

## **Head 228 – Courts Administration**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Department of Courts Administration for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 summarized reports on the financial statements of the Department of Courts Administration to be submitted in terms of the paragraph 11(1) of the National Audit Act No. 19 of 2018 which contained my comments and observations had been submitted to the Accounting Officer on 31 May 2023. The detailed management report of Department to be submitted in terms of the paragraph 11(2) of the National Audit Act had been submitted to the Accounting Officer on 06 July 2023. This report in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with paragraph 10 of the National Audit Act No. 19 of 2018 is presented to the Parliament.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Department of Courts Administration as at 31 December 2022 and of its financial performance and its cash flows 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 described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor's Responsibilities Section. 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 the Accounting Officer for the Financial Statements**

The Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibilities for the Audit of the 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 General's summary 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## 1.5. Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on 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

The following deficiencies were observed in accounting for Property, Plant and Equipment.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The value of buildings and constructions as per department books during the year under review was <b>Rs.1,115,633,828</b> and as per Treasury print outs (SA-82) the value was <b>Rs.1,123,749,063</b>. Therefore, the value of property, plant and equipment in the statement of financial position had been overstated by <b>Rs.8,115,235</b>.</p>	<p>This amount had been accounted during the payment under the work in progress for the construction of the Production Room building at the Mawanella Court. The building where the Mawanella Court was located had been sent after valuation by the Valuation Department for accounted as an asset. Since the above value also included in the assessed value, it was informed that the action had been taken to remove the value of <b>Rs.8,115,235</b> from the assets of the Kegalle High Court which was prevailed as work in progress in Kegalle High Court.</p>	<p>Fixed assets should be correctly recorded in the accounts by reconcile with the CIGAS program.</p>

**(b) Balances of the Advance Accounts**

The following deficiencies were observed in accounting of balances of the advance accounts as at the end of the year.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
According to the Advance 'B' Account of the Public officers' submitted by the High Court Zones as at 31 December 2022, the total of the Individual Balance Classification Summary of 08 High Court Zones was Rs.638,410,286 and the balance of the Control Account was Rs. 639,175,873. Although there was a difference of Rs.765,587, the difference had not been identified and accounted.	It had been informed that the reason for the difference between the balance of the department control account and the balance of the control account according to the accounts submitted by the 26 Court Zones is the difference in the opening balance that has existed since many years.	The difference should be identified and corrected.

**2. Financial Review**

**2.1 Incurring of Liabilities and Commitments**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Although the value of the liabilities and commitments was Rs.2,280,562 as at 31 December 2022, it had been paid a sum of Rs.27,209,028 over that amount.	It was also informed that the allocations given in the budget proposals for the Expenditure Code 110-1-02-25-2509 under the Ministry Head 110 were taken to pay for the projects of the Head 228 on the instructions of the Department of Budget as per powers of the F.R. 208 due to the allocations given for the respective projects under the Head 228 were not sufficient.	Liabilities should be correctly identified and accounted.

## 2.2 Certification of Accounting Officer

Although Accounting Officer should certify the following matters in terms of provisions set out in Section 38 of the National Audit Act, No. 19 of 2018, it had not been done accordingly.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control exists in the department and carry out periodic reviews to monitor the effectiveness of such systems and alterations as required for such systems to be effectively carried out. Although such reviews should be carried out in writing and a copy thereof should be submitted to the Auditor General, however statements had not been furnished to the audit that the reviews was carried out.</p>	<p>It was informed that the chief accounting officer has made an assurance that there is an effective internal control system for financial control in the institution and periodic review is done to monitor the effectiveness of the internal control system for financial control and accordingly to make necessary changes to operate the systems effectively and included it in the financial statements.</p>	<p>Action should be taken in accordance with provisions in section 38 of the National Audit Act No. 19 of 2018.</p>

## 2.3 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, Regulations etc.	Observation Value Rs.	Non-compliance	Comments of the Accounting Officer	Recommendation
(i) Section 4.2.4 of Chapter xxiv of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	7,404,657	According to the instructions of the Establishment Code, the details of the loans to be recovered from the officers who are going to	It was informed that, instructions were given to the officers of the respective courts to take immediate steps to recover the loan balances of the retired officers as soon as the provisions are	Action should be taken according to the instructions of the Establishment Code.

retire had not released from the  
been Pension Department.  
communicated  
to the Director  
General of  
Pensions.

