

## **Head 04 - Judges of the Superior Courts**

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### **1. Financial Statement**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Judges of the Superior Courts 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 Judges of the Superior Courts was issued to the Chief Accounting Officer on 19 May 2022 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Institution was issued to the Chief Accounting Officer on 02 June 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 Judges of the Superior Courts 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**

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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 evidences I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **1.3 Responsibilities of the Chief Accounting Officer on Financial Statements**

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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 Institution 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 Institution 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**

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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 exercised 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.
- Obtain 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 its internal control.

- 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.
- Evaluate the overall presentation, 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 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

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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

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### 1.6.1 Accounting Deficiencies

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#### (a) Property Plant and Equipment

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Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
<p>Although a balance of non-financial assets had not been shown in the Treasury Account Statement SA – 82, a sum of Rs.609,890,813 had been stated as property plant and equipment and its reserve in the statement of financial position .It</p>	<p>The value of assets included in the CIGAS Programme as at 31.12.2021 is tallied with the asset balance of the Treasury. But the Treasury Accounts Statement (SA-82) Report for the year 2021 could not be obtained due to a technical error.Treasury Accounts</p>	<p>Arrangements should be made in terms of Guideline No. 02 of Public Finance Circular No. 02/2020 dated 08 August 2020 and Paragraph 3.2 of State Accounts Guideline No. 2021/03 dated 26</p>

was the value of the asset record included in the CIGAS Programme of the Institution. Accordingly, it had not assured that the figures shown in the financial statements would agree with the figures shown in the Final Treasury Accounts as per Paragraph 3.2 of State Accounts Guideline No. 2021/03 dated 26 November 2021. Similarly, the accounts of the concerned Institution had not been formally reconciled with the Treasury Monthly Accounts Statements as stated in the Guideline No. 02 of Public Finance Circular No. 02/2020 dated 28 August 2020 and actions had not been taken to correct the existing changes by the monthly account summary of the coming month.

Statement (SA-82) Report November 2021 .  
dated 26.04.2022 has been  
obtained to confirm those  
values.

## 1.6.2 Failure to Properly Maintain Records

It was observed at the audit test check that the following documents were not maintained regularly and in an updated manner .

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<b>(a) Register of Liabilities</b>		
Even though the liabilities stated in the financial statement as at 31 December 2021 amounting to Rs.947,954 had been entered in a Register of Liabilities, the details regarding the settlement of liabilities had not been included therein.	Actions should be taken in future to enter the information related to debt settlements in the Register of Liabilities.	The Register of Liabilities should be maintained in an updated manner as per FR 214 so that liabilities can be checked regularly.
<b>(b) Advance Control Account</b>		
The Advance Control Account which is being maintained was not properly written and reconciled with the Departmental Books and Treasury Books monthly and the balance of Rs.2,022,301 as at 31 December 2021 had not been indicated.	It was impossible to reconcile the advance control account properly on a monthly basis due to various reasons in the year 2021 and it has been systematically done in the year 2022 .	The advance control account should be properly written and balanced as per the State Accounts Circular No. 256/2017 dated 05 July 2017 and the Departmental Books should be reconciled with Treasury Books on monthly basis.

## 2. Financial Review

### 2.1 Expenditure Management

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p>(a) In addition to the allocations of Rs. 13,300,000 made available in the Annual Estimate for 05 expenditure objects, a total provision of Rs.7,400,000 was obtained from supplementary estimates, and the total provision of Rs.20,700,000 had not been utilized.</p>	<p>Although the requests have been made from the budget estimate for the expenditure objects 04-01-01-1102 and 04-01-02-1102 amounting to Rs. 10,000,000 per each , a provision of Rs. 4,500,000 per each have been made . As the allocations in other expenditure objects were also insufficient,supplementary provisions have been made.</p> <p>Nevertheless, according to the Memorandum on "Public Expenditure Review" dated 28.08.2021, the allocations of these expenditure objects were ceased and the details have been informed to the Treasury.</p>	<p>As estimates are prepared based on the Action Plan, the organization should work to fulfill the tasks included in the forecasted Action Plan within the relevant period</p>
<p>(b) The total estimated allocation which was made available from the Annual Estimate for 02 expenditure objects amounting to Rs. 600,000 had not been utilized.</p>	<p>Actions have been taken to cease these expenditure objects as per the Memorandum regarding "Public Expenditure Review" dated 28.08.2021 .</p>	<p>As the estimates are prepared based on the Action Plan, the Institution should act to carry out the tasks included in the predicted Action Plan within the relevant period.</p>

