

## **Head 228 – Courts Administration**

---

### **1. Financial Statements**

---

#### **1.1 Qualified Opinion**

---

The audit of the financial statements of the Courts Administration for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 20 June 2022 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 19 July 2022 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 2021 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 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 that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- 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 Accounting Deficiencies

-----

#### (a) Property , Plant and Equipment

-----

<b>Audit Observation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----	<b>Recommendation</b> -----
<p>(i) When the closing balances in the statement of non-financial assets for the preceding year was taken as the opening balances of the year under review, the total value of 07 assets balances had not matched by Rs. 371,301,551</p>	<p>The reasons for the difference is, entering the value of assets assessed in the year under review as opening balance and removing the assets purchased by the Head Office and issued to the courts from the CIGAS programme of the Head Office and entered in the CIGAS programme as the opening balance of the relevant High Court.</p>	<p>The closing balances of the assets of the preceding years should be matched with the opening balances of the year under review.</p>
<p>(ii) As per the schedules of non-financial assets submitted by the Court Zones, the total balance of machines and equipment by Rs.457,321,708 at the end of the year under review and its purchases in the year under review by Rs. 23,567,420 were not matched with the amounts in the financial statements.</p>	<p>The Register of Fixed Asset as per BOS Record has been included in the financial statements as per the instructions of the Department of State Accounts. A difference was not seen in between the High Court's records as per the CIGAS Programme and the Register of Fixed Asset as</p>	<p>The balances should be rectified by reconciling the BOS Record and the Register of fixed Asset of Court Zones.</p>

per BOS Record

(b) **Reconciliation Statement of Advance to Public Officers' Account**

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
The reasons had not been indicated for the difference of Rs. 12,225,070 remained in between the total of the individual balance classification summary and the departmental control account	This difference has been remaining for many years and this error has occurred when the courts fail to enter accurate debt balances in books and in settlement of debt balances under transfers of officers.	The total of the individual balances classification summary should be matched with the departmental control account balance.

(c) **Non-Commercial Advance Account Balances**

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
Because of the balance of rent and work advances to be recovered furthermore as at 31.12.2021 pertaining to 02 construction projects of official quarters of Anamaduwa and Chilaw Magistrate Courts valued at Rs. 6,264,535 was not included in the financial statements, that advance account balance and rent and work advance reserve balance had been understated by Rs. 6,264,535 .	Since reserve accounts have not been opened for the advances granted for the above projects for the commencement of works, recovery of these advances have not been included in the financial statements. Nevertheless, the advances paid will be duly recovered when paying bills and the advance to be recovered as at 31.12.2021 has been entered in the ACA-5 (a) as a Note.	Accurate information about advances should be included in the financial statements in accordance with State Accounts Circular No. 250/2016 (i) dated 03 August 2016 .

## 2. Financial Review

### 2.1 Expenditure Management

#### Audit Observation

As a result of failure to prepare the estimates as per Financial Regulation 50, the net provision made available for 08 expenditure objects amounting to Rs. 255,400,000 had saved.

#### Comments of the Chief Accounting Officer

The provisions had saved due to inability to pay final bills as expected because of the activities of the organization could not be carried out as planned as a result of the Covid epidemic and failure of the contracting agency to submit the documents as expected.

#### Recommendation

Accurate expenditure estimates should be prepared as per F.R. 50 .

### 2.2 Entered into Commitments and Liabilities

#### Audit Observation

- (a) There was a mismatch of Rs. 9,932,916 in between the liability balances in the financial statements and balances in the schedules of liabilities (file) of the Court Zones submitted for audit.
- (b) Liabilities totalling to Rs.6,953,210 to be included in the statement of commitments and liabilities (Note iii) had been shown in the statement of liabilities (Note iv) .

#### Comments of the Chief Accounting Officer

The errors in the schedules sent from the High Court Zones have been corrected and values entered in Note No. IV .

Only the values downloaded by the CIGAS programme as at the end of the year that is, the bills that could not be paid due to lack of imprests despite the provisions available are included in the statement of liabilities (note iii).

