

Superior Courts Complex Board - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Superior Courts Complex Board for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and the Finance 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 financial statements give a true and fair view of the financial position of the Board as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

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

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 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'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.
- Conclude 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 Board'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. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluated 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 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 Board, 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 the 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 the Preparation of Financial Statements

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

| Non-compliance with the reference to particular standard | Management comment | Recommendation |
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| (a) In accordance with paragraph 55 of Sri Lanka Public Sector Accounting Standards No. 01 Presentation of items in financial statements by entities or reclassify the comparative values and the nature of the classification unless impracticable when the classifications are revised, the value of each classified item or class of items and the reasons for reclassification should be disclosed in the financial statements, but the Board did not disclose in the financial statements the reclassification values in relation to the year 2022 in the financial performance statement and the financial position statement. | It had been informed that the value of each classified item or class of items will be reclassified and disclosed in the financial statements from the year 2024. | Actions should be taken in accordance with the referred accounting standards. |
| (b) According to paragraph 79 of Public Sector Accounting Standards of Sri Lanka No. 01, current assets include assets held for realized in the normal operating cycle even though they are | It had been informed that since legal action has been taken for recovery of security deposit amount for building | Actions should be taken in accordance with the referred accounting standards. |

not expected to be realized of within twelve months from the date of reporting. But Rs.1,350,000 irrecoverable rental deposits of more than 02 years were shown as non-current assets in the financial statements.

acquired on lease basis from outside party therefore, this amount is difficult to be recovered within a year and has been shown as non-current assets in the financial statements.

- (c) Although in accordance with paragraph 80 (c) of Public Sector Accounting Standards of Sri Lanka No. 01 liabilities to be settled within 12 months from the reporting date should be recognized as current liabilities, According to the board's calculations, the amount of current liabilities and non-current liabilities related to gratuity allocations were Rs.3,158,020 and Rs.28,958,085 respectively, but in the financial statements it was stated as Rs.1,421,150 and Rs.30,694,957 respectively.
- It had been informed that the amount of current and non-current liabilities related to gratuity allocations will be corrected from the year 2024.
- Current liabilities and non-current liabilities should be accurately identify as per referred accounting standard.
- (d) Contrary to paragraph 47 of Sri Lanka Public Sector Accounting Standards No. 03, a car value of Rs. 9 million handed over to the Board by the Ministry of Justice in the year 2022 was not retrospectively corrected in correcting the error in the identification in the financial statements. In the year under review Rs.3,500,000 which was the revaluation surplus relating to another vehicle was wrongly debited from the revaluation reserve Account and credited to the Accumulated Income and Expenditure Account.
- It had been informed that necessary disclosures and corrections will be made in the financial statements in the year 2024.
- Correction of errors and fixed asset depreciation accounting should be done as per the referred accounting standard.

Further, contrary to this standard, while correcting the previous year's error in accounting of Rs.119,200,000, which was the annual depreciated value of buildings revalued in the year 2010 and motor vehicles audited in the year 2022, only Rs.3,125,000 were credited to revaluation reserve Account of the year under review, and accumulated

Income and Expenditure Account had been debited. According to this standard, the correction of the error should be done retrospectively, but the corrections were made in the financial statements of the year under review. In addition to this, although the depreciation of Rs.116,075,000 in the year of promotion related to the above building value was identified in the financial performance statement, accumulated Capital Grants Account was erroneously debited and the revaluation reserve Account erroneously credited in the year under review.

