

Head 232 - Department of Prisons

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Prisons for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year then ended 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 Department of Prisons was issued to the Accounting Officer on 10 May 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 06 July 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Prisons as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. 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 the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 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 summary 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Non-compliance of Financial Statements with Circular Provisions

Although the financial statements are required to be prepared in accordance with Guideline No. 06 issued by the Department of public Accounts, the following instances are contrary to those requirements.

| Audit Observation ----- | Comments of the Accounting Officer ----- | Recommendation ----- |
|---|--|---|
| (a) The total recurrent and capital expenditure in the expenditure summary according to programmes for the year ended 31 December 2020 in the ACA-02 note of the financial statement is Rs. 7,059,436,265 but, according to the programme, the total recurrent and capital expenditure in the Statement of Expenditure (ACA (2)(i)) was Rs. 7,029,710,753 and due to that there was a difference of Rs. 29,725,512. | I would like to point out to the audit that, this situation can be resolved by observing note ACA 2 (ii) as an extension of note ACA-02. | According to the provisions of ACA2 (i) programmes, the statement of expenditure should be adjusted to be equal to the total expenditure. |
| (b) The non-financial assets of Rs. 179,311,886 purchased during the year under review and the fixed assets of Wariyapola and Jaffna Prisons which were not valued were not mentioned in the non-financial statement. | The purchases and disposals in the year 2020 could not be adjusted in the statement of non-financial assets and I would like to inform to the audit that, the action will take to adjusted purchases and disposals as required in the statements of non-financial assets through the appropriation account from the year 2021. | The statement of non-financial assets should be properly prepared in accordance with the provisions. |

1.6.2 Lack of Audit Evidences

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|--|
| No evidences were given to confirm the current assets of Rs. 47,325,414 and the current liabilities of Rs. 197,540 stated in the Industrial and Agricultural Advance Account for the year under review. | Schedule 03 of the final account shows how the values related to creditors and accrued expenses have been prepared and I am enclosing the balance confirmation letters of creditors. I would like to inform to the audit that the sub documents of debtors can be submitted to the audit. | All required evidences should be submitted to the audit. |

1.6.3 Obligations and Liabilities

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|--|--|
| There was a difference of Rs. 249,871,180 due to the obligations and liabilities were Rs. 218,991,989 according to the financial statements and that were Rs. 468,863,169 according to the treasury books. | Although there are several liaison divisions within one organization, the difference between these balances is due to the practical difficulties of having all of them access to entering liability information to the CIGAS system. | Obligations and liabilities in the financial statements should be comparable to obligations and liabilities in treasury notes. |

2. Financial Review

2.1 Revenue Management

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|--|
| Receivable Rs. 3,707,000 for 02 months of the year under review had not been received by 01 April 2021 for providing prisoners' labor for a | There were no comments. | Should be act in accordance with Financial Regulation 128(1) (b). Measures |

project implemented with Avant-Garde Man Power Recruiting (Pvt) Ltd. Also, 10 percent of the Rs. 655,000 received for June 2021 had not been credited to government revenue.

should be identifying accurately to be credited to the government revenue and credit to government revenue.

2.2 Expenditure Management

The following observations are made.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|---|
| (a) 12 Recurrent expenditure subjects ranged from 10 percent to 100 percent were saved. | I agree with the audit observation that the savings on expenditure subjects ranged from 10 percent to 100 percent from the estimated allocations of Rs. 997,425,000 made for 12 recurrent expenditure subjects. This situation was mainly due to insufficient imprests, inability to spend funds due to Covid virus situation and under-utilization of provisions in recurrent expenditure subjects due to travel restrictions. | Should be prepared annual estimates in accordance with Financial Regulations. |
| (b) Savings in 10 capital expenditures were ranged from 18 percent to 89 percent. | The main reasons for this situation are insufficient imprests, inability to complete the work due to the Covid virus situations and inability to control the situation in the country to implement certain projects. | -Do- |

2.3 Issuing and settling Advances

Comparison statement on Advance Account to public Officers

The following observations were made in this regard.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|--|---|
| (a) Follow up procedures of recovering Rs. 7,424,112 outstanding debt balances beyond 05 years as at 31 December 2020 were in poor condition. | There are outstanding loan balances related to the advance B account for many years. Debts of retired officers are recovered from the pension gratuity and problems arise in recovering loans as some officers have died and gone abroad. As per the instructions of paragraph 3 of the Public Finance Circular No. 01/2020 dated 28 August 2020, Rs. 25,000 to write off loan balances of less than Rs. 242,220 has been sent to the State Ministry of Prison Management and Prisoner Rehabilitation on 28 November 2020. | Immediate action should be taken to recover the outstanding debt balance. |
| (b) The outstanding debt of 40 officers transferred to Government Ministries/ Departments was Rs. 437,913 due to violation of Sections 1.6, 1.7 and 6.3 of Chapter xxiv of the Establishments Code and section 1.1.7 of the National Budget Circular No. 118 of 11 October 2004. | Debt collection has been delayed due to most of the balances are very long time before the year 2000 out of Rs. 91,209 outstanding balance due from transferred officers and difficulty to search information about their transfer places. The loan balance of Rs. 232,136 due between 1 and 2 years has been settled and the relevant institution has been informed to settle the loan balance of Rs. 114,568 between 3 and 12 months. | Steps should be taken to recover the outstanding balances. |

