

## **Superior Courts Complex Board of Management - 2014**

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The audit of financial statements of the Superior Courts Complex Board of Management for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 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**

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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**

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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 Auditing 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 judgement, 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 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.

### **1.4 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## 2 Financial Statements

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### 2.1 Qualified Opinion

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this 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 2014 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

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#### 2.2.1 Sri Lanka Public Sector Accounting Standards ( SLPSAS )

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**SLPSAS 7 – Property, plant and Equipment:** - The depreciation of a fixed asset should begin when it is available for use. However, the Board had charged a full provision for the year of disposal and no depreciation is made in the year of purchase.

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

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The following non-compliance with Laws, Rules, Regulations etc., were observed in audit.

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>
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(a) Financial Regulation of the Government of the Democratic Socialist Republic of Sri Lanka	
i. Financial Regulation 133(1) (a)	An internal audit had not been carried out in terms of provisions in the Regulation.
ii. Financial Regulation 228	Details of the respective expenditure account had not been quoted in the payment vouchers relating to the period of January to May 2014.
iii. Financial Regulation 751(1)	A separate inventory book had not been maintained in respect of inventory items.
iv. Financial Regulation 751(2)	A separate inventory book for electrical fittings had not been maintained in respect of electrical inventory items.
v. Financial Regulation 756	Report on the annual verification of assets had not been furnished to audit.
vi. Financial Regulation 1647 (e)	A register of vehicles had not been maintained by the officer in charge for vehicles.

- (b) Management Services Circular No.39 of 26 May 2009
- i. Four salary increments totalling to Rs.2,940 had been paid to the manager maintenance from February 2013 without being obtained the required approval.
  - ii. The Manager (maintenance) of the Board had been paid monthly allowance of Rs.15,000 since April 2013 in addition to the salaries entitled to him, without being obtained the approval from the Department of Management Services.
- (c) Public Enterprises Circular No. PED/12 of 02 June 2003
- (i) Paragraph 5.2.1 of Chapter 5
    - (i) Budgeted cash flow statement had not been included in the budget prepared for the year under review.
    - (ii) Although the approved 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 19 February 2015.
  - (ii) Paragraph 7.2 of Chapter 7
    - Although an Organization Chart had been prepared, the delegation of authority and responsibility had not been clearly defined for carrying out the major operations in line with the Organization Chart.

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the operation of the Superior Court Complex Board of Management during the year under review had resulted in a surplus of Rs.4,837,746 as against the deficit of Rs.18,382,575 in the preceding year, thus indicating an improvement of Rs.23,220,321 in the financial result for the year under review. The increase of total income by Rs.26,370,825 as against the increase of total expenditure by Rs.3,150,504 was mainly attributed for this improvement.

### **4. Operating Review**

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#### **4.1 Performance**

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According to the Superior Courts Complex Board of Management Act, No.50 of 1987, the main objectives of the Board of Management are 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.124 million incurred during the year under review only a sum of Rs.9 million or 7 per cent had been spent to fulfill the main objectives of the Board of Management.

## **4.2 Management Inefficiencies**

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The following observations are made

- a) Six building owned by the Board of Management had been rented out in the year 2003 based on the valuation report obtained from the Department of valuation. Although over 10 years had elapsed, actions had not been taken to re-asses the rent to suit with the present valuation.
- b) A sum of Rs.346,571 had been paid as penalty in failure to making the payment of electricity bills on due dates.

## **5. Accountability and good governance**

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### **5.1 Corporate Plan**

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Although the Corporate Plan should be a rolling plan effective for a period of not less than three years, the Corporate Plan prepared for the years 2012 to 2016 had not been updated according to the current trends.

### **5.2 Audit and Management Committee**

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The Audit and Management Committee had not been established and the Board of Management had participated in the Audit and Management Committee meetings conducted by the Ministry of Justice.

## **6. Systems and Controls**

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

- (i) Control over Assets
- (ii) Utilization of Vehicles