#### Recommendation

The account balances remained in the Court Zones should be matched with the account balances in the financial statements .

The details on commitments and liabilities should be accurately presented in Note iii and Note iv in terms of Financial Regulations.

Since the incurring of these expenses was necessary for the maintenance of judicial proceedings, the liabilities mentioned in Note No. iv have to be entered into.

- (c) The liabilities shown in the statement of liabilities – (i) Note (iv) totalled to Rs. 26,557,266 had not been included in the statement of commitments and liabilities (SA 92) of the Treasury.

Only the values downloaded by the CIGAS programme as at the end of the year that is, the bills that could not be paid due to lack of imprests despite the provisions available are included in the statement of liabilities (note iii). Since the incurring of these expenses was necessary for the maintenance of judicial proceedings, the liabilities mentioned in Note No. iv have to be entered into.

All the commitments and liabilities of the institution should be reported to the Treasury at the end of the year.

### 2.3 Non-compliance with Laws, Rules, Regulations

Reference to Non-compliance with Laws, Rules, Regulations etc.	Value Rs.	Non-compliance	Comments of the Management	Recommendation
-----				
(a) Establishments				
Code of the Democratic Socialist Republic of Sri Lanka				
-----				
Chapter XXIV (i) Section 4.2.5	6,707,975	The debt balances of retired officers had not been recovered from commuted pension or gratuity.	Most of the loan balances could not be able to collect because of the delay in restoration of pension file due to disciplinary inquiries and also failure to release of provision from pension department for the payment of retirement gratuity.	Actions should be taken to recover the outstanding debt balances.
(ii) Section 7.2.5	110,800	Because of a motor vehicle loan was granted to an officer of the Colombo High Court Zone without fully recovering the previously obtained bicycle loan and he was later interdicted, motor vehicle loan of Rs.107,000 and bicycle loan of Rs.3,800 obtained had remained for more than 05 years without being recovered.	Inquiries were made from the Colombo High Court in this regard and as information could not be found regarding the officer, it has been informed by letter No. කො/මහධි/ශ්/අන්ති/බී/2021 dated 13.10.2021 that the further examinations will be carried out.	In making advance payment and recoveries, it should act in accordance with Establishments Code.

**(b)** Financial  
Regulation of  
Democratic  
Socialist  
Republic of Sri  
Lanka

**(i)** Financial  
Regulation 104  
(i)

The damage caused due to burning of wooden furniture and fixtures of Ratnapura Magistrate Court on 13.05.2001, had not been assessed even by 31 December 2021 .

Answer has not been given

Actions should be taken in terms of Financial Regulation.

**(ii)** Financial 2,567,467  
Regulation 109  
(1) and (2)

Actions had not been taken in terms of Financial Regulation in respect of the losses and damages that occurred in 38 cases from 2000 to 2020 .

It is informed that the actions are being taken in terms of F.R in respect of other damages including motor vehicle accidents occurring at present and it is informed that the actions will be taken to resolve practical issues regarding these damages which were many years old and to make necessary arrangements accordingly.

Actions should be taken in terms of Financial Regulation.

**(iii)** Financial 1,966,222  
Regulation 396  
(c)

Actions had not been taken in respect of the cheques that had not been presented to the bank pertaining to 69 bank accounts belonging to the Head Office and 23 High Court Zones, which are over 06 months old.

Instructions have been given to the relevant courts to take actions in accordance with F.R. 396 .

Actions should be taken in terms of Financial Regulation.



## 2.4 Deposit Balances

### Audit Observation

- (a) An age analysis with regard to the deposit balances of 582 accounts in 26 Court Zones amounting to Rs. 13,035,216,242 had not been submitted to audit.
- (b) A total of Rs. 172,321,534 received as retention money had not been settled even by March 2022 in making payments for contracts in the years 2017, 2018 and 2019 .

### Comments of the Chief Accounting Officer

As there is a large amount of deposits related to Court Zones, submission of an age analysis is difficult in practice and an age analysis has been submitted for the Head Office only .

