

## **Superior Courts Complex Board of Management - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Superior Courts Complex Board of Management for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 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 2021 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**

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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**

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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)**

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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 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 Institute'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 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**

	<b>Non-compliance with Reference to the Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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<b>(a)</b>	Actions had not been taken to review the estimate of the effective lifetime of 02 motor vehicles which were fully depreciated but are still in use amounting to Rs. 2,781,711 in accordance with the Sri Lanka Public Sector Accounting Standards 03 .	The Valuation Department has been requested to assess the two vehicles but the valuation of the vehicles has not been provided yet.	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) The depreciation of property plant and equipment for the year under review had been understated by Rs. 4,730,174 due to inaccuracies in the financial statements. As a result, the surplus for the year has been overstated on that amount and the depreciation provision has been understated in the financial statements.	Would like to inform you that it will be corrected and presented in the financial statements for the year 2022.	Property plant and equipment depreciation costs should be accurately calculated and stated in the financial statements.
(b) In violation of Sri Lanka Public Sector Accounting Standards No. 07, Rs.3,437,897 has been capitalized as Property, plants and equipment under 08 instances of repair of buildings and generators.	Would like to inform you that a methodology for accurate identification of fixed assets will be formulated and followed in the year 2022 in accordance with Sri Lanka Public Sector Accounting Standards 07.	Expenditure to be capitalized on fixed assets should be accurately identified in accordance with the Sri Lanka Public Sector Accounting Standards.

### 1.5.4 Lack of Documentary Evidence for Audit

Item	Amount	Unavailable Audit Evedance	Comments of the Management	Recommendation
Fixed Assets – Opening balances prior to the year 2010	Rs. 64,311,040	Documents or detailed schedules of Fixed Assets prior to the year 2010	The fixed assets schedule for the year 2020 has been provided and has been updated in the year 2021 as well.	The aggregate value shown as opening balances prior to 2010 in the Fixed Assets Schedule should be updated according to the year in which those assets were acquired.

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

Reference to Laws, Rules, Regulations Etc.	Non- compliance	Comments of the Management	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 104 (3), 104 (4) and 1642	The report of a vehicle accident occurred in the year under review have not been presented according to the Financial Regulation and the nearest police station had not been informed.	A board of inquiry has been appointed and reports with its recommendations have not been submitted. Because no one was injured in the accident that took place on 28.12.2021 and the police station had not been informed.	Whatever the nature of the accident, action should be taken according to Financial Regulation.
(ii) Financial Regulation 110 (1)	A register had not been maintained to report the damage.	It was informed that steps are being taken to maintain such a register to report damage to vehicles.	Action should be taken in accordance with the Financial Regulations
(iii) Financial Regulation 371 (2)	In 15 cases, there was a delay from 31 days to 175 days in the settlement of advance money of Rs.766,150.	Although the advance payment has been delayed, the advance has now been settled.	Action should be taken in accordance with the Financial Regulations
(iv) Financial Regulation 880	Securities had not been obtained from the officers who were required to keep securities .	Since the establishment of the institution till now, no employee deposit has been made. I would like to inform you that the Secretary will immediately inform the Ministry of Justice.	Action should be taken in accordance with the Financial Regulations

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| (v) | Financial Regulation 1645 (a) | The company's vehicle log books had not been updated.  | Would like to inform you that we are working to complete the deficiencies in the vehicle log books.          | Action should be taken in accordance with the Financial Regulations   |
| (b) | Stamp Duty Act No. 43 of 1982 | Although stamp duty of Rs.25 should be charged for payments exceeding Rs.25,000, in 09 cases in January and February 2021, payments of Rs.1,001,206 were made out of the said regulations. | From a practical point of view, obtaining such stamps / stamp duty from suppliers has been a difficult task. | Action should be taken in according to Stamp duty act. No. 43 of 1982 |

**2. Financial Review**  
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**2.1 Financial Results**  
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The operating result for the year under review was a surplus of Rs.6,720,314 and the corresponding surplus of the preceding year was Rs. 7,066,939. Accordingly, a decline of Rs. 346,625 was observed financial results.

**3. Operating Review**  
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**3.1 Transactions of Contentious Nature**  
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**Audit Observation**  
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Due to salary increment beyond the initial salary step of the salary steps related to the position, the sum of Rs. 215,719 had not been recovered from the amount that had been overpaid to an officer who retired due to salary payments and the amount that should be collected from the advances that had been paid.

**Comments of the Management**  
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The Attorney General's Department has also been informed in this regard and further action is being taken in the case.

**Recommendation**  
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Overpaid salaries and advances due should be recovered promptly.

### 3.2 Procurement Management

----- Audit Observation -----	----- Comments of the Management -----	----- Recommendation -----
For the renovation of the 14 chambers reserved for the newly appointed judges, Rs. 543,763 to award the contract, although the Technical Evaluation Committee had indicated that the bids had been invited from 03 institutions, but there was no information that the bidding documents were sent to the contractors or that the contractors submitted the prices.	The office rooms for 14 new judges had to be prepared in a short period of 04 weeks and since it was not possible to call for tenders and do the normal procedure, as per the instructions of the management board, the prices were called urgently and submitted to the secretary of the Ministry of Justice for approval and the second task was completed in a very short time. Delivered to Honorable Judges. And in the meantime, I would like to inform you that according to the relevant tender procedure, it has been submitted to DPC and the coverage approval has been obtained.	Action should be taken in accordance with the procurement guideline