

Head 228 – Courts Administration

1. Financial Statements

1.1 Qualified Opinion

Head 228 - The audit of the financial statements of the Courts Administration for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, and cash flow statement 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. The Summary Report containing my comments and observations on the financial statements of the Courts Administration was issued to the Chief Accounting Officer on 28 May 2024 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Courts Administration was issued to the Chief Accounting Officer on 18 July 2024 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, the financial position of the Courts Administration as at 31 December 2023 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

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 opinion.

1.3 Responsibilities of the Chief Accounting Officer and Accounting Officer on Financial Statements

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 Courts Administration 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 Courts Administration 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

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 furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud..
- Although it is not intended to express an opinion on the effectiveness of internal control and obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- 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
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

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

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 the Financial Statements

1.6.1 Accounting Deficiencies

(a) Reconciliation Statement on the Advance Account of the Government Officers

Audit Observation	Comments of the Accounting Officer	Recommendation
There was a difference of Rs.13,031,920 between the total of the individual credit balance classification summary and the balance of the departmental control account as per the balances shown in the Advance "B" account reconciliation statement of the government officials as on 31 December 2023.	This has been caused by the differences between the total of the individual balance classification summary of 08 judicial regions and the control account and it had been informed the relevant courts through the letter No. MOJ/AC/13/31/2024 and dated 22.03.2024 that actions should be taken to investigate and correct the causes and to report the progress to the Ministry.	The credit balances should be compared and the reasons for the difference should be corrected.

2. Financial Review

2.1 Cost Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Provisions of Rs.1,736,759 which had been made for 02 recurrent expenditure subjects and provisions of Rs.26,505,070 which had been made for 03 capital expenditure subjects had remained unused and the balance had ranged from 17 to 93 percent.	It had been informed that the provisions remained unused due to following the circular on public expenditure control, not being present to cut off damages and losses and construction not reaching the expected progress.	Actions should be taken to prepare the estimates with proper study.
(b) Although the department has allocated provisions for the capital expenditure of the Management Board of the Supreme Court Complex under the expenditure subject number 2201, the capital expenditure of Rs.4,923,954 incurred on behalf of that institution	It had been informed that this payment was made by the expenditure subject of the Ministry as per the decisions made in the Board of Directors meeting and as it was essential to repair these buildings as soon as possible in order to prevent the risk of life and	Arrangements should be made to prepare the estimates with proper study.

in the year under review had been property damage due to non-repair accounted under the building and of these buildings. construction expenditure subject of Department No. 228-1-1-2001.

2.2 Entering into liabilities and obligations

Audit Observation	Comments of the Accounting Officer	Recommendation
Liabilities of Rs. 124,590 belonging to 03 expenditure subjects included in the register of Liabilities maintained by the department had not been included in the statement of liabilities in the financial statement.	It had been informed that this value mentioned in the register of Liabilities had not been included in the statement of Liabilities and the officers were instructed not to make such omissions in the future.	Actions should be taken to include all liabilities in the financial statement.

2.3 Non-compliance with Laws,rules and regulations

The instances where the provisions of the laws, rules and regulations observed during the sample audits were not complied with are analyzed below.

Reference to laws, rules and regulations	Observation Value	Non-compliance	Comments of the Accounting Officer	Recommendation
(i) Financial Regulations of the Democratic Socialist Republic of Sri Lanka 104	Rs.	The final reports had not been given by the end of the year under review rregarding the 02 vehicles involved in accidents in the months of January and June 2023.	It had been informed that the Reports of investigation board have been completed in the year under review regarding the 02 vehicles involved in this accident.	Actions should be taken to proceed as per referred financial regulations.