Since some constructions have not been completed by now, the retention money cannot be released till the completion of the construction work and inability to pay for final bills until receive the approval of the Standing Technical Evaluation Committee although the construction work was over and also since the final bills have not been submitted by the contractors, the retention money has remained in the deposit account. However, the officers have been instructed to release all the retention money that can be released and if not, to take necessary steps to credit the government revenue in terms of F.R. 571 .

### Recommendation

An age analysis for deposit accounts should be submitted and actions should be taken in terms of Financial Regulation 571 .

Arrangements should be made to settle the retention pertaining to the completed constructions as per the agreement.

### 3. Operating Review

#### 3.1 Losses and Damages

##### Audit Observation

Even though losses of 26 vehicles totalled to Rs. 250,360 had been written off as per the Register of Vehicle Accidents, a loss of 48 vehicles totalled to Rs. 579,740 had been written off in the Statement of Losses and Waivers (Note I).

##### Comments of the Chief Accounting Officer

The Register of Vehicle Accidents is updated and write off the losses at present and arrangements have been made to write off the damages for vehicle accidents that are many years old but not mentioned in the Register of Vehicle Accidents.

##### Recommendation

The Register of Vehicle Accidents should be updated and maintained.

#### 3.2 Management Weaknesses

##### Audit Observation

- (a) Although the contract works for the construction of the new Civil Appellate Court Building at Kalmunai should be commenced within 14 days as per the letter of acceptance dated 29 December 2017, the works had been commenced after a delay of 07 days, on 19 January 2018. Similarly, even though it had been informed on 22.09.2022 by the Central Engineering Construction Board that the works which were supposed to be completed on 19 July 2019 of this project were completed on 15 July 2019, the final bills of the project had not been submitted by the date of audit, 21 October 2021. The

##### Comments of the Chief Accounting Officer

Constructions have been commenced on 19.01.2018 due to delay of few days more than the expected time for the removal tree in the proposed site for the project. The final bill has not been prepared and submitted by the contracting agency up to now. Officers were instructed to obtain performance security based on accurate value while awarding projects to contractors. Necessary steps will be taken to notify the Judicial Service Commission to make arrangements to inform the court judges regarding the change in the

##### Recommendation

Projects should be commenced without delay and the written approval of the Ministry should be obtained for the revised plans. Similarly, actions should be taken to obtain the performance security based on accurate contract value.

Performance Bond for the contract had been obtained with a sum of Rs.584,482 in less without based on contract value in contrary to Section 5.4.8 (a) of the Procurement Guidelines -2006. Further, the construction plans had been changed at the request of the relevant judge, without the written permission of the Ministry.

construction plans.

**(b) Construction of Galle Court Complex**

(i) First phase and the second phase of the contract had been commenced with a delay of 20 days and 87 days respectively as at the date mentioned in the acceptance letter .

As the documents required to obtain approval for the construction of the first phase of the contract have not been completed, the Consultancy Firm had informed through letter No. CB/AGM/SP/C824 dated 18.12.2013 that the construction work could not be commence as per the Contract Awarding Letter. New revisions were made in the plans in the second phase and the commencement of the works has delayed due to the revision of Bill of Quantities accordingly.

Arrangements should be made to revise the dates of the Letter of Acceptance.

(ii) A Procurement Time Table to be prepared for the Project as per 4.2.2 (a) of the Government Procurement Guidelines had not been formulated..

Prepare the procurement time table in all procurement activities currently being carried out and refer to Procurement Committee for the approval.

Actions should be taken in terms of 4.2.2 (a) of the Government Procurement Guidelines .

(iii) Due to the contract was not properly planned, the first phase had stopped by August 2016 and despite the remaining work to be completed amounting to

Due to unavoidable reasons, it had to incur an additional cost because of the extension of construction period .

The construction should be completed within the approved time frame with a proper plan and actions should be

Rs.319,083,108 had been awarded to a sum of Rs. 923,000,000 in June 2020 as the second phase on the approval of the Cabinet of Ministers to the same institution, the cost of the contract had increased by Rs. 603,916,891 .

taken with the strong consideration on economy and thriftiness in spending public money.