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| (e) | Contrary to the 54 th paragraph of Sri Lanka Public Sector Accounting Standards No. 03, no disclosures were made in the financial statements regarding the corrections, value restatements of 07 items in the year 2022 presented as the comparative year of the year under review in the cash flow statement. | It had been informed that in the year 2024, the necessary disclosures will be made in the statements of accounts. | Relevant disclosures should be made in the financial statements as per the referred accounting standard. |
| (f) | According to paragraph 50 of Sri Lanka Public Sector Accounting Standard No. 07, property, plant and equipment of the same nature and use must be classified under different classes, but the value of the computer equipment included in the opening balance of office equipment of Rs.10,465,399 could not be identified. , in the year under review also Rs.446,000 as additions of computer accessories were shown under office equipment. | It had been informed that from the year 2024, the value of computer accessories will be presented separately from office equipment, and the disclosures in this regard will be presented in the financial statements of the year 2024. | Assets should be correctly classified as per the referred accounting standard. |
| (g) | Although in accordance with paragraph 65 of Sri Lanka Public Sector Accounting Standards No. 07 the residual value and useful life of an asset must be reviewed at the end of each annual reporting period, The elevator value of Rs.6,603,245 and the | It had been informed that the relevant assets will be reviewed and presented in the year 2024. | Depreciated final assets should be reviewed as per the referred accounting standard. |

ambulance value of Rs.851,711, which were depreciated on 31st December of the year under review, and which are no longer in use, had not been reviewed. Accordingly, this estimated error had not been revised according to Sri Lanka Public Sector Accounting Standards 03.

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| (h) | The capital grants of Rs.12,750,000 which had been given in accordance with paragraph 44 of Sri Lanka Public Sector Accounting Standards No. 11 were correctly recognized as assets, but instead of being recognized as revenue , they were recognized as accumulated capital grants. | It had been informed that in the year 2024, financial statements will be presented according to Sri Lankan accounting standards. | Capital grants should be identified as per the referred accounting standard. |
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1.5.3 Accounting Deficiencies

| Audit Observation | Management Comment | Recommendation |
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| (a) Rs.132,560,770 recognized as Deferred revenue and Depreciation for the year in the Statement of Income and Expenditure for the year 2022 had been removed from the comparative information for the year 2022 in the Statement of Financial Performance. In that regard, the journal entries were not submitted to the audit, and the related disclosures were not made in the financial statements. | In this regard, it was informed that corrections and related disclosures will be made in the 2024 financial statements. | The journal entries related to recording the transactions should be submitted for audit. |
| (b) Although the closing balances of the Revaluation Reserve and Accumulated Income and Expenditure Account as at 31 December 2022, the comparative year of the Statement of Changes in equity presented with the financial statement of the year under review, are Rs.5,728,922,708 and Rs.(8,139,958) respectively. Correspondingly, the two account balances in the year 2022 presented with the statement of financial position the year under review were Rs.5,716,422,708 and Rs.4,360,042 respectively, and there was a difference of Rs.12,500,000 | In the statement of financial position, it had been informed that the value of the two motor vehicles audited in the year 2022 has been removed and accounted for in the closing balance of the 2022 revaluation reserve and accumulated income and expenditure account. | The closing balance of the revaluation reserve and accumulated income and The closing balance of the Accumulated Income and Expenditure Accounts should be shown correctly along with the closing balances in the statement of financial position presented accordingly. |

- (c) The amount paid directly by the Ministry of Justice during the year under review for the repair of structural problems in the Civil Appellate Court Building and the repair of the concrete slab in the basement garage of the Judge's Quarters Building was Rs. 1,492,884 and Rs.3,431,070 respectively but it had not been accounted and disclosed in the financial statements.
- These two tasks were carried out on the basis of the Ministry of Justice letter No. MOJ/AC/11/08/23 dated 02 June 2023 and the verbal notification that the necessary provisions would be paid by the Ministry, The Ministry of Justice made payments of Rs.1,492,884 through Voucher No. P231284 for the payment of bills of the High Court of Civil Appeals and Rs.3,431,070 through Voucher No. P231285 for the payment of bills for the repair of the concrete slab of the garage on the ground floor of the Judge's Quarters Building. Moreover, it had been informed that this will be disclosed in the financial statements of the year 2024.
- Accounting and disclosures in financial statements should be done correctly.