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| (c) | Due to the provision made in the Annual Estimate was insufficient, a sum of Rs. 767,000 had been transferred to other expenditure objects by Financial Regulation 66 from the allocation of Rs. 5,750,000 obtained for 02 expenditure objects through supplementary. | It will focus on this in the future.  | The need of provision should be properly identified.  |
| (d) | Out of the net provision made available for 06 expenditure objects, the provisions ranging from 44 per cent to 99 per cent had been saved.   | Accept. The expenses had to be limited unexpectedly because of the office work was not properly carried out due to the situation of the Covid-19 epidemic and the issues such as public expenditure management. | As the estimates are prepared based on the Action Plan, the Institution should act to carry out the tasks included in the predicted Action Plan within the relevant period. |

## 2.2 Entering into Liabilities and Commitments

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<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) Three balances of liabilities totalling to Rs.347,727 indicated in the Statement of Liabilities (Note iv) had not been included in SA-92 of Treasury Account Statements .	Although it has been included as liabilities in the CIGAS Programme, the data for the year 2021 were indicated by the SA-92 Report of Treasury Account Statement due to a technical error.	It should ensure that the figures shown in the financial statements agree with the balances shown in the final treasury account statements in terms of Paragraph 3.2 of State Accounts Guideline No. 2021/03 dated 26 November 2021 .

- (b) A sum of Rs. 125,000 to be paid for the repair of official vehicles had been entered in the statement of liabilities (Note IV) in terms of 94 (2) and (3) of the Financial Regulations instead of entering in the statement of commitments and liabilities (Note III) .
- As the voucher which is in relation with Rs.125,000 payable was received in January, it has been entered into Note IV by a mistake.
- The information should be accurately entered in the financial statements.

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

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

	Observation		Comments of the Chief Accounting Officer	Recommendation
	Value	Non-compliance		-----
Reference to Laws, Rules and Regulations				
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	Rs.			

(a) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

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| i. | Financial Regulation 104 | 6,348,644 | Actions had not been taken in respect of the losses of 06 vehicle accidents mentioned under Notes (II) of the | Steps have been taken from the year 2022 to act in terms of F.R. 104 . | Actions should be taken in terms of Financial Regulations. |
|----|--------------------------|-----------|---|--|--|



financial statements in terms of Financial Regulations.

<p><b>ii.</b> Financial Regulation 365 (3)</p>	<p>1,987,200</p>	<p>Although it has been stated that the money entitled to the imprests should not be used for settlement of payments in an other financial year other than the financial year to which it is belonged, the fuel allowance pertaining to the January 2022 had been paid on 30 December 2021 by voucher number 429.</p>	<p>Actions will be taken to pay the fuel allowance pertaining to the year.</p>	<p>Actions should be taken in terms of Financial Regulations.</p>
<p><b>iii.</b> Financial Regulation 371 (2) (b)</p>	<p>173,600</p>	<p>Although the sub-imprests given for a particular task should be settled immediately after the completion of that task, the advances which were given on 04 occasions had not been settled even though a period from 02 months 15 days to 11 months had elapsed since the advance was given on 29 December 2021</p>	<p>Officers have been informed for settlement of the tasks as soon as the task is completed.</p>	<p>Actions should be taken in terms of Financial Regulations.</p>

