

**Appropriation Head 174 - Report of the Auditor General relating to the Ministry of  
Rehabilitation and Prisons Reforms and the Departments under the Ministry – Year 2011**

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This report consists of 2 parts.

Part I – Summary report relating to the Ministry and the Departments under the Ministry

Part II – Detailed report relating to each Appropriation Head

**Part I**

Summary report on the Accounts of the Ministry of Rehabilitation and Prisons Reforms and the  
Departments under the Ministry

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**1. Departments under the Ministry**

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Head of Expenditure	Name of Department
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232	Department of Prisons
326	Department of Community Base Correction

**2. Accounts**

**2:1 Appropriation Accounts**

**Total Provision and Expenditure**

The total net provision made for the Ministry and two Departments under the Ministry amounted to Rs.4,375,372,720 and out of that a sum of Rs.4,243,991,301 had been utilized by the end of the year under review. Accordingly, the net savings out of the net provision of the Ministry and the Departments ranged between Rs.7,839,034 and Rs.86,383,935 or 2.32 and 11.37 per cent of the total net provision. Details appear below.

Appropriati on Head	Ministry/ Department	Net Provision		Utilization		Savings	
		Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
174	Ministry of Rehabilitation and Prisons Reforms	182,432,720	404,465,000	166,296,188	383,443,082	16,136,532	21,021,918
232	Department of Prisons	3,383,620,000	335,950,000	3,362,171,827	271,014,238	21,448,173	64,935,762
326	Department of Community Base Correction	63,025,000	5,880,000	60,477,773	588,193	2,547,227	5,291,807
	Total	3,629,077,720	746,295,000	3,588,945,788	655,045,513	40,131,932	91,249,487

## 2.2 Advance Accounts

### 2.2.1 Advances to Public Officers Account

#### Limits Imposed by Parliament

The Ministry and two Departments under the Ministry had complied with the following limits on the Advances to Public Officers Accounts authorized by Parliament. Details are given below.

Ministry / Department	Object Code	Expenditure		Receipts		Debit Balance	
		Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Ministry of Rehabilitation and Prisons Reforms	17401	2,355,000	2,253,294	1,000,000	2,067,802	12,000,000	6,785,178
Department of Prisons	23201	125,600,000	124,007,897	95,000,000	119,255,567	422,000,000	329,268,234
Department of Community Base Correction	32601	2,355,000	2,353,188	2,000,000	3,631,103	17,000,000	13,833,061

## 2.2:2 Commercial Advance Accounts

A Department under the Ministry had maintained a Commercial Advance Account.

### (a) Limits Authorized by Parliament

The following limits authorized by Parliament for activities of the Prison Agricultural Advance Account had not been complied with.

Department	Object Code	<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balances</u>	
		Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
-----	-----	-----	-----	-----	-----	-----	-----
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Department of Prisons	23202	120,000,000	104,653,689	135,000,000	98,542,963	30,000,000	65,592,414

### (b) Financial Results

The financial results of the Commercial Advance Account are as follows.

Item Number	Advance Account Activity	<u>Financial Results</u>			
		2011		2010	
-----	-----	-----	-----	-----	-----
		Profit (excluding hypothetical charges)	Profit (including hypothetical charges)	Profit (excluding hypothetical charges)	Profit (including hypothetical charges)
		Rs.	Rs.	Rs.	Rs.
23202	Prison Agriculture and Industrial Activities	39,427,871	1,873,986	39,666,949	15,687,296

## 2.3 Imprest and General Deposit Accounts

### 2.3.1 Imprest Accounts

The debit balances of the Imprest Accounts of the two Departments under the Ministry as at 31 December 2011 amounted to Rs.9,664,519. Details are given below.

Ministry / Department	Balance as at 31 December 2011
-----	-----
	Rs.
Department of Prisons	6,660,318
Department of Community Base Correction	3,004,201
	-----
	9,664,519
	=====

### 2.3.2 General Deposit Accounts

The balances of the General Deposit Accounts of the Ministry and two Departments under the Ministry as at 31 December 2011 totalled Rs.48,035,269 and details thereon are given below.