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|-----|---|--|---|
| (c) | Due to non-compliance with paragraphs 4 and 6 of Public Accounts Circular No. 262/2017 dated 29 December 2017, the outstanding balance due from the retired officers in the Department "B" Account was Rs. 1,783,542 at the end of the year under review. | Most of the information on loan balances older than 5 years has not been found. Out of these loan balances less than Rs. 25,000 has been sent to the State Ministry for write off. Pension files between 1 year and 4 years have been sent to the Department of Pensions. The loan balance has not been recovered from the officers who are having disciplinary inquiries and court proceedings have not been completed. | Should be act in accordance with public Finance Circulars. |
| (d) | The total amount of unidentified loan balances of 06 officers was Rs. 415,546. | Debt balances of Rs. 401,152 are difficult to identify and there was a difference between the balances of the officers who transferred in and out due to non-entered Rs. 14,393 in the books of accounts during periodic transfers between prisons. | Action should be taken to recover unidentified debt balances. |

2.4 Deposits

The following deficiencies were observed in the accounting of deposit payments and balances related to financial statements.

| Audit Observation ----- | Comments of the Accounting Officer ----- | Recommendation ----- |
|---|---|---|
| (a) Rs. 1,008,120 deposits in 03 deposit accounts exceeding 02 years had not been act in accordance with as per Financial Regulation 571. | I would like to inform to the audit that, action has been taken to instruct the Superintendent of Prisons to act in accordance with Financial Regulation 571. | Financial Regulations should be followed. |
| (b) There was a balance of Rs. 4,554,557 to be credited to the personal accounts of the prisoners and among that, | Superintendents of Prison have been instructed to credit the unpaid prison wages in less than a year to the Prisoners' Welfare | -Do- |

balance for more than 02 fund according to the years was Rs. 1,394,779. Department Circular 22/2011 related to the prison wages account balance of Rs. 1,394,779 mentioned in the audit observations.

2.5 Imprest Balance

The following deficiencies were revealed in accounting of the imprest balance.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|--|
| ----- | ----- | ----- |
| The sub imprest balance was Rs. 54,000 at the end of the year under review. | I would like to inform to the audit that, action would be taken to settle the accounts by April 2021. | Action should be taken to settle the unsettled sub imprests. |

2.6 Incurring Liabilities and Commitments

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|--|--|
| ----- | ----- | ----- |
| There were Rs. 629,797,555 liabilities and commitments in 2,373 occasions contrary to the Financial regulation 115. | I would like to state that in accordance with Financial Regulation 115, the maximum action has been taken to reduce and settle as much as possible the claims required to be settled during the year. I would also like to point out to the audit that, due to the emergency situation in the country during the last season, there was no sufficient imprest and direct and indirect reasons were affected for this large amount. | Should be complied with Financial Regulations. |

2.7 Certification to be done by the Accounting Officer

According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Accounting Officer had to certify the following matter but, had not acted accordingly.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|------------------------------------|--|
| Although the Chief Accounting Officer and Accounting Officer should ensure that there is an effective methodology for the proper functioning of the internal audit function, that requirement has not been complied with paragraph 4.1 of the report. | There were no comments. | Should be act in accordance with the provisions of the National Audit Act. |

2.8 Non-compliance with Laws, Rules and Regulations

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

| Reference to the Laws, Rules and Regulations | Observation | Comments of the Accounting Officer | Recommendation |
|---|--|---|---|
| (a) Financial Regulation 502(b) (i) of the Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka. | The receivables of Rs. 1,481,622.18 and Rs. 17,461 from public sector and private sector respectively for the sales older than 20 years have been failed to recover. | I would like to inform to the audit that, this is resolving by the committee appointed to recover the arrears. Further, the settlement has been delayed due to lack of documentation on outstanding bills due from the public and private sectors prior to year 2015 and the misappropriation of old bills. | Receivables should be recovered in accordance with Financial Regulations. |

- (b) Section 3.2.6 of the Board of survey It has not been able to Should be followed
 Circular No. 05/2016 reports for the year report on the Corona circulars.
 dated 31 March 2016 under review had not epidemic.
 of the Director General been submitted to the
 of Public Finance. Auditor General.

