

Head 228 - Report of the Auditor General on the Department of Courts Administration Year 2017

The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 were presented to Audit by the Department of Courts Administration. The financial and physical performance reflected by the said account and the reconciliation statement were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Management and Accountability

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of the Department of Courts Administration – Head 228 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government

revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Secretary to the Ministry of Justice and Prison Reforms on 25 October 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports presented to Audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me

1.4 Audit Observation

 The audit observations of the Department of Courts Administration for the year ended 31 December 2017 revealed in audit, appear in the Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations appear in paragraphs from 2.1 to 2.12 of this report. It was observed that the accountability as the Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulation 128 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Accounting Officer in terms of Financial Regulation 128(1)	Non-compliance with that Provision by the Accounting Officer	Reference to the Paragraph of the report which included the Observation
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 Financial Regulations

128(1)(a) That the work of his department is planned and	1. Non-preparation of the Action Plan in	2.1(a)
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carried out with due despatch, an accurate manner.
 having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorised, and that an endeavour is made to complete the programme of work laid down for the year and/or to attain the targets specified;

- 2. Non-preparation of the Budget Estimate in a realistic manner. 2.7
- 3. Non-maintenance of Registers and Books. 2.10
- 4. Deficiencies in implementation of the procurement process.

128(1)(b) That the organization for financial control and accounting in his department is effective, and provides adequately for the correct ascertainment, where necessary, of dues to Government, the systematic, complete and prompt collection of dues, and bringing to account of monies received, the authorisation of commitments on behalf of the Government, the supervision and examination of services and supplies rendered, and the prompt and correct payment therefor from public funds;

- 1. Deficiencies in management of human resources.
- 2. Projects abandoned without completing.
- 3. Delays in execution of projects.

- 128(1)(c) That the Financial Regulations and other supplementary instructions of the Government are adhered to in his department, and that they are supplemented by departmental instructions, where necessary;
1. Non-compliances
 2. Failure in holding Audit and Management Committee
 3. Deficiencies in General Deposit Accounts
- 128(1)(e) That adequate and proper arrangements are made for the safe custody and preservation of money, stores, equipment and other assets belonging to the Government, or is in its custody, and that these are verified from time to time; and, where they are disposed of, such disposal is according to prescribed Regulations and instructions;
1. Failure in ascertaining the safety of assets.
 2. Irregular utilization of assets not vested.
 3. Losses and damage.
- 128(1)(h) That special arrangements are made to recover outstanding dues and that the officers assigned that task report to him at least once a quarter or as otherwise directed regarding arrears and action pursued to expedite their recovery;
1. Deficiencies in Advances to Public Officers Account
- 128(1)(i) That the activities of his department are undertaken with due regard to economy,
1. Entering into commitments exceeding the limit

efficiency, propriety and of the annual
integrity expected in the Budget.
transaction of public business; 2. Deficiencies in
management.

2. Material and Significant Audit Observations

2.1 Performance

The following observation is made.

(a) The updated organizational structure, approved cadre and details of present cadre of the Department for the year had not been included in the Action Plan prepared for the year 2017 in terms of the Public Finance Circular No.01/2014 of 17 February 2014.

(b) Construction of Courts Complex, Galle

Construction works of this Project had been awarded on 20 December 2013 to the State Engineering Corporation at an estimated cost of Rs.1,032 million. Moreover, constructions of this Project which should be commenced in the year 2013 and completed in the year 2016 in terms of agreements, had not been completed up to the year 2017. Provisions of Rs.672 million had been made for a period of 05 years from the year 2013 to the year 2017. Out of that, an expenditure of Rs.375 million had been incurred and a sum of Rs.297 million had not been utilized. The physical progress of the year 2017 had been 47 per cent.

As a feasibility study had not been carried out at the beginning of the Project, construction works had been discontinued halfway due to matters such as inadequate land space and infrastructure facilities and failure in commencing procurement activities by identifying requirements,. Therefore, the approval of the Cabinet of Ministers had been granted on 07 June 2016 for the construction of the said Courts Complex in another place.

(c) Construction of Boundary Wall and Fence of the Nochchiyagama Circuit Magistrate's Court

Construction works of this Project had been estimated at a cost of Rs.21.5 million and it had been awarded to a private institution at a cost of Rs.15 million. This Project should have been completed within 371 days that is, on 02 July 2013 according to the agreement dated 14 June 2012 entered into between the contractor and the Secretary to the Ministry of Justice and Prison Reforms. Constructions of this Project had been discontinued halfway due to matters such as failure in carrying out a feasibility study and obtaining a certificate of suitability on land. Even though a sum of Rs.24.5 million had been estimated and provisions of Rs.4.9 million had been made in the year 2017 for the completion of further constructions of the Project, construction works had not been commenced even up to the end of the year 2017.