1.6 Non-Compliance with Laws, Rules, Regulations and Management Decisions etc.

| Reference to Laws, Rules, Regulations etc. | Non-compliance | Management comment | Recommendation |
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| (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka | | | |
| i. Financial Regulations 137 | A voucher value of Rs.160,764 had not been approved as per Financial Regulations. | It had been informed that this voucher was not approved due to an omission, and it has now been approved. | Actions should be taken as per the referred Financial Regulations. |

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| ii. Financial Regulations 262(2) | All paid vouchers and confirming documents should be sealed "Paid", but Financial Regulations were not followed in preparing 08 payment vouchers total value of Rs.727,917. | It had been informed that from the year 2024, all vouchers paid and the documents confirming them will be sealed "Paid". | Actions should be taken as per the referred Financial Regulations. |
| iii. Financial Regulations 1645 (a) | The purchase amount and date of purchase have not entered in the log books maintained in respect of three vehicles. | It had been informed that the vehicle details have been entered in the log books so far. | Actions should be taken as per the referred Financial Regulations. |
| (b) Paragraph 2 (i) of the Asset Management Circular No. 02/2017 dated 21 December 2017 | As at the date of the report, a vehicle provided by the Ministry of Justice had not been taken over as per the circular provisions. | The Ministry of Justice had informed that it would take instructions from the Ministry and carry out the necessary arrangements to take over the car that had been given to the Board for temporary use. | Actions should be taken as per the referred circular. |
| (c) Public Administration Circular | <ul style="list-style-type: none"> Paragraph 01 of Circular No. 02/2018 dated 24 January 2018. | The signing of annual performance agreements for the entire staff should be done from the year 2018, but the board had not acted accordingly. | Since the performance agreement has not been given to the employees and signed, it had been informed that it will be prepared from the year 2024. |
| <ul style="list-style-type: none"> Circular No. 05/2008 and 05/2008 (i) dated 06 February 2008 and 24 January 2018 | To make public sector activities more efficient and to improve understanding and mutual trust among the parties involved, the introduction of the Citizens/Clients Charter should have | It had been informed that a citizen's charter has not been prepared and documented, and that it will be prepared from the year 2024. | Actions should be taken as per the referred circular. |

been done by every government agency, but the Board had not been introduced the Citizens/Clients Charter.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs. 114,231,765 and the corresponding deficit of the previous year was Rs. 1,480,748. Accordingly, a deterioration of Rs. 112,751,017 was observed in the financial result. This deterioration is mainly due to increase in year 2023 utility expense operation of Rs.28,220,885 and operating expenses of Rs.6,223,290 and other services and expenses of Rs.2,557,901, and the income from the sale of substandard goods decreasing by Rs.540,050.

3. Operational Review

3.1 Management Inefficiencies

| Audit Observation | Management comment | Recommendation |
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| Regarding the fixed assets of Rs. 58,833,546 which had been purchased in the years 2004, 2006, 2008 and the beginning of 2010, no schedules or documentary evidence were submitted to the audit to confirm their existence. | It had been informed that the opening balances of 08 assets are available but the schedules and invoices of the assets prior to 2010 have been destroyed to verify those balances. | Relevant evidence/schedules should be submitted for audit to ascertain the balance of fixed assets. |

3.2 Procurement Management

| Audit Observation | Management comment | Recommendation |
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| (a) According to 4.2.1 of the Government Procurement Guidelines, a master procurement plan should be prepared that includes expected procurement activities for a period of at least 03 years, but the Board had not been prepared such a plan. | It had been informed that a long-term procurement plan will be prepared for the next 03 years | Actions should be taken as per the referred Procurement Guidelines. |