Ministry / Department	Balance as at 31 December 2011
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	Rs.
Ministry of Rehabilitation and Prisons Reforms	32,044
Department of Community Base Correction	221,109
Department of Prisons	47,782,116
	-----
	48,035,269
	=====

## **Part II**

### **Detailed Report relating to each Appropriation Head**

#### **1. Appropriation Head 174 - Ministry of Rehabilitation and Prisons Reforms**

##### **1.1 Scope of Audit**

The Appropriation Account including the financial reports, reconciliation statements, books, registers and other records of the Ministry of Rehabilitation and Prisons Reforms for the year ended 31 December 2011 were audited in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary of the Ministry of Rehabilitation and Prisons Reforms on 22 November 2012. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

##### **1:2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements**

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and Reconciliation Statements in accordance with the provisions of Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

##### **1:3 Audit Observations on the Accounts and Reconciliation Statements**

According to the Financial Reports and the Books for the year ended 31 December 2011, it was observed that except for the general observations appearing at (a) to (c) and the other major audit findings appearing in paragraphs 1.4 to 1.7 herein, the Appropriation Account

and Reconciliation Statements of the Ministry of Rehabilitation and Prisons Reforms have been prepared satisfactorily.

(a) **Budgetary Variance**

The entire recurrent provision totalling to Rs.360,000 made under 02 Objects and capital provision totalling Rs.1,050,000 made under 3 Objects had been saved.

(b) **Corporate Plan**

Even though a Corporate Plan should be prepared by the Ministry at the beginning of the year at least for 3 ensuing years from the year 2010 in terms of the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries of the Ministries, Chief Secretaries of the Provincial Councils, Heads of Departments, District Secretaries and Heads of the Local Authorities, such plan had not been prepared even by 10 October 2012.

(c) **Annual Procurement Plan**

The Procurement Plan for the year 2011 in terms of the National Budget Circular No. 128 dated 24 March 2006 had been prepared only on 07 June 2011.

**1.4 Assets Management**

**Conduct of Annual Boards of Survey**

In terms of the Public Finance Circular No. 441 dated 09 December 2009 as amended by the letter No. PF/Board of Survey/01 dated 17 December 2010 of the Director General of Public Finance, the Annual Board of Survey should be conducted before 31 March 2012 and the reports thereon should be forwarded to the Auditor General. Nevertheless, the Ministry had not conducted Board of survey for the year 2011 even by 30 April 2012. The last Board of survey conducted had been for the year 2010.

## 1.5 Performance

The instances were observed that the Ministry had not carried out the key activities adequately.

- (i) To reconstruct the Prisons Department as suitable to present requirements.
- (ii) To amend Prisons Ordinance to regularize the reform activities.
- (iii) To amend Community Base Correction Ordinance to refer the correction process for who done minor criminals instead of imprisonment.
- (iv) To amend the Persons, Property and Industry Rehabilitation Authority Act No. 29 of 1987 to broaden the activities of rehabilitation according to timely requirements.

In this regard the Secretary of the Ministry had informed me in January 2013 that action is being taken to amend Prisons Ordinance and Community Base Ordinance.

## 1.6 Losses and Damage

A jeep of the Ministry had been fully painted incurring a sum of Rs.88,000 by mentioning only the scratches were there, without disclosing the accidents occurred in 3 instances in the year 2011.

## 1.7 Human Resources Management

### Approved and Actual Cadre

The position of the cadre as at 31 December 2011 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excesses
	-----	-----	-----	-----	-----
(i)	Senior Level	11	10	01	-
(ii)	Tertiary Level	02	01	01	-
(iii)	Secondary Level	20	24	-	04
(iv)	Primary Level	19	17	02	-
(v)	Others (casual/temporary/ contract basis)	06	09	-	03
	Total	58	61	04	07
		=====	=====	=====	=====

Action had not been taken to obtain proper approval in respect of excess employees recruited.