(c) Construction of New Record Room and Production Room at Kaluvanchikudi Court

The contract period of the said contract commenced on 22 December 2014 had been 280 days. Even though the due date for completion of works was on 28 September 2015, extensions had been granted up to 07 July 2017. A period of approximately two years had elapsed for the completion of this Project which was planned to be completed within 280 days. As such, it was not observed that objectives expected by constructing the new building for facilitating the affairs of the relevant Court had been achieved in the same manner.

(e) Construction of the Wattala Courts Complex – Stage 1

The total cost estimate of the said Project targeting the completion of works within 365 days from the commencement of works on 01 March 2013, had been Rs.194.11 million and that contract had been awarded on 01 March 2013 to the State Engineering Corporation. The following matters are observed in this connection.

- (i) Extensions had been granted in 07 instances for this construction Project and according to the last extension, the due date for completion of works was 31 August 2017. This Project had not been completed up to 11 November 2017. Moreover, existence of the physical progress of the Project at a weak level in the years 2015 and 2016 had been the reason for non-completion of works as above.
- (ii) The approval of the Cabinet of Ministers had been received to award the contract to the State Engineering Corporation, to the total estimated cost of Rs.194.11 million subjected to the estimate approved by the Technical Evaluation Committee of the Ministry of Construction, Engineering Services, Housing & Common Amenities. Accordingly, the estimate approved by the Technical Evaluation Committee had been Rs.156.19 million. However, it was observed that the total expenditure incurred for the Project by 14 November 2017 had been Rs.212.78 million, thus observing that the expenditure of Rs.56.61 million had been incurred exceeding the estimate.
- (iii) Moreover, it was observed in audit that the said expenditure had included an expenditure amounting to Rs.36.60 million as well paid to the State Engineering Corporation relating to the Construction of Wattala Courts Complex – Phase II.
- (iv) The Technical Evaluation Committee had approved the consultancy service fees as 04 per cent out of the contract value, representing Rs.5.18 million. However, a sum of Rs.7.26 million had been paid only during the year 2014 to the State Engineering Corporation. However, the physical progress of this construction as at 31 December 2014 was only 70 per cent.
- (v) Requirements which should be carried out in the Phase I, such as installation of water system and fire extinguisher security system, preparation of two Judge's benches, construction of the public toilet blocks, installation of generators, fixing of doors and windows and construction of the security hut had been planned to be carried out in the construction Phase II, due to weaknesses in the feasibility study carried out in the Construction Phase I. The

estimate relating thereto had been Rs.148.29 million. In terms of the approval of the Cabinet of Ministers dated 29 November 2016, the contract of the said Project as well had been awarded to the State Engineering Corporation from 24 December 2016. According to the contract agreement, works should be completed within 240 days, that is, on 21 August 2017. However, works had not been completed even by 30 November 2017, the date of audit.

- (vi) A liquidated damage amounting to Rs.12,269,270 had been recovered in 04 instances as 0.05 per cent out of the contract sum per day of delay in terms of paragraph 8.7 of the contract agreement of the project relating to Construction Phase I. However, the said liquidated damage recovered, had to be repaid due to extension of days without carrying out a proper supervision on matters not deviating from the control of the contractor. Moreover, in the same instance, the Value Added Tax had been revised and as a result, a sum of Rs.12,528,663 including the said Value Added Tax had been repaid, thus indicating an overpayment of Rs.259,393.

(f) Construction of Public Toilet Blocks at Helboda Circuit Magistrate's Court and Gampola District/Magistrate's Court and Construction of a Security Hut at Gampola District Judge's Bungalow

- (i) The estimate of the Ministry relating to the said constructions comprising three main phases had been Rs.2,718,740 (excluding VAT) and competitive bids had been invited from 09 institutions therefor. The approval of the Ministry Minor Procurement Committee had been granted to award this contract for a sum of Rs.2,501,796 (excluding VAT) to the Institution which is the sole institution by which bids were submitted. The contract had been awarded targeting the completion of works within 105 days from the date of commencement of works on 12 December 2014 and the due date for completing works was 27 March 2015.

