activities correctly.

Rs.8,809,396 and  
 Rs.6,064,347  
 respectively had  
 remained in the  
 Advances to Public  
 Officers "B" Account.  
 However, an Imprest  
 Adjustment Account had  
 not been prepared for  
 adjusting those  
 transactions.

### 1.6.3 Statement of Financial Position

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 The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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According to the Treasury computer printouts, a balance of Rs.1,476,545 had been indicated as at 31 December 2018, a balance had not been indicated in the Format ACA – 3.	Statements of Accounts should be prepared by recording the relevant balance of accounts correctly in terms of Treasury Formats.	It is agreed. Instructions were given to correct it.

#### 1.6.4 Cash Flow Statement

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Even though a sum of Rs.200,147,341 had been indicated as non-income receipts under the cash flow generated through operations of the cash flow statement, according to the Treasury computer printouts, total receipts of imprests during the year had been Rs.183,256,755. As such, non-income receipts had been overstated in the cash flow statement by Rs.16,890,586.	Statements of Accounts should be prepared based on correct balances by entering correct information so as to prevent double counting and reconciling the said information with statements of accounts of the Treasury.	A double counting has occurred due to receipts to deposits under operating activities of the cash flow statement, receipts to Advances B Account and inclusion of money credited to the Revenue daily, into separate accounts, thus indicating this difference. Instructions were given to prepare accounts correctly in the future.
(b) Expenditure of Rs.212,840 incurred by other Departments had been indicated in the cash flow statement under personal emoluments and expenditure on operations of the cash flow generated through operational activities of the cash flow statements. As such, expenses had been overstated by Rs.212,840.	In terms of Financial Regulation 208, expenditure incurred by other departments should not be considered as a transaction in relevant to the cash flow of the Department.	As this observation has been mentioned in 1.5.1 (d), the said reply itself is furnished therefor.

## 2. Financial Review

### 2.1 Management of Expenditure

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Entire provisions of Rs.165,000 made for 02 Objects had been saved.	In terms of provisions of the Financial Regulation 50, estimates of expenditure should be prepared with due regard to economy and efficiency.	Savings had been made due to non-requirement of capital expenditure relating to Objects 2001 and 2002.
(b)The total net provisions relating to 04 recurrent objects and 03 capital objects had been Rs.9.84 million and the total expenditure relating to those Objects as at the end of the year under review had been Rs.4.21 million, thus indicating savings of Rs.5.63 million ranging from 36 per cent to 85 per cent of the net provision.	-Do-	Provisions had been saved due to failure in incurring expenditure during the year at the estimated value of relevant Objects. Action will be taken to avoid this situation in the future.

### 2.2 Incurring of Commitments and Liabilities

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
Even though at no time shall the commitments incurred for an expenditure exceed provisions for the financial year, commitments of Rs.1.06 million had been incurred for liabilities exceeding provisions of 06 Objects.	In terms of Financial Regulation 94, except where otherwise provided for, no expenditure or commitment shall be incurred by any department for work, service or supply, unless financial provision exists therefore in the Annual Estimates.	These payments had been made in the current year after obtaining the approval under F.R.115 and a supplementary estimate had been received in the current year for the object of 234-01-01-01-1003.

### 2.3 Operating of Bank Accounts

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
----- The balance of Rs.21.01 million of the Current Account bearing No.1370724 opened and maintained in the Bank of Ceylon, Aluthkade Branch in August 1983, had remained dormant over a period of 05 years by 31 December 2018 and the cash book relating to that account had not been made available to Audit.	----- Action should be taken in consultation with the Treasury in respect of the dormant bank account.	----- Particulars relating to the balance of this bank account is being confirmed and thereafter, future measures will be taken thereon.

### 3 Operating Review

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#### 3.1 Planning

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
----- The Action Plan prepared for the year 2018 had not been complied with provisions a, b and e of paragraph 03 of the Public Finance Circular No.01/2014 of 17 February 2014.	----- Action Plan for the ensuing year should be prepared in terms of the said Circular.	----- In terms of the Public Finance Circular No.01/2014 of 17 February 2014, action will be taken to prepare the Action Plan in future considering your observations as well.



### 3.2 Security of Public Officers

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
----- In terms of the Financial Regulation 880, four officers who are required to give security in accordance with the Public Officer (Security) Ordinance and circular Nos. 01/2011 and 01/2011(I) of 18 January 2011 and 07 May 2014 respectively of the Ministry of Justice, had not taken action to give security.	----- In terms of Financial Regulation 880 and provisions of other institutional circulars, Officers who are administratively responsible for, or who under delegation are entrusted with, the receipt or custody of public money, revenue stamps or stores, or the disbursement of public money or the issue of stamps or stores and those who certify vouchers or sign cheques on Government Account will be required to give security in accordance with the Public Officers (Security) Ordinance (Cap. 612) for the faithful discharge of their duties.	----- Action will be taken in future to obtain security from officers who are required to give security.

### 4 Good Governance

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
----- An Internal Auditor had not been appointed in terms of Section 40(1) of the National Audit Act, No.19 of 2018 and a post of an Internal Auditor had not been	----- An appropriate methodology should be prepared for internal audit activities.	----- The internal audit is carried out by the Internal Audit Unit established under purview of the Ministry of the Judicial and Prison Reforms.

included in the approved cadre.

## 5 Human Resources Management

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
----- Vacancies and excess cadre as at 31 December 2018 stood at 38 and 01 respectively.	----- Relevant recruitments should be made by carrying out an evaluation on the staff required for achieving objectives and main functions of the Department.	----- The Justice Service Commission will take action to regularize this situation in making new recruitments.