

Report of the Auditor General on Head 145 - Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Religious affairs - Year 2015

The Audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers, and other records of the Head 145 - Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Religious affairs for the year ended 31 December 2015 was carried out in pursuance of provisions in Article 154(1) of Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 08 August 2016. The audit observations, comments and findings on the accounts and the reconciliations statements were based on a review of the Accounts and the 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 the Reconciliation Statements 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 and Public Finance 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. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

Out of the total net provision of Rs. 6,806.53 million made for the Ministry, a sum of Rs. 1,937.53 million had been utilized by the end of the year under review. Accordingly, the savings were amounted to Rs. 4,869.00 million or 71.53 per cent of the net provision made available to the Ministry. Details are shown below.

Expenditure	As at 31 December 2015			Saving as a Percentage of Net Provisions
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	830.11	822.62	7.49	0.90
Capital	5,976.42	1,114.91	4,861.51	81.34
Total	6,806.53	1,937.53	4,869.00	71.53

2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorized by the Parliament

The limits authorized by parliament and the actual amounts of the Advances to Public Officers Account of the Ministry under the Item No: 14501 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
11.12	2.91	2.00	2.90	37.50	8.58

2.3 Imprest Account

The balance of the Imprest Account No. 7002/0000/00/0377/0014/000 under the Ministry as at 31 December 2015 amounted to Rs. 8,088.

2.4 General Deposit Account

The balances of 3 deposit accounts of the Ministry as at 31 December 2015 totalled Rs. 5,767,928. Details are given below.

Deposit Account No.	Balance as at 31 December 2015
	Rs.
6000/0000/00/0001/0079/000	35,269
6000/0000/00/0016/0055/000	5,692,334
6000/0000/00/0018/0066/000	40,325
Total	5,767,928

2.5 Audit Observation

The Appropriation Account and Reconciliation statements of the Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Religious Affairs for the year ended 31 December 2015 had been satisfactorily prepared subject to the audit observations appearing in Management Audit Report referred to in paragraph 1.1, the material and significant audit observations out of the observations included in that Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non - maintenance of Registers and Books

It was observed in audit tests that certain registers mentioned below had not been maintained by the Ministry while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Relevant Regulation	Observation
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(i) The Fixed Assets Register for Computer Accessories and Software	Treasury circular No IAI/2002/02 dated 28 November 2002	Not maintained
(ii) Liability Register	Financial Regulation. 214	Not maintained
(iii) Counter foil Register	Financial Regulation341	Not maintained
(iv) Fixed assets Register	Treasury circular No 842 dated 19 December 1978	Not updated
(v) Petty Cash Register	Financial Regulation446	Not updated
(vi) Vehicle Log book	Financial Regulation1645(a)	Not updated

3.2 Replying for Audit Queries

Replies for 6 audit queries issued during the year under review to the Ministry had not been furnished even up to 31 March 2016. The quantifiable value relating to those audit queries amounted to Rs.70, 136,245

3.3 Issuing Ad - hoc Imprests

Contrary to in terms of the Public Finance Circular No 03/2015 dated 14 July 2015, Ad - hoc imprests amounting to Rs. 774,855 had been issued to 05 Officers of non-staff grade in 45 instances.

3.4 Advances to Public Officers Account

The deficiencies observed in sample audit tests carried out on the Reconciliation Statements of the advance to Public Officers Account Item No 14501 as at 31 December 2015 are given below.

- (a). According to the Reconciliation Statement furnished to audit, the balances remained unsettled at that date totalled Rs.376, 166 and those balances remained outstanding for a period ranging from 1 to 5 years. However, the follow up actions on the recovery of those balances were at a weak level.
- (b). The balances remained outstanding as at 31 December 2015 which were recoverable from 04 officers totalled Rs. 376,166 had been failed. Out of this, a sum of Rs. 221,066 from 02

officers who had vacated their posts and a sum of Rs. 155,100 from 02 officers who had been interdicted had been outstanding.

3.5 Good Governance and Accountability

Annual Performance Report

According to the Public Finance Circular No 402 dated 12 September 2002, the performance report should be tabled in Parliament by the Ministry within 150 days from the closure of the financial year. However, the said report had not been tabled in Parliament even up to 30 June 2016.

3.6 Un - settled Liabilities

The unsettled liabilities of the Ministry as at 31 December 2015 totalled Rs. 1,816,009.

3.7 Non – compliances

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 Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(i) Financial Regulation 447(4) and (5)	1,816,009	Expenditure had not been included in the appropriation(votes) ledger
(ii) Financial Regulation 94(1)	613,436	It had been entered into liabilities exceeding the savings of 11 objects.
(iii) Financial Regulation 103,104 and 156	110,000	Action had not been taken to identify and act against the officers who were responsible for the losses occurred for the public property in accordance with Financial Regulations.

(iv)	Financial Regulation 371-373	290,000	Obtaining Ad-hoc Imprest exceeding the limit.
(v)	Financial Regulation 371(2)	774,885	Issuing Ad-hoc imprest to non-staff grade officers.
(b)	Public Administration Circulars		
	Circular No.114/2008 dated 26 June 2008	338,006	Using pool vehicles in addition to the official vehicle and provide a motor cycle for personal usage of the driver.