109 (1) (2)	and 7,137,718	As per the financial statement of the year under review, there were further damages and losses to be recovered in respect of 64 incidents as on 31 December 2023.	Since most of these damages are many years old, it had been informed that the practical problems related to the investigation would be resolved and necessary measures would be taken accordingly.	Actions should be taken to recover damages as per the applicable Financial regulations.
396	18,641,987	As on 31 December 2023, actions had not been taken regarding the cheques exceeding 06 months issued in 58 bank accounts belonging to 26 high court zones as per the Financial regulations	It had been informed that instructions would be given to all high courts of all zones to proceed according to F.R.396 regarding cheques that have expired 06 months.	Actions should be taken to recover damages as per the applicable Financial regulations.
(ii)	Paragraph 3.1 of the Public Administration circular No. No. 30/2016 and dated 29 December 2016	Fuel combustion test had not been done for 71 vehicles belonging to the department.	It had been informed that it was a very difficult task to carry out the fuel combustion test of court judges' official vehicles and arrangement is made to prepare a proper method in the future.	Actions should be taken to recover damages as per the applicable circulars.

2.4 Issuing and settlement of the Advances

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the ad hoc sub imprest should be settled again within 10 days after the completion of the relevant work after the issuance of the ad hoc sub imprest in 08 cases the advance amounting to Rs.206,800 had not been settled within the stipulated date.	The advance money was the advance money taken to go out of Colombo for the work of the Quazi Courts and it had been informed to settle the advance money immediately after the work was completed.	Arrangements should be made to settle the sub imprest.

2.5 Deposit balances

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the time analysis of public deposit accounts of 11 high court zones, there were the total amount of security deposits in the deposit account with a period of more than 05 years is Rs.116,077,742, the amount of tender deposits is Rs.649,173, temporary retention deposits of Rs.36,282,982 and contract retention is Rs.1,168,628.	It had been informed that the officers concerned have been instructed to take necessary measures to release all the retention money that is capable of being released and if not, to credit the government revenue as per F.R.571.	Actions should be taken to release deposits that can be released in due course.

3. Operation Review

3.1 Leaving projects unfinished

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) A contract was signed with a private company for the construction of the Record Room and Production Room of the Mahawa District/ Magistrate's Court in October 2021 and an advance payment of Rs. 6,820,384 had been paid. Although the project was scheduled to be completed by 30 September 2022, by November 2022, the total cost was Rs. 24,137,687 and the physical progress was 60 percent. 2022 It was decided to stop this project and conclude the agreement at the Committee meeting held in December 2022 according to the problematic situation in the construction sector and the physical progress was 60 percent. The project failed to achieve the expected results and it was observed in the audit that the expenditure incurred was an idle expenditure.</p>	<p>The construction work of the project has been carried out with a value commensurate with the payments made so far. It had been informed that it was being planned to carry out the procurement through a suitable tender method and to carry out the rest of the work through a suitable contractor.</p>	<p>Actions should be taken to complete the construction as planned and fulfill its objectives.</p>
<p>(b) A contract was signed with a private company for the construction of the Kalpitiya Court Office Building and the Record Room in December 2021 and an advance payment of Rs. 9,922,870 had been made and the project was scheduled to be completed in August 2023. Due to the change in the construction plans and the contract period has not been started according to the committee meeting held in September 2023, it was decided to stop the project ,cancel the contract in August 2023 and the contractor had paid Rs.9,014,383 as remaining advance money. It was observed during</p>	<p>It had been informed that the advance amount of Rs.908,487 has been recovered from the bills payable to the contractor and the remaining amount of Rs.9,014,382 has also been recovered.</p>	<p>Public funds should be utilized effectively for contract projects.</p>

the audit that the Public funds were not utilized for a period of 1 ½ years through this project and Rs. 908,487, which was the initial expenditure, was idle.

- (c) An advance payment was made in November 2021 and a contract had been entered into with a private company for the construction of the proposed building for the office and Record Room of the Kuliapitiya District Court and the project had been planned to be fully completed in the year 2022. Since the construction work of the project had not started in the year 2022, it had been agreed in March 2023 to stop the project based on the agreement of both parties and the amount paid to the private company was an advance of Rs. 11,163,922 was paid to the Ministry in March 2023 after keeping it idle for 15 months.
- It had been informed that according to National Budgetary Circular No. 02/2022 based on the decision of the decision-making committee meeting regarding the project (Termination) held on 15.09.2022 since the construction work of this project has not started, the advance amount paid to the contractor has been recovered and according to the agreement, this project has been stopped based on the agreement of both parties.
- Arrangements should be made to promptly bring the money given to the external parties.

