

Head 228 – Courts Administration

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Courts Administration for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Courts Administration was issued to the Chief Accounting Officer on 30 June 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Courts Administration was issued to the Chief Accounting Officer on 20 August 2021 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 give a true and fair view of the financial position of the Courts Administration as at 31 December 2020 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

My opinion is qualified based on the matters appear in Paragraph 1.6 of this report. 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 the Chief Accounting Officer and the 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 Courts Administration 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 Courts Administration 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 and obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluate 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) 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 of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Imprests Adjustment Account

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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Even though two outstanding unsettled sub- imprests balances amounting to Rs.200,405,660 and Rs.26,841,142 remained in the financial statements of the preceding year, had been settled during the year under review, the details of them had not been stated in the imprests account of the year under review.	These imprests balances settled in the year 2020 could not be included in ACA 03 Format by a mistake when preparing financial statements .	Information on settlement of sub- imprests balances should be submitted in the financial statements of the year under review.

1.6.2 Statement on Financial Position

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) There was a difference of Rs.950,444,894 when entering the closing balances of statement on non-financial assets as opening balances of the year under review.</p>	<p>The reason for this difference was the entering of the value of the assessed assets in the year under review as the opening balances, the assets purchase by the Head Office and issues to other courts and enters in the CIGAS programme as the opening balance of the relevant High Court by removing from Head Office CIGAS programme.</p>	<p>The closing balances of assets for the preceding year should be matched with the opening balances for the year under review.</p>
<p>(b) Even though the balance of work-in-progress as at the end of the year under review was Rs. 6,399,989,032 thus the value of the statement of non-financial assets was Rs. 6,396,228,605, the value of property plant and equipment and the reserve of property plant and equipment had been understated by Rs. 3,760,427.</p>	<p>This difference had occurred because of failure to add the amount paid in connection with the construction of the Vakarai Court it into the Treasury Records due to a system error in adding value to the assets of the CIGAS programme and necessary actions are being taken to correct it.</p>	<p>Financial statements should be properly prepared.</p>

- (c) Even though the balance of machinery and equipment at the end of the year under review was Rs. 1,190,923,305, thus that value of the statement of non-financial assets was Rs. 1,167,226,396, value of property plant and equipment and the reserve of property plant and equipment had been understated by Rs. 23,696,909 .
- This difference had taken place when uploading asset values in CIGAS Interface and action are being taken to contact with the Department of State Accounts to correct this difference.
- The Departmental Books should be reconciled with the Treasury Accounts and financial statements should be prepared accurately.

1.6.3 Advance to Public Officers' Accounts

Audit Observation

There was a difference of Rs. 12,536,427 in between the total of the individual loan balance classification summary and the balance of the control account as at the end of the year under review.

Comments of the Chief Accounting Officer

This discrepancy remained in between the individual loan balance classification summary of the Advances to Public Officers' Account and the Control Account descends from the decade 90s. This error has occurred when settling debt balances under internal transfers between High Court Zones and Zonal Accountants have been instructed to take steps to settle this and report to the Ministry and its progress is being checked from time to time by the Ministry.

Recommendation

The total of individual loan balance classification summary and the departmental control account balance should be equal.

1.6.4 Other Advance Account Balances

Audit Observation

Even though the advances which should be recovered as at 01 January 2020 from 03 construction projects included in the rent and work advance account of the preceding year amounting to Rs.4,240,412 had been recovered in the year under review, that recovery and the rent advance of Rs. 17,689,394 to be recovered as at 31 December 2020 in respect of 04 construction projects had not been shown in financial statements.

Comments of the Chief Accounting Officer

Advances on all projects commenced have been accounted for in terms of Paragraphs 3 and 4 of 250/2016 (1) after inquiring about this in the Summary Report of the Auditor General for the year 2018 . These recoveries and balances to be recovered have not been included in the financial statements because of the advances had been made for these projects prior to the audit query and also the reserve accounts have not been opened for mobilization advances .

Recommendation

Accurate information on advances should be included in financial statements in terms of State Accounts Circular No. 250/2016 (1) dated 03 August 2016.

2. Financial Review

2.1 Expenditure Management

Audit Observation

Out of the additional allocation of Rs. 41,420,000 provided for 05 expenditure objects, a sum of Rs. 24,379,798 had not been utilized .