			the date of audit.		
<b>iv.</b>	Financial Regulation 1645 (a)	1,739,378	Service of Vehicles, vehicle repair expenses exceeding of Rs. 12 Million and expenses for fitting tyres to 12 vehicles by 30 November 2021 were not recorded in the log books and they had not been maintained in an updated manner.	Officers-In-Charge of Transport were advised to act in terms of Financial Regulations.	Actions should be taken in terms of Financial Regulations.
<b>(b)</b>	Paragraph 06 of Public Administration Circular No. 30/2016 dated 29 December 2016	-	The Transport Service Chart introduced by the Circular for Official Vehicles had not been completed for duties of each month.	The Transport Officer was informed to act as per the Circular.	Arrangements should be made in accordance with the Circular.
<b>(c)</b>	State Accounts Guideline No. 2021/03 dated 26 November 2021				
<b>i.</b>	Section 3.1	-	The trial balance generated by CIGAS Desktop Application with submitted financial statements had not been presented as an attachment.	Accept. The trial balance will be properly attached and submitted in the next year.	Actions should be taken in terms of the Circular.
<b>ii.</b>	Section3 .4	-	Although the difference between the total net provision and the	Actions will be taken to mention thereasons for the savings in	Actions should be taken in terms of the Circular.

actual expenditure for every expenditure object under an each code of expenditure object and the reasons for the difference should be indicated in Form ACA-2 (II) ,the reasons for remaining 2 expenditure objects had not been furnished.

iii.	Section 3.7	-	Although all values should be recorded to the nearest rupee value in preparing the financial statements, actions had not been taken in the preparation of the statement of financial position.	Accept. Actions will be taken to record the values to the nearest rupee value in the next year .	Actions should be taken in terms of the Circular.
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### 3. Operating Review

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#### 3.1 Assets Management

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The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) The office equipment valued at Rs. 9,383,680 and machines and machineries valued at Rs.5,595,188 purchased in the year 2021 by the	A separate Inventory Book has not been maintained for Head No. 04 and steps will be taken to formalize this in future.	An Inventory Book should be maintained in terms of Financial Regulation 454 (1) .

provisions of the Head 04 had been entered in the Inventory Book related to the Head 234 and a separate Inventory Book had not been maintained for the Expenditure Head 04 .

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| <p>(b) Actions had not been taken to take over the ownership of a vehicle given by the Ministry of Justice in 2013 to the Judges of the Superior Courtsformally even by March 2022 .But, it had been mentioned in the list of vehicles submitted to the Comptroller General that this vehicle belongs to the Institution.</p> | <p>Necessary arrangements are being made to take over the relevant vehicle.</p> | <p>Arrangements should be made to formally take over.</p> |
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### 3.2 Losses and Damages

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#### Audit Observation

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The loss of Rs. 180,712 with regard to the accident that happened to a vehicle on 22 November 2020 had not been recovered even by 31 December 2021 and the age analysis of that loss to be further recovered in Note (i) to the financial statements had not been stated.

#### Comments of the Chief Accounting Officer

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Discussions are being carried out with the insurance company to recover the loss and it should be less than 05 years according to the age analysis.Actions will be taken to correct it.

#### Recommendation

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The relevant information should be completed in the financial statements.

#### 4. Good Governance

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##### **Audit Observation**

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An internal audit of the Institution had not been carried out in terms of Finance Regulation 134 and Section 40 (3) of the National Audit Act No. 19 of 2018 as emphasized in Management Audit Department Circular No. DMA/01 - 2019 dated 12 January 2019 and Audit and Management Committees had not been established as per Section 41 of the National Audit Act No. 19 of 2018 .

##### **Comments of the Chief Accounting Officer**

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The Registrar's Department of the Supreme Court does not have an Internal Audit Unit and the relevant tasks are carried out by the Internal Audit Division of the Ministry.

##### **Recommendation**

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The stated Rules and Regulations should be followed.