

Superior Courts Complex Board of Management - 2019

1.1 Qualified Opinion

The audit of the financial statements of the Superior Courts Complex Board of Management for the year ended 31 December 2019 comprising the balance sheet as at 31 December 2019 and the income and expenditure account, 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 Finance Act, No. 38 of 1971. My comments and observations which I consider should be tabled in 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 Superior Courts Complex Board of Management as at 31 December 2019, 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

My opinion is qualified based 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 intends 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 Sub-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 of the Board.

1.4 Scope of the Audit (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'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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate 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 the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The 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 Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-compliances with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the Relevant Standard	Comment of the Management	Recommendation
The estimate on useful life of fixed assets costing Rs. 11,422,883 that had been fully depreciated as at the end of the year under review, was not reviewed in terms of Sri Lanka Public Sector Accounting Standard 03. The assets still being used were not disclosed in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard 07.	Two classes of assets are in use. This has not been disclosed in the financial statements.	Action should be taken in terms of Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
The sum of Rs. 1,164,750 being the allocations for depreciation relating to the year under review and the preceding year on 16 air conditioners worth Rs. 4,659,000 that had been purchased and installed in the year 2018, was deducted from	Sixteen air conditioners purchased in the year 2018 at a value of Rs. 4,659,000 could not be capitalized in that year. As such, the machines were capitalized in the year 2019. However, the value of depreciation amounting to Rs. 582,375 relating to the year 2018 had not been depreciated with respect to that year. According to the accounting policy of the Board, the asset	Depreciation for the preceding year should be brought to accounts after being retrospectively adjusted.

the profit of the year under review. The depreciation value of Rs. 582,375 on the said allocations relating to the preceding year had not been shown in the financial statements after being retrospectively adjusted; as such, the profit of the year under review had been understated by that amount.

should be depreciated from the year of purchase. Accordingly, depreciation for the year 2018 was brought to accounts in the year 2019. The reasons for doing so was that the 16 air conditioners purchased in the year 2018 should have been fully depreciated within a period of 08 years (2018-2025).

1.5.3 Lack of Documentary Evidence for Audit

Item	Amount	Audit Evidence not Made Available	Comment of the Management	Recommendation
	Rs.			
Buildings	151,933,809	Schedules or Registers.	The value of buildings had been stated as Rs. 2,473,433,809 in the financial statements of the year under review. However, schedules had not been properly maintained showing breakdowns of the said values. As such, it is informed that there was no evidence to verify as to whether the value of buildings as at 2010/12/31 was in fact the revalued amount.	Schedules/evidence should be maintained necessary for verifying the value of assets.

1.6 Non-compliances with Laws, Rules, Regulations, and Management Decisions

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
Public Administration Circular No. 02/2018, dated 24 January 2018.	Annual performance agreements had not been signed for the entire staff of the Board based on the Format given in Annexure	Action is being taken in accordance with Public Administration Circular, No. 2/2018 to prepare a human resource	Circulars should be followed.

01 of the Circular whilst the development plan. human resource development plan of the Board had not been prepared based on the Format given in Annexure 02. Furthermore, training opportunities for not less than 12 hours per year had not been provided in accordance with Paragraph 6.1 of the Circular.

2. Financial Review

2.1 Financial Results

The operating result of the year had been a deficit of Rs. 16,101,438 as compared with the corresponding deficit of Rs. 27,889,470 for the preceding year thus indicating a decrease of Rs. 11,788,032 in the deficit of the financial result.

3. Operating Review

3.1 Transactions of Contentious Nature

Audit Observation -----	Comment of the Management -----	Recommendation -----
Salaries had been paid by placing on a salary scale ahead of the initial scale relevant to the post; as such, a retired officer had been overpaid salaries and advances, but action had not been taken to recover the sum of Rs. 191,919 that had remained further recoverable.	The Attorney Generals' Department had been consulted in that connection, and a case had been filed by the Attorney Generals' Department at the district court of Colombo against the former Financial Manager. Letters, dated 2017.08.25 and 2020.01.07 were sent in regard of the monies recoverable from Mrs. P. U. D. Bandara who had been deceased on 2015.05.03, but those letters have not been replied, nor has a death certificate been received thus far.	Action should be taken for the recovery of overpaid salaries and advances receivable.