However, extensions had been granted in two instances up to 20 October 2015 considering the request of the contractor. Even though such extension of days had been granted to the contractor, Small Scale Procurement Committee held

on 25 April 2016 had decided to discontinue the contract due to failure in completing works. Moreover, the value of work done of the project by then had been Rs.1,184,749.

(ii) Only the work of construction of the Gampola District Judge's Bungalow and a security hut of this project comprising three parts had been completed by the date of completion of the original contract and remaining works of the construction of public toilet blocks at Helboda Circuit Magistrate Court and Gampola District/Magistrate Court had been 70 per cent and 62 per cent representing Rs.603,563 and Rs.534,097 respectively of the total estimate.

(iii) Provisions amounting to Rs.923,000 had been made under Object KAN-1-1-7-2104 (Small Scale Development Programme) by the license No.2441 dated 21 August 2017 for the purpose of construction of public toilet blocks at Helboda Circuit Magistrate Court which is the incomplete remaining part of the original project. Nevertheless, the information on the progress thereof had not been presented to Audit. Further, when completing the works on 25 April 2016, the value of remaining works of this project had been Rs.603,563. However, provisions amounting to Rs.923,000 had been made therefor from the new estimate of the year 2017. Accordingly, excess provisions of Rs.319,437 had been made due to delay in the contract.

(iv) The toilet facility is a very essential requirement at the Court which is a common place for Government officers and general public and as a period nearly 03 years had elapsed for completing the said requirement, objectives expected from the said construction project had not been achieved. A spot test on this project of which works had been discontinued on 25 April 2016, had been carried out after a delay of about one year.

(g) Construction of Galagedara Magistrate Court

Competitive bids had been invited for the construction of a new building by demolishing the Circuit Magistrate Courts building existed in the same premises

and the contract had been awarded for Rs.63,162,829 which was the second lowest bid. The following observations are made in this connection.

- (i) Even though it had been recommended according to the Cabinet Memorandum to construct the new building by demolishing the existed Magistrate Courts building, the contractor had been selected for constructing the new building before demolishing the old one. A sum of Rs.12,523,566 (including VAT) had been paid to the contractor on 31 December 2014 as mobilization advances after entering into agreements on 15 December 2014. However, permission for constructions in the site had been given after a period of 6 ½ months, that is, 20 July 2015, from the said date.
- (ii) This Project which should have been completed by 11 September 2015 had been completed and handed over on 04 May 2017 with a delay of 1 ½ years and consultancy fees of Rs.3,383,794 had been paid to the State Engineering Corporation of Sri Lanka. However, many deficiencies on constructions had been pointed out by the Letter dated 29 May 2017 of the Kandy Technical Officer.
- (iii) Shortcomings in the Ministry and the institution by which consultancy services were provided had been the main reason for the delay in constructions of the project and liquidated damages amounting to Rs.3,631,863 which was deducted in terms of agreements in the payment of 08th Bill had been repaid to the contractor on 05 June 2017.
- (iv) However, the performance expected from constructing a new court could not be reached due to delay in the project by 1 ½ years and deficiencies in constructions and as such, it was not observed in audit that the Ministry had not taken adequate measures to minimize difficulties occurred to parties who obtain services from the court.

(h) Construction of the Side Parapet Wall of the Civil Appellate High Court in Galle

Construction works of the project of the Construction of Side Parapet Wall of the Civil Appellate High Court in Galle had been awarded for Rs.6.0 million. According to the agreement entered into between the Secretary to the Ministry and the contractor on 30 January 2015, the said Project should have been completed within 210 days from 24 December 2014, that is, 22 July 2015. The said Project had been discontinued halfway due to matters such as delay in obtaining certificate on suitability of the land and informing to discontinue the construction works due to commencement of construction works without the approval of the Galle Municipal Council. Instead of that, measures had been taken to erect a wire fence and to install a CCTV camera system for the security purpose of the Court and it was observed that the sum of Rs.2,722,838 paid for the said project was an uneconomic transaction.

2.3 Procurement Process

The following observations are made.

