

Superior Courts Complex Board of Management - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Superior Courts Complex Board of Management for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 and the Financial Act No. 38 of 1971 . My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards .

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 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 qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Board 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.

1.4 Audit Scope (Auditor's Responsibility on the 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:

- 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.
- Obtained 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 internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Concluded on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause to cease to continue as a going concern.

- Evaluated the 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.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Centre and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on Preparation of Financial Statement

1.5.1 Internal Control over the Preparation of Financial Statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with Management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with Management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the Standard	Comments of the Management	Recommendation
(a) Actions had not been taken to review the estimate of the effective lifetime of 03 motor vehicles which were fully depreciated but are still in use amounting to Rs. 5,006,511 in accordance with the Sri Lanka Public Sector Accounting Standards 03 .	<p>Three motor vehicles with regard to the Superior Court Complex Board of Management are used for day to day duties. One of these vehicles out of that was sold by calling tender in 2021 .</p> <p>The effective lifetime of motor vehicles is 04 years. Accordingly, the effective lifetime of motor cars have completed now . Therefore, the Administration and Human Resources Division of the Superior Court Complex was informed in writing to assess the value of those vehicles.</p>	Arrangements should be made in terms of Sri Lanka Public Sector Accounting Standards.

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Due to the unavailability of an accounting policy to classify and identify fixed assets, the equipment and home appliances which were to be considered as inventory items cost at Rs.1,324,156 and Rs.	Actions have been taken to account for the tools and equipment and home appliances under fixed assets.	The fixed assets and inventory items should be accurately identified and stated in the financial statements.

2,392,394 respectively had been shown in financial statements as fixed assets.

1.5.4 Lack of Documentary Evidence for Audit

Item	Amount Rs.	Unavailable Audit Evidence	Comments of the Management	Recommendation
Fixed Assets	63,522,545	Documents or detailed schedules	A schedule for identified balances has been submitted.	Documents and schedules required to verify the asset balances stated in the financial statements should be submitted.

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

Reference to Laws, Rules, Regulations Etc.	Non- compliance	Comments of the Management	Recommen- dation
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(a) Financial

Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 371 (2)	It had delayed from 19 to 72 days to settle the advances which had been given on 05 occasions totalled to Rs.96,345.	In view of the prevailing Covid 19 situation in the country, the recruitment of employees was carried out as per the roster method in the year under review. Therein, the officers who received advances were unable to settle the money. Therefore, it is informed that since the settlement of advances has been made after the officers report back to work, such delays had occurred.	Arrangements should be made to settle the advances without delay.
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(ii) Financial Regulation 454 and 751	As a result of purchases and issuances were not properly included in the inventory book, there had been an excess of 64 units in 05 items and a shortage of 20 units in 03 items in between the stock book balance and the actual balance.	The Departmental Board of Survey 2020 Committee has included 04 items in scrap (General 47) goods . The actions taken by the relevant sections on other shortages and excesses will presented .	The book balance and the actual balance should be adjusted in accordance with the Financial Regulations.
(iii) Financial Regulation 880	Securities had not been obtained from any of the officers who were required to keep securities in accordance with the Security Ordinance.	There has been no evidence of keeping securities by the officers since the commencement of the Superior Court Complex even up to now. It is informed that the relevant activities will be carried out in this regard with the approval of the Board of Management in future.	Securities should be kept in terms of Financial Regulations and the Ministry of Justice Circular No. 01/2011 dated 18 January 2011
(b) Section 16 of the National Audit Act No. 19 of 2018 and Section 6.5.1 of the Public Enterprises Circular No. PED / 12 of 02 June 2003	A Draft of the Annual Report of the Board for the year under review had not been submitted with the annual financial statements.	It is informed that the Draft has been given at the time of giving the financial statements of the Board.	A Draft of the Annual Report should be submitted in addition to the Action Plan.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs.7,066,939 and the corresponding deficit of the preceding year was Rs. 16,101,438 . Accordingly, a growth of is Rs. 23,168,377 was observed financial results. Increase in government recurrent grants and other operating revenue and decrease in staff expenses and other operating expenses had mainly attributed to this growth.

3. Operating Review

3.1 Operational Inefficiencies

Audit Observation

Due to the payment of the electricity bill in delay by the Board for the meter No. 470005718, a sum of Rs. 371,894 had been paid as penalty interest for the years 2019 and 2020 .

Comments of the Management

The imprest for recurrent expenditure normally issued monthly by the General Treasury is Rs.6,000,000. Because of the balance is not sufficient for electricity expenses after spending around Rs. 3,000,000 on recurrent expenses except for electricity, an interest has to be paid on the payment of monthly electricity bill. However, it is kindly informed that the steps will be taken to pay the monthly electricity bill in full from the year 2021.

Recommendation

Financial control should be exercised so as not to cause any loss to the Government.

3.2 Transactions in Contentious Nature

Audit Observation

As a result of the payment of a salary increment beyond the initial salary step relevant to a post,

Comments of the Management

Because of appointing a person who was recruited to the post of Manager (Finance) of the Board of Management of the Superior Courts on 16.04.2012 by offering

Recommendation

Actions should be taken to recover overpaid salaries and advances receivable.

overpaid salaries to a retired officer and advances receivable totalled to Rs. 191,919 had failed to be recovered.

salary increments beyond the initial salary level, overpayments of salary increments were reduced on the advice of the Department of Management Services and the Board of Management. Even though the Board of Management has decided to charge all the overpaid salaries in installments, the service has been terminated with effect from 18.07.2017 as per a decision of the Board of Management. However, the case No. DMR / 1532/2020 has been filed in the District Court to recover a sum of Rs.187,477.35 further receivable .

3.3 Procurement Management

Audit Observation	Comments of the Management	Recommendation
(a) The procurement related to obtaining cleaning service had not been included in the Procurement Plan prepared for the year 2020.	Only the capital expenditures are included in the Procurement Plan prepared by the Board. Because of the cleaning service is an overhead cost of the organization, it is a recurrent expenditure. Therefore, the Procurement Plan does not include the cleaning service.	Procurement of all goods and services should be included in the Procurement Plan.
(b) Despite the annual estimate of the cleaning service had exceeded Rs. 06 million, the bidder had been selected based on the shopping method in contrary to the Procurement Guidelines 3.4.1 and Procurement Manual 2.14.1 .	This system had not been implemented previously for the cleaning service of this institution. Even though the facts are so, the day to day works have been avoided due to the Corona epidemic in March 2020 and the remained procurement process was done. Similarly, the bidding process had to be done	Arrangements should be made in accordance with Procurement Guidelines .

according to the procedure followed depending on the urgent requirement of the service. Nevertheless, it is kindly informed that the actions will be taken in accordance with the proper Procurement Guidelines in future.

- (c) Despite the institution which had offered the lowest price for the janitorial service had been approved by the Procurement Committee, due to the fact that the Board of Management of the institution had awarded the contract at the previous contract price to the same institution, a financial loss of Rs. 202,656 per annum had occurred to the procurement entity.

The procurement process for the year under review was carried out to maintain the cleaning services of the Superior Court Complex. Because there were no bad reports about the service of the institution that had already provided the cleaning services, the approval of the Board of Management has been given on 10.09.2020 to award the contract to maintain the service at previous year's prices to that institution.

Processing with the approval of the Procurement Committee.