3.2 Procurement

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The procurement committee had approved to invite quotations from 07 institutions for the purchase of stationery for the Colombo High Court on 15 December 2022 and the procurement committee approval for the selected suppliers was on 24 April 2023. Accordingly, 04 months of time had been spent for the selection of a suitable supplier.	It had been informed that instructions have been given to the relevant officials to take relevant measures to carry out the procurement activities within a specific time frame.	The procurement activities should be done as planned within the stipulated time.
(b) The Colombo High Court had purchased Rs.3,395,888 worth of stationery for the Colombo Judicial zone on 02 occasions exceeding the amount of items approved by the Procurement Committee in the year 2023,.	It had been informed that these stationery purchases have been made in order to maintain the judicial affairs without interruption and the relevant officials have been informed not to make any purchases outside of the procurement approval.	Procurement should be done within approved limits.

3.3 Asset Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
At the end of the year under review, there were idle office equipment in 03 High Courts and their idle period had ranged from 01 to 08 years and actions had not been taken in this regard as per the Financial Regulation 767.	if the annual Boards of survey have given recommendations as idle goods according to F.R.756 accordingly, it has been informed that the courts have been instructed to deal with F.R. 767(1) regarding idle and underutilized assets that can be used.	Actions should be taken to recover damages as per the applicable Financial regulations.

3.4 Giving Securities of the Government Officers

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to Financial Regulations 880, although the officers who are required to give securities in judicial service should give securities as required, 65 officers in 11 high court zones had not given securities amounting to Rs.1,450,000.	As the Ministry does not have the information about the officers who have to give securities in all the courts, it had been informed that all the courts have been notified to call for the relevant information.	Actions should be taken to recover the security money of the officers properly as per the referred Financial regulations.
(b) Although the irrelevant information was sent to the Ministry of Justice for the registration of surety bonds for the giving securities of 14 officials employed in the Puttalam Provincial High Court, they had not been approved during the year under review.	It had been informed through the letter dated 05.10.2023 that the applications that had been forwarded to the Ministry had been forwarded to the Attorney General's Department for recommendations.	Actions should be taken to carry out the registration of surety bonds promptly.

3.5 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to Section 4.4 of Chapter xxiv of the Establishments Code, although if an officer dies, all debts due to the government should be deducted from any amount to be paid to his heirs, the loan balance due from the deceased officers was Rs. 3,427,799 at the end of the year under review and the total amount of debt due for more than 05 years was Rs. 133,360 and the total	As there are deficiencies in the loan balance files to take further action in respect of Rs.3,427,799.33 dues of the deceased officers, provision has not been made by the Pension Department for recovery of this debt and it had been informed that the relevant courts have been notified to take immediate action	Prompt actions should be taken to recover the loan balances .

- amount of debt due for more than 10 years was Rs.214,110 in that balance.
- to refer the documents required to settle only the loan balance of the Advance “B” account to the department in case the beneficiaries do not come forward to receive the death gratuity.
- (b) According to Section 4.2.4 of Chapter xxiv of the Establishments Code, although the details of the loan to be collected from an officer at the time of his retirement shall be referred by the Heads of Department to the Director of Pension and deducted from the converted pension or gratuity of the officers, the total debt balance to be collected from retired officers was Rs. 12,135,186 at the end of the year under review and in that balance, the loan balance to be collected from more than 03 years is Rs.870,630 and the total amount of debt due for more than 05 years was Rs.243,269.
- An amount of Rs.563,160 has been settled so far out of the loan balance of Rs.12,735,186 due from the retired officers. Necessary arrangements are being made to settle the remaining loan balances and arrangements are being made to recover the loan amount in installments from the officers who are not entitled to pension due to various reasons. However, it had been informed that the officers have been informed to take immediate steps to settle the loan balance provisions of the retired officers immediately after release.
- Prompt actions should be taken to recover the credit balances.
- (c) According to Section 7.2.5 of the Chapter xxiv of Establishments Code, vehicle loans can be obtained once in 05 years and although the previously obtained vehicle loans should have been paid in full, contrary to it, due to the fact that both types of car loans and bicycle loans have been given to a registrar who was interdicted from working in the Colombo High Court zone. A car loan of Rs.107,000 and a bicycle loan of Rs.3,800 should be collected from him and the said balance remained uncollected for more than 10 years.
- This is a loan balance that is more than 15 years old and on inquiry from the High Court, the letters dated 09.04.2021 and 13.10.2021 bearing File No. Co/HICO/ACC/ADV B/2021 have emphasized that there is no other way to recover the loan of this officer or to proceed further and it had been informed that no information could be found and necessary instructions have been given through the letter MOJ/AC/13/39/2024 dated 19.04.2024 to take immediate action regarding such overdue loan balances
- Prompt actions should be taken to recover the credit balances .