3.8 Performance

The following observations are made.

- (a). Only a sum of Rs. 208,098,995 or 4 per cent of the provision had been utilized out of the total provision of Rs. 4,847,350,000 provided under the Financial Codes 13 and 17 for 07 Objects thus a sum of Rs. 4,639,251,005 representing 96 per cent of the provision had been saved.

The following observations are made in this regard.

- (i) A sum of Rs. 4,492 million had been provided in the financial codes 13 and 17 during the year under review of a Ministry Object for a housing project directly funded by the Indian Government through the Indian Embassy of Sri Lanka. However, that provision had not been utilized and the entire provision had been saved. It was reported in the letter of the Secretary to the Ministry dated 19 May 2016 addressed to the Secretary to the Ministry of Foreign Affairs that 42,839 houses out of 46,000 houses had been completed at Rs. 550,000 cost per house with the allocation provided in the previous year.
- (ii) Although a sum of Rs. 57 Million had been provided to a Object under Financial Codes 13 and 17 for the construction of houses, the entire provision had been saved due to not signing the agreement.
- (iii) A sum of Rs. 904,000 had been provided under Financial Code 13 to a Object for the awareness programme (UNICEF) about the risk of land mine. As a result of non-issuing of imprest by the Department of Treasury Operations, the said programme had not been implemented.
- (iv) The financial and the physical performance as at 20 September 2015 relating to utilization of provision of Rs. 295,350,000 made through Financial Code 13 and 17 under 3 Objects had been sent to the Secretary to the President by the Secretary to the Ministry. According to that information, only laying foundations and built up to

completing walls of houses had been reported by utilizing Rs.82,400,000 or 28 per cent of the provision made. The progress of those constructions was at a low level and the number of houses that constructions were commenced had not been reported.

- (b). Action had not been taken by the Ministry to call financial and physical performance reports, review the progress thereon, taking action thereon or evaluating projects with regard to the total capital provision of Rs. 5,454,368,000 which had been provided to implement housing and various projects for the Ministry including the provision of Rs. 4,847,350,000 made through Financial Codes 13 and 17 under the development programmes of the Ministry.
- (c). A sum of Rs. 4,000,000 had been saved out of the provision made for re-establishment of the Research Centre of the Palmyrah Development Board. Necessary action had not been taken by the Ministry to utilize the provision for the objected task.

3.9 Transactions of Contentious Nature

The Following observations are made in this regard.

(a). Rent out of a Building for the Ministry

Agreement had been signed on 11 April 2016 to obtain a building on rental basis for the Ministry for the period from 10 May 2016 to 09 May 2018 and had agreed to pay Rs. 4,200,000 as monthly rental valuation. The following observations are made in this regard.

- (i) Despite the first and second lowest bids recommended by the Technical Evaluation Committee, the building which the third lowest bid had been forwarded had been taken on rental basis. Further, Two Procurement Committees had been appointed by the Secretary of the Ministry in this regard and the above Technical Evaluation Committee recommendation had been approved by the first Procurement Committee. However, post appointed Procurement Committee had approved to rent out the building which the third lowest bid forwarded for Rs. 4,200,000.
- (ii) The Building which the agreement had been signed had been valued by the Chief Valuer of the Government to be rented out for Rs. 3,000,000 at Rs.85 per square feet. However, the owner of the building had not agreed to rent out the building for Rs. 3,000,000 and thus, the Secretary to the Ministry had requested from the Chief Valuer for an assessment of market rental value by his letter dated 25 January 2016. The Chief Valuer had informed the annual rental by his reply letter dated 01 February 2016, as Rs. 4,200,000 in order to compromise the matter.

(b). Fraud of Money by Submitting Forged Documents.

A Three-person Committee had been appointed by the Secretary to the Ministry to examine in depth the observations included in the audit query number LS/E/MTISED/2015/AQ01 dated 24 July 2015 relating to fraud of Rs 592,108 by

submitting forged documents. Although the report of the committee had been furnished to the Secretary to the Ministry on 30 October 2015, the recommendation thereon had not been implemented.

(c). Provisions made for the Palmyrah Development Board

 A committee had been appointed by the Secretary to the Ministry on 12 October 2015 to examine the provisions of Rs. 60 Million provided during the Year 2015 to the Palmyrah Development Board and to submit the report to the Auditor General. Although the Committee had been informed to submit the report within two weeks to the Secretary to the Ministry, the report had not been submitted even up to 31 December 2015.

3.10 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2015 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	19	13	06
(ii) Tertiary Level	06	03	03
(iii) Secondary Level	87	70	17
(iv) Primary Level	29	26	03
(v) Other(Casual/Temporary/ Contract Basis)	04	04	-
Total	145	116	29
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The Following Observation is made.

Although 29 vacancies had been remained as at the end of the year under review the provision made under the appropriation account for the year 2015 had been saved without being utilized, for the vacancies of the staff and it had not affected the savings.