- (a) In terms of the Guideline 4.3.2 of the Government Procurement Guidelines, the Total Cost Estimate for procurements not exceeding Rs.100 million shall be sanctioned by the Head of the Department. However, the new cost estimate valued at Rs.528,000 prepared for remaining works of the construction of public toilet blocks of the Gampola District/ Magistrate Court, had not been sanctioned by the Head of the Department.
- (b) In terms of the Guideline 7.4.1 of the Government Procurement Guidelines, bid evaluation shall be undertaken expeditiously, leaving ample time to seek all the requisite formal approvals. Nevertheless, opening of bids of the contract of construction of the Galagedara Magistrate Court had been made on 18 August 2014 and a period of about 03 months (11 November 2014) had been spent for evaluation of bids and submission of the Technical evaluation Report thereon.
- (c) In terms of the Guideline 8.9.1 of the Government Procurement Guidelines, following the acceptance of a bid submitted by a bidder, a formal Letter of

Acceptance shall be issued forthwith to the bidder and this shall be followed by the execution of a formal contract as well. Even though the Letter of Acceptance relating to the construction of public toilet blocks of the Helboda Circuit Magistrate Court and the Gampola District / Magistrate Court and the construction of a security hut for the Gampola District Judge's Bungalow had been sent to the bidder on 05 December 2014, the agreement had been entered into only on 30 January 2015.

- (d) In terms of the Guideline 8.9.3 of the Government Procurement Guidelines, an agreement shall be entered into with the Consultancy Service Institution for providing consultancy service. However, a written agreement had not been entered into between the Consultancy Service Institution and Ministry of Justice for providing consultancy service of the Project of the Construction of the Wattala Courts Complex.
- (e) In terms of the Guideline 8.9.3 of the Government Procurement Guidelines, the formal contract shall be signed by the appropriate authority for any Goods or Service contract exceeding SLR 500,000. However, a formal contract had not been entered into for the contract of Rs.3,940,176 (excluding VAT) for the purchase of 800 chairs for the use of Lawyers of open courts.
- (f) In terms of the Guideline 8.12.2 of the Government Procurement Guidelines, the Engineer/Consultant shall issue a Certificate of Completion certifying that the works have been carried out in accordance with the specifications and other agreed terms and conditions; and that the payments certified are in accordance with the conditions of contract. Nevertheless, a Certificate of Completion had not been issued for the Project of Construction of the Record Room and Production Room at Kaluvanchikudi Court and further, a Certificate of Completion had not been issued for the second contract of construction of public toilet blocks of the Gampola District/Magistrate Court.
- (g) In terms of the Guideline 8.13.4 of the Government Procurement Guidelines, provisions for variations of 05 per cent of bids submitted and for contingency expenses of 10 per cent should be made. Even though it had been pointed out that

all bids mentioned in the report of Technical Evaluation Committee of the contract of the construction of the Galagedara Magistrate Court, had been submitted with contingency expenses and without tax, it was observed in audit that the said bid was a bid without tax as well as without contingency expenses. Accordingly, it was observed that the decisions of the Technical Evaluation Committee and the Procurement Committee that the entire bid valued at Rs.63,162,829 submitted by the relevant contract was a bid with contingency expenses, is not accurate.

- (h) In terms of the Guideline 8.14.1 of the Government Procurement Guidelines, extensions of time may be granted by an authorized person, in exceptional circumstances or due to Force Majeure situations, when the contractor or the supplier establishes to the satisfaction of the Procurement Entity, that delays are attributable to circumstances beyond the control of the contractor. However, it was observed in audit that action had not been taken accordingly, in the contracts of construction of Wattala Courts Complex, Construction of the New Record Room and Production Room at Kaluvanchikudi Court, construction of the a security hut for the Helboda Circuit Magistrate Court and the Gampola District Judge's Bungalow.

2.4 Assets Management

The following deficiencies were observed at the audit test checks carried out on assets of the Department.

- (a) According to the information presented on 221 Courts belonging to 33 court zones, the number of courts by which the ownership of the land had been mentioned, stood only at 132.
- (b) The number of courts by which the name of the land cannot be mentioned stood at 162 and the number of courts by which the extent of the land is mentioned stood only at 147. Only 19 courts had obtained title certificates for lands, whilst only 24 courts have assessed the value of lands. Accordingly, Ministry had not taken action up to now to account the correct value of lands.

- (c) In terms of the Public Finance Circular No.05/2016 of 31 March 2016, the Boards of Survey for the year 2017 should be conducted and reports thereon presented to the Auditor General before 15 June 2018 in terms of paragraph 3.2.6 of the Circular. However, reports on Boards of Survey had not been presented to the Auditor General even by 18 September 2018.
- (d) According to the Decision taken to vest remaining blocks of land acquired for the new hospital complex under the Matara Urban Development Plan, with development projects, a land of 4.263 hectares had been allocated to the Ministry of Justice for the purpose of construction of the Matara Courts Complex and even though the Ministry had taken over only the possession thereof, this land had not properly been vested with the Ministry.