Comments of the Chief Accounting Officer

The provisions for 04 expenditure objects due to the expenditures had not occurred as expected because of the failure of the courts to function properly at the end of the year as a result of the Covid pandemic and the

Recommendation

Accurate expenditure estimates should be prepared in terms of Financial Regulation 50 and additional provisions should be obtained according to a plan.

provisions for one expenditure object due to not being able to get the furniture from the State Timber Corporation on the required date at the end of the year, have been saved.

2.2 Entered into Commitments and Liabilities

 The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) The value of liabilities in the financial statements had been understated by Rs.756,032 .</p>	<p>The amount of Rs.756,032 to be paid to the government factory has been mistakenly omitted in the preparation of financial statements.</p>	<p>Financial statements should be properly prepared.</p>
<p>(b) Liabilities amounting to Rs. 10,412,631 had been entered into exceeding the savings after deducting the utilization from the net provision made available for 04 expenditure objects.</p>	<p>Liabilities have been entered into for 04 expenditure objects with the opening of the country due to the Covid pandemic and having to work on weekends and holidays and having to employ officers overtime due to settlement of accounts at the end of the year, increase in travelling expenses of summons distributors, repair of photocopiers, fax machines, Duplo machines as a result of expediting proceedings and increase of sanitization expenses due to the Covid pandemic .</p>	<p>It should act in accordance with Financial Regulation 94 (1)</p>

2.3 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Observation Value Rs.	Non - compliance	Comments of the Chief Accounting Officer	Recommendation
Financial Regulations 109 (1) and (2) of the Financial Regulation of the Democratic Socialist Republic of Sri Lanka	3,093,666	Proper actions had not been taken in respect of the losses incurred on 63 occasions during the period of 2 to 10 years.	Actions are being taken properly in accordance with the F.R. in respect of other damages including current vehicle accidents and the damages mentioned in the audit inquiry is many years old and it is informed that the actions will be taken to solve the existing practical problems and to make necessary arrangements accordingly.	Actions should be taken in terms of Financial Regulations 109 (1) and (2) .

2.4 Reconciliation Statement on Advances to Public Officers' Account

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Out of the arrears debt balance totalled to Rs.28,746,312 as per the reconciliation	Because of the courts do not have information on loan files, personal addresses, National Identity	Arrears loan balances should be recovered promptly.

statements, the value of outstanding loan balances for more than 05 years was Rs. 7,633,491 and it was 26 per cent of total debt arrears.

Card numbers etc. to take further action on the value of Rs.7,633,491 arrears debt balances since the 1990s, it is also difficult to write off these debt balances.

(b) There was a debt balance of Rs. 10,313,832 from the officers who retired at the end of the year under review due to failure of following the Establishments Code. Out of this, the debt of Rs. 145,820 has been in arrears for more than 05 years.

Out of the loan balance of Rs. 10,313,832 receivable from retired officers, a sum of Rs.1,170,900 have been settled as at 31.03.2021 and necessary steps are being taken to settle the remaining loan balances. Even though the Department of Pensions has advised that the loan balances of retiring or deceased officers would be settled from their account summary, the debt balances of retired officers have not yet been settled under the new system with relevance to the Judicial Administration Head. Because there are some disruptions in these activities, the Department of State Accounts has subsequently instructed to take actions to settle the debt balances through the monthly account summaries as before.

Actions should be taken to recover the outstanding loan balances.

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| <p>(c) A motor vehicle loan had been given to an officer of the Colombo High Court Zone without fully recovering the bicycle loan obtained earlier in contrary to Section 7.2.5 of Chapter xxiv of the Establishments Code and subsequently, he was interdicted. Therefore, motor vehicle loan of Rs. 107,000 and the bicycle loan of Rs. 3,800 had not been recovered for more than 05 years.</p> | <p>Inquiries were made in this regard by the Colombo High Court and it has been informed by the letter No. කො 2021/අත්ති බි/ගි/මහඩි/ dated 09.04.2021 stating that further action would be taken in this regard because there was no information about the officer was found during the checking of the file .</p> | <p>At the time of payment of advances, actions should be taken to recover the unsettled loan balances as per the Establishments Code.</p> |
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2.5 Deposit Balances

Audit Observation

Actions had not been taken with regard to the balances of Rs.10,090,396,580 out of 593 deposit accounts in 26 Judicial Zones and Rs.1,821,214 balances in 04 Deposit Accounts of the Labor Tribunal in terms of Financial Regulation 571.

