

Head 232 - Report of the Auditor General on the Department of Prisons - Year 2017

The Appropriation Account, Reconciliation Statement, Commercial Advances Accounts and 01 income account relating to revenue codes included in Tables 3.1.2 of the annual budget estimate under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 were presented to Audit by the Department of Prisons. The financial and physical performance reflected by the said accounts and the reconciliation statement were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Management and Accountability

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulation

1.3 Scope of Audit

The audit of the Department of Prisons – Head 232 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Commissioner General of the Department on 31 October 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

1.4 Audit Observation

The audit observations of the Department of Prisons for the year ended 31 December 2017 revealed in audit, appear in the Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of those observations appear from paragraph 2.1 to 2.18 of this report. It was observed that the accountability as the Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulation 128 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

	Accountability of the Accounting Officer in terms of Financial Regulation 128(1)	Non-compliance with that Provision by the Accounting Officer	Reference to the Paragraph of the report which included the Observation
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128(I)(a)	That the work of his department is planned and carried out with due dispatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorised and that an endeavour is made to complete the programme of work laid down for the year and/or to attain the targets specified ;	1. Failure in planning procurement activities/ Inadequate planning 2. Non-preparation of a budget estimate realistically 3. Deficiencies in implementing the procurement process	2.1.1 2.3 2.1.2
128(1)(c)	The Financial Regulations and other supplementary instructions of the Government are adhered to in his department, and that they are supplemented by departmental instructions, where necessary;	1. Non-compliances 2. Management deficiencies	2.9 2.11
128(1)(d)	That an adequate system of internal check for receipts, payments and issues is maintained and tested from time to time;	Internal Audit	2.10
128(I)(e)	That adequate and proper arrangements are	Deficiencies in Assets	2.2

	made for the safe custody and preservation of money, stores, equipment and other assets belonging to the Government, or is in its custody, and that these are verified from time to time; and, where they are disposed of, such disposal is according to prescribed Regulations and instructions;	Management	2.4
128(I)(f)	That such information, statements and returns as are called for by the Chief Accounting Officer or the Treasury, are rendered correctly and promptly;	Non-preparation of annual estimates realistically	2.5
128(1)(h)	That special arrangements are made to recover outstanding dues and that the officers assigned that task report to him at least once a quarter or as otherwise directed regarding arrears and action pursued to expedite their recovery;	1.Recovery of outstanding loan balances in the Advances to Public Officers Account 2.Non-recovery of outstanding loan balances in Commercial Advances Accounts	2.6 2.7

2. Material and Significant Audit Observations

2.1 Obtaining Supplies and Services through the Procurement Process

2.1.1 Planning of Procurements

The Master Procurement Plan had not been prepared in terms of Guideline 4.2 of the Government Procurement Guidelines. Action had not been taken to obtain the approval of the procurement committees for the Procurement Time Schedule in terms of Guideline 4.2.3 of the Government Procurement Guidelines.

2.1.2 Implementation of the Procurement Process

A sum of Rs.24,397,730 had been spent in the year 2017 for purchase of firewood and procurements had not been carried out for the year 2017. Moreover, it had been purchased under procurements of the year 2016.

2.2 Assets Management

Lands of 13.0637 hectares in extent owned by 05 prison institutes had remained idle between a period of 3 years and 7 years. Moreover, machinery and equipment costing Rs.42,500 and Rs.217,000 respectively, had remained idle.

2.3 Commitments and Liabilities

Incurring of Commitments exceeding Limits of Annual Budget

Contrary to paragraph 02 (a) of the State Accounts Circular No.255/2017 of 27 April 2017, the provisions made for 02 Objects was Rs.60 million. However, a total sum of Rs.62.34 million had been spent for those Objects, thus incurring commitments of 2.34 million exceeding provisions.

2.4 Management Weaknesses

The following weaknesses were observed during audit test checks.

- (a) Even though a Rewards Fund had been set up by deducting 10 per cent of the salary of detainees of prison during the period from the year 2001 to the year 2005, action had not been taken to obtain the approval of the Treasury therefor. One savings account and 02 fixed deposit accounts had been opened out of those funds. The balances as at 31 December 2017 of these accounts of which there were no withdrawals, amounted to Rs.5,716,858, Rs.500,000 and Rs.700,000 respectively. These monies had remained idle from the date of deposit up to the year 2018. The approval of the Treasury had not been obtained for opening this account.
- (b) Lands of 9.31 hectares in extent had been taken over during the period from 1995 to 2016 for shifting the Trincomalee and Batticaloa Prisons to other locations and the proposed new constructions had not been commenced even by October 2018.
- (c) Installation of an information management system including information of prisoners of 30 prison institutes had been planned in the year 2011. A sum of Rs.70.49 million had been spent therefor by the year 2017. Even though 5 years had lapsed after commencing the experiment level of the Welikada Prison, the anticipated objective of the information system could not be achieved. Twenty three computers and required accessories therefor purchased in the year 2016 had been distributed to 29 institutions on 14 February 2017. Nevertheless, network had not been carried out even up to 31 December 2017. Accordingly, it was observed that they are not used as well.