3. Operational Review

3.1 Procurements

The following observations are made.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|--|--|
| ----- | ----- | ----- |
| <u>Code of Government Procurement Guidelines</u> | | |
| (a) According to Guideline 4(2), the expected procurement plan had not been prepared for a period of at least 3 years | I would like to inform to the audit that, special attention has been paid to the audit observations and action have been taken to prepare the expected procurement plan for a period of 03 years in terms of Section 2006 4(2) of the code of Government Procurement Guidelines. | Procurement Guidelines should be followed. |
| (b) Rs. 2,635,639 worth of stationary in Mahara prison in the years 2019,2020 and 2021 had been purchased as an emergency except outside the procurement process without doing divisional procurement as per the guideline 2.7.7. | I would like to inform to the audit that, The Mahara prison has called for an explanation for the audit inquiry into the investigation carrid out by the Mahara prison and the relevant Superintendent of Prisons has been instructed to submit a detailed reply in this regard and to act in accordance with the provisions of the guidelines to prevent such situations in future. | -Do- |

3.2 Assets Management

3.2.1 Inactive Assets

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|--|--|
| 05 buses, 03 cars, a tractor, 04 fire extinguishers and 64 cameras in camera security system in 03 prisons and an outdoor work camp were inactive. | <ul style="list-style-type: none">• Further action will be taken by the Department of Prisons regarding the dispose of unusable vehicles and,• 04 fire extinguishers specified by the audit cannot be reused and further action will be taken in this regard. | Appropriate action should be taken on inactive assets. |

3.2.2 Underutilized Assets

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|---|---|
| A bus, 03 lorries, a bowser, a car, a hand tractor, a motor cycle, a three wheeler and a generator have been underutilized for 01 to 10 years in 03 prisons and an outdoor prison and a youth offender center. | This was due to the fact that, there was no need to drive due to the security restrictions, did not take over the name of the department, the high fuel consumption, the bowser was used only for the lack of water and the three wheeler was only used in emergencies. | Appropriate action should be taken with regard to underutilized assets. |

3.2.3 Stocks

The following observations are made.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|---|
| ----- | ----- | ----- |
| (a) During the physical inspection of samples of 07 ration items in the instrument warehouse of Mahara Prison on 12 March 2021, there was a deficit of Rs. 4,158.78 for 04 items and an excess of Rs. 9,942.90 for 03 bulk items. | There were no comments. | In case of any deficiencies or discrepancies with regard to stocks, action should be taken in accordance with Financial Regulation 757 (2). |
| (b) It was observed during the sample test that, 8,950 kg of white Nadu rice was supplied substandard out of 14,175 kg as per the ration commodity supply service agreement. | -Do- | The money spent of government activities should be handled sparingly to ensure that the government gets the maximum value in accordance with Financial Regulation 128(1) (i). |

3.3 Losses and Damages

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|---|
| ----- | ----- | ----- |
| Losses amounting to Rs. 57,835,664 in relation to 252 losses including 228 car accidents that have been going on for more than 10 years and relevant for a period of 1 to 10 years were not comply with the Financial Regulation 103(1) and it was continued in the financial statements. | A motor vehicle accident committee has been appointed to look into this matter and I would like to inform to the audit that, action will be taken to recover losses or deductions in future in accordance with Financial Regulation 103(1). | Should be act in accordance with Financial Regulations relating to damages including car accidents. |

3.4 Failure to reply Audit Queries

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|--|--|
| ----- | ----- | ----- |
| 05 Audit queries issued to the department had not been answered as at 30 June 2021. | Inability to answer certain audit queries on the due date as the prisons in all over the island have to be called answers. | It is the responsibility of the Accounting Officer to act promptly on written and inquiries addressed by the Auditor general or any other authorized officer on behalf of him and to provide full answers to them in accordance with the terms of Section 38(1)(e) of the National audit Act No. 19 of 2018 and Financial Regulations. |

4. Good Governance

4.1 Internal Audit

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|---|---|
| ----- | ----- | ----- |
| Copies of all internal audit reports have not been submitted to the Auditor General and the Department of Management Audit in terms of sub section 40(4) of the National Audit Act No. 19 of 2018 and Financial regulation 134(3). | Copies of the report could not be submitted in the year 2020 due to the delay in submitting the report. | Should be act in accordance with the Audit Act and Financial Regulations. |

5. Audit and Management Committees

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|--|--|
| ----- | ----- | ----- |
| Contrary to paragraph 1.3 of the Management Audit Circular No. DMA/01-2019 dated 12 January 2019, only one Audit and Management Committee meeting was held for the year under review. | There was no Chief Internal Auditor for the first 02 quarters and meetings were limited during the epidemic. | Should be act in accordance with the circular. |

6. Human Resource Management

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|--|---|
| ----- | ----- | ----- |
| The total number of vacancies was 2,363 including 84 vacancies at the executive level, 36 vacancies at the tertiary level, 2,147 vacancies at the secondary level and 96 vacancies at the primary level at the end of the year under review due to not maintaining an effective service level and lack of timely review of staff. | Agree with the observations made by the audit regarding the vacancies. However, I would like to inform to the audit that, the officers are working efficiently under the vacant conditions and new recruitments are planned to fill these vacancies in future. | A timely review is required to maintain an effective service level and act accordingly. |