## **2. Appropriation Head 232 - Department of Prisons**

### **2.1 Scope of Audit**

The Appropriation Account including the financial reports, reconciliation statements, books, registers and other records of the Department of Prisons for the year ended 31 December 2011 was audited in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Commissioner General of Prisons on 21 December 2012. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

### **2.2 Responsibility of the Chief Accounting Officer and Accounting Officer for the Accounts and Reconciliation Statements**

The Chief Accounting Officer and Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

### **2.3 Audit Observations on the Accounts and Reconciliation Statements**

According to the financial reports and the books for the year ended 31 December 2011, it was observed that except for the effects of the general observations appearing at (a) to (c) and



the other major audit findings appearing in paragraphs 2.4 to 2.11 herein, the Appropriation Account and the Reconciliation Statements of the Department of Prisons have been prepared satisfactorily.

(a) Non-maintenance of Books and Registers

The Register of Fixed Assets should have been maintained in terms of the provision of Financial Regulation 502(2) had not been maintained by the Department and the Register of Losses and Damage in terms of financial Regulation 110 had not been maintained in the correct format.

(b) General Deposit Account

The balance of the General Deposit Account as at 31 December 2011 amounted to Rs.47,782,116 and an age analysis had not been prepared for the following balance of Rs.32,965,757 included thereof.

General Deposits -security	-	Rs.1,047,088
General Deposits -tenders	-	Rs.4,151,520
Miscellaneous Deposits	-	Rs.27,767,149

(c) Advance Accounts

(I) Advances to Public Officers Account – Item No. 23201

The balances that remained outstanding as at 31 December 2011 totalled Rs.12,161,154 and the follow up action on the recovery of outstanding balances had been at a weak level.

An outstanding loans and advance balance from the officers deceased and who had vacated posts amounting to Rs.2,353,594 was existed more than one year and the follow up action on the recovery of such money had been at a weak level.

Instances were observed that the festival advances had been paid where earlier installments had not been completely settled.

(II) Advance Accounts of Prison Agriculture and Industrial Activity

The following limits authorized by Parliament had not been complied with.

<b>Limit</b>	<b>Authorized</b>	<b>Actual</b>	<b>Excess/(Shortfall)</b>
-----	-----	-----	-----
Expenditure	120,000,000	104,653,689	15,346,311
Receipts	135,000,000	98,542,963	(36,457,037)
Debit Balance	30,000,000	65,592,414	35,592,414

The balances that remained outstanding on Advance Accounts of the Prison Agriculture and Industrial Activities, Item No. 23202 totalled Rs.75,225,119 and the follow-up action on the recovery of such outstanding balances had been at a weak level.

## 2.4 Assets Management

### (a) Conduct of Annual Board of Survey

The following observations are made.

- i. In terms of the Public Finance Circular No.441 dated 09 December 2009 as amended by the letter No. PF/Board of Survey/01 dated 17 December 2010 of the Director General of Public Finance, the Annual Boards of Survey should be conducted before 31 March 2012 and the reports thereon should be forwarded to Auditor General. Nevertheless, the Department had not conducted the Board of Survey for the year 2011 even by 31 March 2012. The last Board of Survey conducted had been for the year 2010.

- ii. Action in terms of the provisions had not been taken on the excesses and shortages reported and other recommendations made in the Boards of Survey Reports in respect of previous years.

**(b) Unsettled Liabilities**

The unsettled liabilities of the Department as at 31 December 2011 amounted to Rs.528,043,610 and an age analysis thereon had not been prepared.

**2.5 Non – compliances**

**Non – compliances with Laws, Rules, Regulations, etc.**

Instances of non – compliance with the provisions of laws, rules and regulations observed during audit test checks are analyzed below.