Section 4.2.4 of  
Chapter xxiv

Car loans and bicycle loans were given to a Registrar of the High Court Zone by violating the provisions of the Establishment Code. It was informed that, despite checking the files regarding the outstanding loan balances due from the officer, no information could be found so far, and instructions were given to the Colombo High Court to investigate further and take steps to recover the said outstanding balances. Action should be taken according to the instructions of the Establishment Code.

(ii) Financial  
Regulations of the  
Democratic  
Socialist Republic  
of Sri Lanka

Financial  
Regulations  
109(1) and (2)

423,608

Action had not been taken as per Financial Regulations regarding the losses exceeding 10 years. It was informed that, since these losses are many years old losses, necessary actions will be taken accordingly after resolving the practical problems related to conducting investigations related to them. Action should be taken according to the Financial Regulations.

Financial Regulation 104		The actions regarding a vehicle met with an accident during the year under review had not been completed as per the financial regulations.	It was informed that actions are being proceed regarding the vehicle bearing KP 1140 as per the Financial Regulations.	Action should be taken according to the Financial Regulations.
Financial Regulation 396	2,850,922	Action had not been taken regarding the cheques which over 06 months were belonging to 22 High Court Zones as per Financial Regulations.	It was informed that, the courts were constantly informed to take the necessary measures according to Financial Regulation 396 in relation to the cheques and action will be taken to call information separately from the Courts in the future and efforts will be made to overcome this shortcoming.	Action should be taken according to the Financial Regulations.

## 2.4 Issuance and Settlement of Imprests

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Although the issued ad hoc Sub-Imprest should be settled within 10 days after the completion of the relevant work, action had not been taken accordingly relating to advances of Rs.276,000 obtained on 10 instances.	It had been informed that the relevant officials were instructed to settle the ad hoc Sub-imprest within 10 days after the completion of the relevant work.	Actions should be taken to settle the Sub-imprest within the stipulated time.

## 2.5 Deposit Balances

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The retention money deposit balance of more than 03 years for contracts at the Head Office was Rs.155,334,743.	It was informed that the relevant officers had been instructed to take necessary measures to release all retention money that can be released and if not, to credit the government revenue as per Financial Regulation 571.	Action should be taken to settle or taken to the revenue the deposits those had exceeded two years.
(b) The balance of the temporary hold deposit accounts payable to third parties more than 05 years in the Colombo High Court was Rs.26,248,905 and the balance of more than 05 years old in the contracts retention money deposit account was Rs.3,179.	It was informed that the relevant officers had been instructed to take necessary measures to release all retention money that can be released and to credit the government revenue by following the measures indicated in F.R. 571 in relation to the unclaimed balances of the respective deposit holders.	Action should be taken to settle or taken to the revenue the deposits those had exceeded two years.
(c) The balance in the tender deposit account of Kalutara High Court which was more than 05 years old was Rs.5,706,726 and the balance of more than 05 years old was Rs.41,038 in the retention money deposit account for contracts.	It was informed that the relevant officers had been instructed to take necessary measures to release all retention money that can be released and to credit the government revenue by following the measures indicated in F.R. 571 in relation to the unclaimed balances of the respective deposit holders.	Action should be taken to settle or taken to the revenue the deposits those had exceeded two years.