(iv) A sum of Rs. 23,000,000 had been incurred for the projects where works were stopped for almost 04 years from August 2016 as security, electricity, labor and staff charges for that time.

Due to the suspension of construction works in 2016 , these costs have to be incurred for its security until a definite decision is reached in that regard.

In disbursement of government funds, it should be done efficiently and economically according to the right plans.

(v) Because it had not checked the post qualification of contract to ascertain the ability to perform effectively before awarding the bid to the lowest bidder in terms of 7.10.1 (b) of the Government Procurement Guidelines, the scheduled human resources contract had not been deployed in the respective months of August and September 2014 .

As the State Engineering Corporation is a leading government agency related to construction and as there were no issues at that time regarding the capacity and resources required to effectively perform the contract, the contract has been awarded to that firm.

Actions should be taken in terms of 7.10.1 (b) of the Government Procurement Guidelines.

**(c) Contract for Construction of Office Building of Narammala Circuit Magistrate's Court**

(i) Although the Ministry Procurement Committee had granted the approval on 18 December 2019 to award of the contract , the letter of acceptance related to the contract had been sent to the bidder on 20 January 2020

Because of the productions have been piled up at the proposed site for the Project and also the entire shutdown of the country due to the Covid-19 epidemic, transferring of the land for the Project has been made

After acceptance of a bid submitted by a bidder, a formal letter of acceptance should be issued to the relevant bidder immediately as per 8.9.1 of the

and the agreement had been entered into on 08 June 2020 .

on 03.06.2020 and a formal contract agreement has been entered into by 08.06.2020 .

Procurement Guidelines (2006), and a formal contract agreement should be written and signed with that.

(ii) Due to not taking an exact decision regarding the construction and planning of the Project that had aimed to be built in 2017, the total cost estimate had increased by Rs. 2,926,984 on stopping of procurement and resumption in 2019 .

Changes in building plans and submission of analytical presentation of preliminary works of estimation and preparation of estimates as per 2018 BSR Rate (2018 BSR Rate) has caused the increase of total cost estimate.

The provisions obtained after preparing accurate estimates should be utilized for the relevant task during the scheduled period.

(iii) Even though the Project was to be completed and handed over within 270 days from the commencement of the construction works according to the contract agreement, the physical progress of the project which was started works on 28 September 2020 was 33 per cent as at 30 September 2021 .

It has become difficult to carry out the construction work as planned due to the difficulties ( removal of productions, carrying out construction work in a limited space, lack of space to store construction materials, entire removal of goods should be done after completion of work on the first floor ) in the proposed site since the commencement of the construction of the Project on 28.09.2020 and the corona epidemic situation in the years 2020 and 2021 .

According to the contract agreement, the construction works should be completed and handed over.

**(d) Unrecovered Loan Balances**

(i) The total of outstanding loan balances as per the reconciliation statement of advances to public officers' "B" account was Rs.29,386,794 and the value of debt balance that had elapsed more than 05

These debt balances are the balances for more than 20 years old. Since the courts do not have the proper information related to these, such as loan files, personal addresses, national identity card numbers and guarantors,

Outstanding debt balances should be immediately recovered.

years including within it as at 02 June 2022 was Rs. 3,510,381 .

(ii) The balance to be recovered from the deceased officers as at 30.04.2022 was Rs.3,212,313 and there were 16 debt balances totaling to Rs. 2,182,397 for which the installment was not charged during the year.

(iii) The debt balance receivable from the suspended officers and retired officers as at 30.05.2022 were Rs. 10,078,450 and Rs. 4,015,309 respectively .

etc. , it has been difficult to proceed with the recovery of debts.

Recoveries from death gratuity has become difficult due to lack of formal information for the debt balances amounting to Rs. 2,182,397 which has not been recovered for many years.

Recovery of these loan balances has become difficult due to lack of information such as loan files, personal addresses, National Identity Card Numbers and guarantors etc. because most of the debt balances are very old and also the disciplinary proceedings of the suspended officers have not been completed.

Actions should be taken to recover the outstanding loan balances.

Actions should be taken to recover the outstanding loan balances.