<b>Reference to Laws, Rules and Regulations</b>	<b>Value</b>	<b>Non - compliance</b>
-----	-----	-----
	Rs.	
(i) Financial Regulation 2(1)	397,750	An income of Rs.397,750 had been received in the year 2011 from renting out the Prison Sports ground at Mahara. Even though the income earned thereof should be credited to the State income, it was observed that the income earned from sports ground had been given to the sports and welfare society.

- |  |           |  |
|--|-----------|--|
| (ii) Standing Order No. 463 of the Department of Prisons | -         | According to the standing orders of the Department the money earned by a prisoner including the salary should be paid to him when he was released from the prison. Nevertheless, instances were observed that action had not been taken accordingly.   |
| (iii) Public Finance                                     |           |  |
| Circular No. PF 423 dated 22 December 2006               |           |  |
| I Paragraph 3  | 2,771,839 | The funds had been collected from the salaries of the prisoners who are serving on the “basis of the programme basis, at the rate of 10 per cent to the Reward Fund maintained by the Department contrary to the provisions of the Circulars relating to proposed activities for Strengthening of Operations and Management of Public Funds. |
| II Paragraph 4.2   | 1,200,000 | Two Fixed Deposit accounts amounting to Rs.500,000 and Rs.700,000 respectively had been opened in the name of the “Reward fund” in two instances without proper authority.   |

## 2.6 Irregular Transactions

The following matters were observed.

- (a) Even though a sum of Rs.466,720 had been paid in July 2011 to purchase 10 items of goods required for work of “Correction Centre for Young Prisoners at Dalupotha”, the goods had not been obtained even by December 2011.
- (b) Even though an estimate amounting to Rs.81,724 had been given by Kadawatha C.T.B. Depot Engineer to repair a bus belonging to Mahara Prison which had met with an accident had been repaired by another garage which was not a registered garage in the Department by paying Rs.187,360. Accordingly, Rs.105,636 had been overpaid than the estimate and additional sum of Rs.423,650 had been paid for repairing balance work and the painting of the bus.

## **2.7 Transactions of Fraudulent Nature**

The Procurement Committee had invited quotations to supply of 2,782 brown colour pair of shoes required for the officers of the Department and had selected an Institution as a Supplier who was not a manufacturer, importer or an agent of shoes. The Technical Evaluation Committee had recommended the above supplier without paying attention to matters such as the market price of the shoes, the price changes according to the sizes of the shoes and the production name and price stenciled on the shoes, when evaluating specifications. The physical examination of shoes supplied to the stores of the Prisons Head Quarters revealed that the shoes had been packed in the boxes with that name of a local company which is manufacturing supplying and selling of shoes and such company’s trade name had been stenciled in the boxes where the canvas pairs of shoes had been packed. It was further revealed in audit that the selected supplier for supplying shoes to the Department was not an agent of the above company.

The prices stenciled in the boxes of shoes packed had been erased and according to the prices indicated, the price of a pair of shoes of size 5 to 9 was Rs.980 and a pair of shoes of size 10 to 13 was Rs.1,070. Accordingly, the total amount payable was Rs.2,777,022 as a sum of Rs.2,171,458 for 2,216 pairs of shoes at the rate of Rs.980 per pair and a sum of Rs.605,563 for 566 pairs of shoes at the rate of Rs.1,528 per pair. Since Rs.4,250,896 had been paid for

2782 of all pairs of shoes on 06 June 2011, it was observed a sum of Rs.1,473,874 had been overpaid.

## **2.8 Losses and Damage**

- (a) Investigations had not been carried out and preliminary reports had not been furnished regarding the accidents occurred in 2011 amounted to Rs.1,526,101 in terms of provisions of Financial Regulations 102 and 104.
- (b) A sum of Rs.15,460 had been paid as delayed charges to Lanka Electricity (Pvt) Company due to delay of paying electricity bills for December 2010 at Negombo Prison.