2.5 Losses and Damage

The observation on losses and damage revealed in audit test checks are given below.

The contractor had been made aware of on 20 November 2013 considering as the contract of construction of the Nochchiyagama Circuit Magistrate Court had been abandoned. However, action has not been taken up to now to recover the Performance Security Bond valued at Rs.1,503,056 obtained for the contract. Moreover, action had not been taken to recover a sum of Rs.2,114,829 given as mobilization advances.

2.6 Management Weaknesses

The following weaknesses were observed during the audit test checks.

- (a) Provisions obtained by preparing estimates for essential activities should be utilized for relevant purposes. However, despite having prepared an estimate at the value of Rs.5,134,000 by the Department of buildings for essential renovations of the Marawila District/Magistrate Court, approval had been given by the Letter No.MJ/ENG/ALLO/Chilow/ of 30 August 2016 of the Senior Assistant Secretary to the Ministry of Justice, to retain provisions about Rs.80,000 only for item

Nos.01 and 02 of the estimate and savings of Rs.5,054,000 out of those provisions had been returned.

- (b) A sum of Rs.1,119.5 million had been estimated for the construction of the Matara Courts Complex. Construction works of the said Court Complex which should be commenced in May 2016 and completed in May 2019 according to the approval of the Cabinet of Ministers received on 09 March 2016, had been assigned to the Central Engineering Services (Pvt)Ltd. of the Central Consultancy Bureau. Even though a formal contract should be entered into in terms of the Guideline 8.9.1(b) of the Government Procurement Guidelines, a sum of Rs.154,926,000 (including VAT) had been paid to the Bureau in 02 instances of the year 2016 as Mobilization Advances without entering into a formal contract.
- (c) A sum of Rs.419,023,270 (including VAT) comprising Rs.184,926,000 as Mobilization Advances and Rs.234,094,271 for 09 bills for work done of constructions of the Matara Courts Complex representing 38 per cent of the cost of the Total Cost Estimate had been paid to consultancy institutions and to the contractor. However, the approval of the Technical Committee of the Ministry of Housing and Constructions had not been obtained for the estimate according to the Cabinet approval up to October 2017.
- (d) There were 51 cheques lapsed for a period of 06 month valued at Rs.4,259,627 belonging to the Panadura Magistrate Court. Moreover, it was observed at the audit test checks carried out in that connection that 02 cheques valued at Rs.3,630,076 in which names of 02 Government institutions were mentioned in the year 2016 and a cheque valued at Rs.185,000 in which the name of a Government institution was mentioned on 30 March 2017 had been retained in hand without handing over to recipients even by 20 June 2018. Moreover, it was observed that officers who are not authorized to sign cheques had signed the cheque valued at Rs.1,850,000 out of those.

2.6 Utilization of Provisions made available by Parliament for the Performance of Functions

Information on provisions made for the Department during the year ended 31 December 2017 and the preceding year, utilization and savings thereof and audit observations thereon are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of the Net Provision
		Rs.Millions	Rs.Millions	Rs.Millions	
2013	Recurrent	3,775.17	3,761.32	13.85	0.37
	Capital	1,020.74	910.57	110.17	10.79
	Total	4,795.91	4,671.89	124.02	2.59
2014	Recurrent	4,075.55	4,053.69	21.86	0.54
	Capital	1,026.90	877.42	149.48	14.56
	Total	5,102.45	4,931.11	171.34	3.36
2015	Recurrent	5,061.93	4,992.98	68.95	1.36
	Capital	1,205.09	824.06	381.03	31.62
	Total	6,267.02	5,817.04	449.98	7.18
2016	Recurrent	5,488.03	5,352.67	135.36	2.47
	Capital	1,454.65	1,223.18	231.47	15.91
	Total	6,942.68	6,575.85	366.83	5.28
2017	Recurrent	5,632.26	5,618.86	13.40	0.24
	Capital	2,549.55	1,761.99	787.55	30.89
	Total	8,181.81	7,380.86	800.95	9.79

The following observations are made.

- (a) The entire net provisions amounting to Rs.10.75 million made for 03 Objects had been saved without being utilized.