2.5 Utilization of Provisions made available by Parliament for Performance of Functions

Details on provisions made for the Department for the year ended 31 December 2017 and the preceding year, utilization and savings thereof and audit observations thereon appear below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provisions
		Rs.Millions	Rs.Millions	Rs.Millions	
2016	Recurrent	5,319	4,792	527	10
	Capital	3,240	2,106	1,134	35
	Total	8,559	6,898	1,661	19
2017	Recurrent	5,275	4,762	513	10
	Capital	1,265	1,078	187	15
	Total	6,540	5,840	700	11

The following observations are made.

The required provisions had been made according to the Total Cost Estimate for the staff expected to be recruited by the Department. However, the staff could not be recruited as expected by the end of the year under review and as such, provisions of Rs.545 million representing 16 per cent had been saved out of the total provision.

a) Appropriation Account

Excess provisions of Rs.8 million had been made for 03 Objects and as such the savings, after the utilization of provisions, ranged between 34 per cent to 55 per cent of the net provisions relating to the respective Objects.

2.6 Advances to Public Officers Account

Limits authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Department under Item No.23201 and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
180	154	135	135.8	400	291

The following observations are made in this connection.

(a) Non-recovery of outstanding Balances

According to the reconciliation statement presented to Audit, the outstanding balances as at that date totalled Rs.6,250,001 and those outstanding balances had ranged between 01 year and 05 years. Nevertheless, the speedy recovery of those outstanding balances had failed.

(b) Issue of Loans contrary to Provisions

In terms of Public Administration Circular No.30/2008 of 31 December 2008, the distress loan had been granted to 03 officers of the Badulla Prison exceeding the maximum entitlement of Rs.250,000 and the balance thereof as at 31 December 2017 was Rs.816,017.

(c) In the recovery of loans, a sum of Rs.210,527 had been recovered in excess from 84 prison officers. However, action had not been taken to settle those balances.

2.7 Commercial Advances Account

According to the financial statements presented for the commercial advances purpose – Item No.7000/0/0/0232/0002, the financial results were as follows.

Commercial Purpose	Advances	Financial Results			
		2017		2016	
		Profit without assumed Charges	Loss with assumed Charges	Profit without assumed Charges	Loss with assumed Charges
		Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
Industrial and Agricultural Advances Account		60.425	25.025	63.07	10.34

The following observations are made in this connection.

(a) A qualified audit opinion had been expressed relating to the Commercial Advances Account for the year 2017 and a qualified audit opinion had been expressed relating to the preceding years as well.

(b) The total debtors balance amounting to Rs.49,368,410 as at 31 December 2017 comprised of debtors balances of Rs.49,332,791 relating to the Public Sector and Rs.35,618 of the Private Sector. Loan balances of Rs.8,952,285, Rs.4,123,969 and Rs.23,672,777 for over a period of 10 years, over 5 years and below 10 years and over one year and below 5

years had remained respectively and even though a committee had been appointed for the recovery of loans, the recovery had failed.

- (c) No production had taken place in 16 Divisions of 10 prison institutes during the year under review.

2.8 General Deposit Accounts

The balances of 08 General Deposit Accounts of the Department as at 31 December 2017 totalled Rs.200.5 million. The following observations are made in this connection.

- (a) Action in terms of Financial Regulation 571 had not been taken relating to deposits of Rs.215,634 older than 2 years in 03 accounts.
- (b) A balance of Rs.4,282,317 remained as at 31 December 2017 in Prison Wages and the Personal Account and action had not been taken to credit those monies to the personal accounts of prisoners.

2.9 Non-compliance

2.9.1 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with provisions of Laws, Rules and Regulations observed during the course of Audit test checks are analysed and given below.

Reference to Laws, Rules and Regulations	Non-compliance
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Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
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- (i) Financial Regulation 104

Action in terms of Financial Regulation 104 had not been taken relating to 05 motor vehicle accidents occurred in the year under review.

- (ii) Financial Regulation 215 (1)

A sum of Rs.491,890 had been paid without examining two buses of the Kuruwita Prison by a Mechanical Engineer and obtaining guarantee certificates before completing repairs.

2.10 Internal Audit

In terms of Management Audit Circular No. DMA/2009(i) of 09 June 2009, an adequate internal audit had not been carried out on the transactions of the Advances Account.

2.11 Human Resources Management

Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

The position on the approved cadre, actual cadre, vacancies and excess cadre as at 31 December 2017 in performance of the functions of the Department, appears below. The Department had spent a sum of Rs.1,817 million for the Category of Personal Emoluments in the year under review.

Category of Employees	Approved Cadre	Actual Cadre	Vacancies
(i) Senior Level	165	82	83
(ii) Tertiary Level	134	49	85
(iii) Secondary Level	7,154	5,532	1,622
(iv) Primary Level	419	275	144
Total	7,872	5,938	1,934

The following observations are made in this connection.

- (a) As the Schemes of Recruitment had not been approved for 12 posts, 112 vacancies could not be filled. Moreover, 17 posts of Superintendent including the Special Grade, 30 vacancies including the Chief Jailor, and 07 posts of Female Jailor Grade I could not be filled due to dearth of qualified officers.
- (b) Weakening of the activities of Agricultural, Carpentry and Welding Divisions of the Thaldena Prison, unavailability of a protective fence in the Pallekale Prison while a lack of employees required for 28 security posts established, problematic situations in transporting detainees to the Tangalle Prison courts and failure in maintaining establishment activities of the Badulla and Kuruwita offices, had occurred due to the vacancies of the above posts.