Comments of the Chief Accounting Officer

Because there is a large amount of deposits in relation to the judicial zones, it is practically impossible to present an age analysis and an age analysis has been provided for the Head Office only.

Recommendation

Actions should be taken in terms of F.R.571 .

2.6 Operating Bank Accounts

Audit Observation

Actions had not been taken in respect of the cheques issued but not presented amounting to Rs. 2,813,441 over 06 months in 48 bank accounts belonging to the Head Office and 23 High Court Zones at the end of the year under review in terms of Financial Regulation 396 (c) .

Comments of the Chief Accounting Officer

The relevant courts have been instructed to act in accordance with F.R.396 regarding the cheques that have expired for 06 months in the Judicial Zones indicated by the query.

Recommendation

It should act in accordance with Financial Regulation 396 (c) .

3. Operating Review

3.1 Projects not Commenced

Audit Observation

The provision of Rs. 5,000,000 had been made for the project of construction of the Kantale Court Complex and the works on the project was not commenced due to non-selection of a contractor.

Comments of the Chief Accounting Officer

The procurement work related to the commencement of this project could not be carried out due to the Corona epidemic in the country in the year 2020 and the procurement work for this project is currently being carried out and the construction is expected to commence within this year.

Recommendation

Projects should be implemented according to plans.

3.2 Projects that Commenced Works after a Delay

Audit Observation

The project to construct the new building of the Pugoda District Magistrate's Court was scheduled to be commenced in mid-January 2019. Nevertheless, the work had commenced on 22 September 2019, with a 09 months delay as a result of Re-preparation of the initial cost estimate of the project for Rs. 449,730,984 on 25 February 2019 and the re-approval of the Architectural Plan on 05 April 2019 .

Comments of the Chief Accounting Officer

The contract has been awarded on 28 December 2018 with an estimate of Rs. 610 million including modern technical equipment which was not included in the estimated amount of Rs. 450 million approved by the Cabinet of Ministers. Subsequently, the initial cost estimate of Rs. 429 million for civil construction only has been prepared after removing the latest technical equipment and the value of the previous contract award letter has been revised and notified to the institution on 26 July 2019.

Recommendation

Accurate estimates should be prepared and projects should be implemented without delay.

3.3 Uneconomic Transactions

Audit Observation

A sum of Rs. 6,400,000 had been paid as rent for the temporary building which was obtained under the lease agreement for a monthly rent of Rs. 400,000 to maintain the Pugoda

Comments of the Chief Accounting Officer

As the temporary building which was obtained to maintain the Pugoda District/Magistrate Court cannot be used as a court in such a manner, the necessary changes should be made as appropriate to

Recommendation

Expenditure management should be done frugally.

District / Magistrate Court, without being used for the relevant purpose. The lease period was extended from 31 January 2021 to 20 July 2022 due to the construction of the new court complex was not completed within the stipulated time period.

maintain the judiciary and those changes can only be made once the building is rented. It took time to modify the rental building to suit the court and for that time, the lease rent had to be paid.

4. Human Resources Management

Audit Observation

There were 522 vacancies for 09 posts to be filled by the Ministry of Justice under Head 228 (Judicial Administration) at the end of the year under review and there were 874 vacancies for 08 posts until being filled by the Judicial Service Commission.

Comments of the Chief Accounting Officer

The Ministry of Justice has informed the Ministry of Public Service, Provincial Councils and Local Government about the vacancies in the Sri Lanka Accountant Service, Translator Service and Development Officers Service in relation to the posts where appointments are made and officers have been appointed to fill 06 vacancies in the courts through the new appointments of Development Officers. Requests have been made from the Department of Multipurpose Development Task Force for the posts of Primary Grade and the Department has made appointments for 132 office assistant posts and 48 judicial security posts.

Recommendation

Actions should be taken to fill the vacancies in the essential posts.