**3. Operating Review**  
**3.1 Procurements**

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) A sum of Rs. 5,327,770 had been paid by selecting a hotel after discussed the prices of 05 hotels with high facility over the phone according to the specifications prepared by the Ministry without following the instructions of the Government Procurement Guidelines to conduct the awareness program of all existing Court Automation Projects in Sri Lanka.	The awareness program was attended by dignitaries such as heads of departments, members of sub-committees, members of advisory committees and invited representatives of relevant stakeholders and it was informed that since it was necessary to hold the program in an environment suitable for those officers with suitable facilities and to entertain those officers with respect, a committee consisting of executive officers, considering the facts that it is a close place in the city of Colombo and the availability on 29.12.2021, discussed it over the phone and minute it with signatures in order to maintain transparency, the Hilton Hotel which could be booked on 29.12.2021 had been selected in accordance with the approval of the procurement committee.	Action should be taken to comply with Government Procurement Guidelines.

**3.2 Security of Public Officers**

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) The officers in judicial service who are required to furnish securities should furnish securities as per Finance Regulation 880. Although an amount of Rs.970,000 should be taken as security from 45 officers of 08 High Court Zones, action had not been taken to obtain security.	According to the directions given by the audit, it was informed that all the courts will be informed to take the necessary steps to obtain securities from the officers who should furnish securities in the courts.	Action should be taken as per Financial Regulations.

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| (b) | Although the securities had been sent to the Ministry of Justice on 18 May 2022 for the registration for the security money of 12 officers employed in the Puttalam Provincial High Court, those had not been approved during the year under review.                                | According to the directions given by the audit, it was informed that all the courts will be informed to take the necessary steps to get security from the officers who should furnish securities in the courts. | Steps should be taken to complete registration of security as soon as possible.                                   |
| (c) | Although the recommendations of securities Form General 235 the assessment of the securities for two officers of the Nuwara Eliya High Court had been forwarded to the Ministry of Justice on 18 May 2022, the necessary measures had not been taken for that during the year 2022. | According to the directions given by the audit, it was informed that all the courts will be informed to take the necessary steps to get security from the officers who should furnish securities in the courts. | Action should be taken immediately to obtain securities from the officers who are required to furnish securities. |

### 3.3 Uneconomic Transections

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>	
(a)	Although a sum of Rs.48,589,772 for purchase of 26 set of microphones and Rs.118,827 for newspaper advertisements had been incurred for the project of providing children's evidence through audio-visual communication without taking it from the open court, the objectives couldn't be achieved even as at the audited date.	It was informed that 26 sets of video calling technology were purchased and equipment were installed for the requirement under this Ministry and implementation of this had been delayed due to inability to reach a final conclusion with the Child Protection Authority regarding the appropriate places to take evidence.	Attention should be paid on achievement of the project objectives.
(b)	The Sri Lanka Information and Communication Technology Agency was entrusted with the responsibility of conducting a system study before starting the	It was informed that this project had been postponed as per the instructions of the Circular No. 03/2022 dated 26.04.2022 issued on	The money received should be used for the intended purpose and if not it should be remitted to the

project to automate the judicial system in Sri Lanka and for that, a sum of Rs.36,466,500 out of agreed amount of Rs.79,258,000 had been paid in the year 2021 to provide consultancy services. Although a sum of Rs. 49,034,981 had been incurred for the project from 2017 to 01 August 2022, the selection of a contractor for execute this project only had been done and a sum of Rs. 26,746,499 had been remitted to the Ministry of Justice from the amount paid to the Sri Lanka Information Technology Agency for providing the consultancy services and the Ministry had decided to suspend the project.

curtailment of government expenditure and a sum of Rs.26,746,499.00 had been received by the Ministry of Justice from the Sri Lanka Information and Communication Technology Agency as the project savings and remitted to the Treasury immediately.

### 3.4 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The contract was awarded at a value of Rs. 100,498,168 to the Sri Lanka Information and Communication Technology Agency for the establishment of a video conference system between courtrooms and prisons according to the decision of the Cabinet of Ministers in the year 2021 and the Ministry of Justice had entered into an agreement with the Prisons Department and the Sri Lanka Information and Communication Technology	The initial project cost agreed upon during the budget consideration increased significantly due to the current economic situation in the country, it was discussed with the Sri Lanka Information and Communication Technology Agency in 2022 to implement a limited portion within the project cost paid for the first year (2021) and it was informed that the payment of Rs.61,996,408 made to the Sri Lanka Information and Communication Technology Agency in February 2023 had received to the Ministry of Justice	The attention should be paid to complete the work within the contractual period.