## **2.9 Management Inefficiencies**

Even though it had been planned to implement integrated project with Mahara Pradeshiya Sabha to construct and maintain a Compost Fertilizer Manufacturing Yard using waste as a permanent solution for the problem arising due to improper daily discharge of waste of Mahara Prison, it had not been implemented.

## **2.10 Deficiencies in the Operation of Bank Accounts**

Action had not been taken to settle unidentified receipts amounted to Rs.90,107 shown in the bank reconciliation statements for over the period of six months.

## **2.11 Human Resources Management**

### **Approved and Actual Cadre**

The position of the cadre as at 31 December 2011 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Number of Excesses
-----	-----	-----	-----	-----
(i) Senior Level	56	41	15	-
(ii) Tertiary Level	5,651	4,770	881	-
(iii) Secondary Level	402	258	144	-
(iv) Primary Level	252	224	28	-
(v) Others (casual/temporary/ contract basis)	-	12	-	12
<b>Total</b>	<b>6,361</b>	<b>5,305</b>	<b>1,068</b>	<b>12</b>
	=====	=====	=====	=====

The following observations are made

- (a) Action had not been taken to fill 1,068 vacancies by the end of the year under review.
- (b) Action had not been taken to obtain proper approval in respect of excess employees recruited.

### **3. Appropriation Head 326 – Department of Community Base Correction**

#### **3.1 Scope of Audit**

The Appropriation Account including the financial reports, books, registers and other reports of the Department of Community Base Correction for the year ended 31 December 2011 was audited in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Commissioner General of Community Base Correction on 21 November 2012. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

**3:2 Responsibilities of the Chief Accounting Officer and Accounting Officer for the Accounts and Reconciliation Statements**

The Chief Accounting Officer and Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions of Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

**3:3 Audit Observations on the Accounts and Reconciliation Statements**

According to the Financial Reports and the Books for the year ended 31 December 2011, it was observed that except for the effects of the general observation appearing at (a) to (c) and the other major audit findings appearing in paragraphs 3.4 to 3.6 herein, the Appropriation Account and the Reconciliation Statements of the Department of Community Base Correction have been prepared satisfactorily.

**(a) Budgetary Variance**

The entire capital provisions totaling Rs.5,000,000 made under one Object had been saved.

**(b) Corporate Plan**

Even though a Corporate Plan should be prepared by the Department at the beginning of the year at least for 3 ensuing years from the year 2010 in terms of the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries of the Ministries, Chief Secretaries of the Provincial Councils, Heads of Departments, District Secretaries and Heads of the Local Authorities, such plan had not been prepared even by 31 December 2011.



(c) **Reconciliation Statement of Advances to Public Officers Account**

According to the Reconciliation Statement of Advances to Public Officers Account, Item No. 32601 as at 31 December 2011, the balances that remained outstanding as at that date totalled Rs.511,297.

**3.4 Assets Management**

**Conduct of Annual Boards of Survey**

Even though in terms of the Public Finance Circular No.441 dated 09 December 2009 as amended by the letter No. PF/Board of Survey/01 dated 17 December 2010 of the Director General of Public Finance the Annual Board of Survey should be conducted before 31 March 2012 and the reports thereon should be forwarded to Auditor General, the Department had forwarded the Boards of Survey Reports only on 18 June 2012.

**3.5 Human Resources Management**

**Approved and Actual Cadre**

The position of the cadre as at 31 December 2011 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Number of Excesses
	-----	-----	-----	-----	-----
(i)	Senior Level	04	01	03	-
(ii)	Tertiary Level	113	93	20	-
(iii)	Secondary Level	131	61	70	-
(iv)	Primary Level	11	04	07	-
(v)	Others ( Casual/ Temporary/ Contract Basis)	-	22	-	22
	Total	259	181	100	22
		=====	=====	=====	=====

The following observations are made

(a) Action had not been taken to fill 98 vacancies by the end of the year under review.

(b) Action had not been taken to obtain proper approval in respect of excess employees recruited.

3.6 **Internal Control**

The Audit and Management Committees had not been implemented during the year under review.