(b) Excess provision totalling Rs.608.27 million had been made for 10 Capital Objects and for 03 Recurrent Objects and as such the savings, after the utilization of provisions totalling Rs.532.88 million, ranged between 16 per cent and 97 per cent of the net provisions relating to the respective Objects.

(c) Commitments had been entered into exceeding provisions of Rs.18,413,050 made for 07 Recurrent Objects which are not belonging to services or supplies recurring annually and provisions of Rs.1,221,258 made for 02 capital objects.

2.7 Advances to Public Officers Account

Limits authorized by Parliament for the Advances to Public Officers Account, Item No.22801 of the Department of Courts Administration and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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Rs.Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
475.00	469.35	280.00	309.82	1,400.00	1,140.55

The following observations are made in this connection.

(a) According to the Reconciliation Statement presented to Audit, the balances that remained outstanding as at that date totalled Rs.22,668,534 and out of that, a sum of Rs.6,166,219 had been recovered as at 30 September 2018. A loan balance of Rs.16,502,315 further recoverable had remained and it was observed that those outstanding balances remained over periods ranging from 03 months to 05 years.

(b) The total of the Summary of Classification of Individual Balances as at 31 December 2017 and the balance of the Control Account of the Department had not been reconciled, thus indicating a difference of Rs.13,313,341.

- (c) The loan balance of Rs.22,380 which should be settled for other Ministries/Departments on behalf of an officer who had transferred in, belonging to the Kandy Court Zone, had not been settled despite the elapse of over five years.

2.8 General Deposit Account

The balances of 05 General Deposit Accounts of the Department as at 31 December 2017 totalled Rs.9,353.97 million. An age analysis on total deposits of court zones of Rs.9,353,974,740 had not been made available and an age analysis had been presented only for deposit accounts of the Ministry relating to courts administration. Accordingly, action in terms of Financial Regulation 571 had not been taken on deposits totalling Rs.17,044,659 million older than 2 years.

2.9 Non-maintenance of Registers and Books

It was observed during audit test checks that the Department had not maintained the Register of Invitation to Bids and two other registers had not been maintained properly in the updated manner.

Type of Register	Relevant Regulation
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(a) Register of Invitation to Bids	Guideline 5.2.1 of the Government Procurement Guidelines
(b) Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978
(c) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No.IAI/2002/02 of 28 November 2002

2.10 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value Rs.	Non-compliance
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulations 109(1) and (2)	1,177,237	Despite the elapse of over a period from 01 year to 09 years, action in terms of Financial Regulations had not been taken in respect of losses relating to 44 motor vehicles accidents.
(ii) Financial Regulation 396(d)	5,977,262	Action in terms of Financial Regulations had not been taken in respect of cheques valued at Rs.5,977,262 remained uncashed more than 06 months but not submitted to bank, in 02 bank accounts belonging to 19 High Court Zones.
(b) Section 08 of the Public Contracts No.03 of 1987		The contractors and contracts relating to 06 constructions had not been registered.
(c) Section 08 (a) of the Urban Development Law No.41 of 1978		Even though works of the Project of the Construction of the Galagedara Magistrate Court had been completed on 04 May 2017, the Development Permit had not been obtained even up

to 30 October 2017 and the Development Permit for the contract of construction of the Matara Courts Complex as well had not been obtained.

2.11 Audit and Management Committee

The Audit and Management Committee had been established under the Ministry of Justice for the year under review and in terms of the Circular No.DMA/2009 (1)(i) of 28 January 2016 of the Department of Management Audit, 04 meetings should be held once in a quarter. However, only 02 meetings had been held.

2.12 Human Resources Management

2.12.1 Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

The position on the approved cadre, actual cadre, vacancies and excess cadre as at 31 December 2017, appear below. The Department had spent a sum of Rs.4,485 million for the category of personal emoluments for the year under review.

	Category of Employees	Approved Cadre	Actual Cadre	Vacancies	Excess Cadre
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(i)	Senior Level	386	468	-	82
(ii)	Tertiary Level	445	234	211	-
(iii)	Secondary Level	4,958	4,618	340	-
(iv)	Primary Level	4,319	3,751	568	-
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	Total	10,108	9,071	1,119	82
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The following observations are made in this connection.

- (a) Even though 1,119 vacancies existed as at the end of the year under review, it was observed that more than 95 per cent of provisions made for Objects such as salaries and wages, overtime, holiday pays and trainings for the staff obtained by preparing estimates based on the approved cadre, had been spent.

- (b) The Courts Administration had failed to obtain a proper approval for 82 excess cadre recruited.