- (b) According to paragraph 6.2.2 of the Government Procurement Guidelines, a minimum of 21 days should be given for the call for bids in national competitive bidding, but only 18 days were given for the procurement for the provision of cleaning services, and only one person had submitted bids. It had been informed that such deficiencies will be taken into consideration in future procurement activities and the related tasks will be performed accordingly. Actions should be taken as per the referred Procurement Guidelines.
- (c) 7.3.1(d) of the Government Procurement Guidelines , 2.8.4 and 7.11.1 of the Procurement Manual while engaging the services of consultants to evaluate the bids, the Technical Evaluation Committee shall submit the consultants' report to the Procurement Committee along with a formal report of its committee. but in the procurement for the purchase of uniforms for officers value of Rs.955,900, a recommendation was given by a technical evaluation committee which did not have a person with knowledge of the subject. Further, as per paragraph 7.11.1 of the Procurement Manual, a bid evaluation report including the rejected bids and the reasons thereof, was to be prepared by the Technical Evaluation Committee, but the said report did not present facts in this regard. Based on the reports of the selection committee, the procurement activities were carried out, and based on the evaluations of the relevant technical committee, further work will be done according to the recommendations. It had been informed that rejected bids will be dealt with in the future with sufficient reasons, and textile industry scientist I of the Department of textile Industry has been appointed as a member of the technical evaluation committee related to uniforms. Actions should be taken as per the referred Procurement Guidelines.
- (d) According to 7.12.2 (a) of the Government Procurement Guidelines , although only one bid is received, a comparison can be made according to the It had been informed that further procurement will be done as per the procurement guidelines. Actions should be taken as per the referred Procurement Guidelines.

market values and it can be decided that the price is fair, but in relation to the price call for the Judges' Canteen, to call the prices to 08 suppliers on 17 April 2023. As only one supplier had been responded, therefore no market price comparison was made in relation to this procurement.

- (e) In the renovation of the judges quarters with a contract value of Rs.444,000, on 14 March 2023 and 20 June 2023, the technical evaluation committee and the procurement committee gave approvals without starting the related works, based on the decision of the management board meeting held on 03 October 2023, The contract has been cancelled due to the validity period of the relevant price sheets and the expiry of the validity period of the bid security.
- After receiving the decision of the Ministry of Justice related to the transfers of the respective judges quarters, to the management board meeting on 03 October 2023, and due to the expiration of the validity period of the relevant price sheets and bid security, it had been informed the contract could not be awarded. therefore, procurement has been cancelled.
- Procurements approved by the Procurement Committee shall be initiated and completed without delay.

4. Accountability and Good Governance

4.1 Cooperate Plan

| Audit Observation | Management comment | Recommendation |
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| The Board had not been prepared a strategic plan as per Schedule I of Public Enterprises Circular No. 01/2021 (Guidelines on Public Enterprises) and No. 2.3 dated 16 November 2021. | As per the circular, it had been informed that the strategic plan of the Supreme Court complex will be presented herewith. | The Governing body shall proceed to submit an approved plan as per the referred circular. |

4.2 internal Audit

| Audit Observation | Management comment | Recommendation |
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| <p>Paragraph No. 40 (1) of the National Audit Act No. 19 of 2018 states that the Board shall have its own an internal auditor appointed by the governing body of the Board to carry out internal audit activities but from 01 June 2023, the staff of the Board was not include an internal auditor. Furthermore, according to Financial Regulation 134 (3), copies of the internal audit reports related to the financial affairs of the Board should be forwarded to the Auditor General, but the internal audit reports related to the year under review had not been submitted by the date of the report.</p> | <p>It had been informed that unable to submit the internal audit reports due to recruited internal auditor has resigned from the board from 01 June 2023.</p> | <p>An internal auditor shall be appointed as per the referred Act.</p> |

4.3 Sustainable Development Goals

| Audit Observation | Management comment | Recommendation |
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| <p>According to the letter issued by the Ministry of Sustainable Development and Wildlife No. MSDW/08/65 dated 27 April 2018, The board had not been appointed officers to coordinate the achievement of sustainable development objectives and prepared a sustainable development programme.</p> | <p>It had been informed that sustainable development objectives have not been documented and separate programs have been prepared for them, and according to the Act, an officer will be appointed to documented and implemented and coordinate the of the same from the year 2024.</p> | <p>Proceed as per the referred letter.</p> |