- (d) The total loan balance to be collected from three officials who have been transferred to other ministries, departments and local government bodies was Rs.370,235 and there were the loan balance to be collected from more than 10 years is Rs.6,975 in that balance and the loan balance due from a period exceeding one year was Rs. 17,500. As the loan balance of Rs.6,975 is more than 16 years old, it had been informed that it would be written off according to the Financial Regulation 113 and the remaining loan balance would be charged from the year 2024. Prompt actions should be taken to recover the credit balances .
- (e) The loan balance due from the interdicted officers is Rs.10,475,575 at the end of the year under review and in that balance, the loan balance due for more than 2 years was Rs.1,375,612, and the total loan balance due for more than 10 years was Rs.2, 501,002 and the total loan balance amount due for more than 05 years was Rs.1,363,611. It had been informed that it has become difficult to recover the loan balance since the disciplinary actions of the interdicted officers have not been completed and in many cases, the concerned officials have been informed to settle the loan balance in monthly installments and when the information of the guarantors is available, efforts are being made to recover the loan amount from them. Prompt ctions should be taken to recover the credit balances.
- (f) As on 31 December 2023, the total loan balance to be collected from the retired officers was Rs.9,403,611 and in that balance, the total loan balance to be collected from more than 20 years was Rs.344,468 and the total loan balance to be collected from more than 10 years was Rs.1,471,919 and the sum of the loan balance due for more than 05 years was Rs.884,044. The respective High Courts have informed the retired officers to immediately settle the debts due from the retired officers and if there are guarantors, they have been told to collect from the guarantors. Accordingly, some officials have requested to be given the opportunity to settle the loan in installments and it had been informed that the relevant approvals have been given so far. Arrangements should be made to recover the loan balance promptly.

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| (g) | According to the register maintained by the High Courts in terms of Financial Regulation 586(2), a fine of Rs. 7,545,500 for the year under review in relation to 60 cases in 03 High Courts was due to be collected by 31 December. | Imprisonment will be given if the relevant fine is not paid on the due date. It had been informed that if the fine was paid before the end of the penalty period, the fine amount can be collected and if the relevant fine amount was not paid, the sentence would be imposed. | Actions should be taken to recover damages as per the applicable Financial regulations. |
| (h) | A balance of Rs.301,050,923 had not been collected from the work advances given to the contractors in relation to 16 construction projects between the year 2017 and 2022 as on 31 December 2023 and any balance out of the advance amount of Rs.48,599,924 given in relation to 03 projects included in it had not been recovered during the year under review. | It had been informed that the due advance money related to the projects would be recovered respectively as per 5.4.4 (iii) of the procurement guidelines according to the value of the work done in making the bill payments related to the each project. | Prompt actions should be taken to recover the money given to external parties. |

4. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) At the end of the year under review, now that the total approved cadre for the department was 5256 and the actual cadre was 4458, there were 798 vacancies of officers.	In accordance with the National Budgetary Circular No. 03/2022 of the Ministry of Finance and Budgetary Circular 01/2023 of the Ministry of Economic Stabilization and National Policies, it has not been possible to recruit for the public service under public expenditure management and it had been informed that arrangements were being made to recruit for the positions approved by the Recruitment Review Committee.	.Actions should be taken to fill the vacancies expeditiously.

- (b) There were a high number of vacancies in the posts of office employees, summons servers and Writ Executors, court watcher and they were 455,192 and 97 in number respectively. Applications are invited for the written test to fill the vacancies for the posts of Summons Server and Writ Executor. It had been informed that the recruitment would be done after getting the approval of the Public Service Commission regarding the recruitment procedure. Actions should be taken to fill the vacancies expeditiously.