Agency for this. For the implementation of this project, a sum of Rs. 61,996,408 had been paid to the Sri Lanka Information and Communication Technology Agency on 21 December 2021 for the purchase of hardware and equipment required for the placement of information LGN at selected locations in prisons and courtrooms and for the first year maintenance. This costly project had been awarded to ICTA without inviting tenders and the implementation of this project was suspended in February 2023. The amount of Rs. 61,996,408 paid to Sri Lanka Institute of Information and Communication Technology was returned to the Ministry on 28 February 2023 and this amount had been returned after being utilized by an external agency during a period of one year.

and remitted to the Treasury by considering that this project which was started in 2021 will no longer be operated.

- (b) The outstanding loan receivable from the deceased officers was Rs.4,748,929 as at end of the year under review and the loan balance for more than 05 years in it was Rs.337,872.

It was informed that the provisions for these loans had not been settled by the Pension Department due to deficiencies in many loan files, it is difficult to recover the unrecoverable loan balances from many years due to the lack of formal information, the Ministry had given instructions to call the monthly progress from the courts regarding the recovery of the loan balances.

The loan balances should be recovered immediately.

- (c) The receivable loan balance from the interdicted officers was Rs.10,225,759 as at end of the year under review and the value of outstanding loan balances for more than 05 years in it was Rs.5,265,153. It was informed that many loan balances are very old and difficult to recover due to lack of formal information, it had become difficult to recover these loan balances as the disciplinary proceedings of some of the interdicted officers had not been completed. The loan balances should be recovered immediately.
- (d) The receivable loan balance from the officers who vacated the post was Rs.6,612,852 as at end of the year under review and the value of outstanding loan balances for more than 05 years in it was Rs.2,394,003. The relevant High Courts had informed the officers to settle the loan balances taken from the government immediately. It was informed that all High Courts had been informed to submit for write off only the loan balances which cannot be recovered after making every effort.
- (e) A sum of Rs. 239,387,159 had not been settled even as at 31 December 2022 from the mobilization advances given to the contractors in the years 2017 and 2019 in relation to 12 projects. It couldn't be recovered the advance given in relation to that project as no any bills related to the construction of the Anuradhapura Court Complex had been presented for payment in the year 2022 and it was informed that the advance amount of Rs. 6,503,988.60 to be recovered further will be settled in bills that will be presented to pay for the construction work of the project in future, action will be taken to recover the outstanding advances in relation to the Welimada, Ratnapura and Pugoda court complex construction projects. Attention should be paid to complete the works as per the agreements.

#### 4. Human Resource Management

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) The approved cadre was 4986 as at end of the year under review and the actual cadre was 4252. Thus 734 vacancies were observed.	It was informed that vacancies couldn't be filled due to restriction of recruitments to government service according to the National Budget Circular No. 03/2022 under Public expenditure control.	Necessary actions should be taken to fill the vacancies.
(b) There were large number of vacancies in the posts of Office Worker Judicial Security, Office Assistant, Summons Servers and Write Executers and those vacancies were 516, 70 and 136 respectively.	It was informed that vacancies couldn't be filled due to restriction of recruitments to government service according to the National Budget Circular No. 03/2022 under Public expenditure control.	Vacancies should be filled by review the staff.
(c) Three acting accountants had been assigned to the Accountant posts in Ampara, Avissawella and Homagama regions and those positions were vacant 3, 2 and 1 years respectively in those regions.	It was informed that recommendations were made to further extend the acting period of the three officers, recruit two officers on contract basis who held the post of accountants and now retired from public service, employ accountants working in the nearest Divisional Secretariats within the jurisdiction area on acting basis.	Vacancies should be filled in permanent basis