

Report of the Auditor General on Head 232 – Department of Prisons – Year 2016

The audit of the Appropriation Account, Revenue Account, Commercial Advance Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 232– Department of Prisons for the year ended 31 December 2016 was carried out in pursuance of provisions in 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 06 October 2017. 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 and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account, Revenue Account, Commercial Advance 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

The total net provision made for the Department amounted to Rs.8,559.05 million and out of that, a sum of Rs.6,898.74 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provisions amounted to Rs.1,660.31 million or 19.40 per cent. Details are given below.

Expenditure	As at 31 December 2016			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	5,319.05	4,792.33	526.72	9.90
Capital	3,240.00	2,106.41	1,133.59	34.99
Total	8,559.05	6,898.74	1,660.31	19.40

2.2 Revenue Account

----- Estimated and Actual Revenue -----

The Department had prepared Revenue Estimates totalling Rs.50.00 million in respect of Revenue Code 20.01.04.00 for the year 2016 and revenue totalling Rs.51.03 million had been collected in the year under review. It had been 102.06 per cent of the estimated revenue. Details appear below.

Revenue Code	As at 31 December 2016			Excess as a Percentage of Estimate
	Estimated Revenue	Actual Revenue	Excess	
	Rs.Millions	Rs.Millions	Rs.Millions	
20.01.04.00	50.00	51.03	1.03	2.06

2.3 Advance Accounts

----- 2.3.1 Advances to Public Officers Account -----

Limits Authorized by Parliament -----

The limits authorized by Parliament for the Advances to Public Officers Account, Item No. 23201 relating to the Department and the actual amounts are shown 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
140.00	135.53	125.00	128.08	400.00	272.87

2.3.2 Commercial Advance Account -----

(a) Limits Authorized by Parliament -----

The limits authorized by Parliament for the Commercial Advance Account on Prisons Industrial and Agricultural Affairs operated by the Department under Item No.23202 and the actual amounts are given below.

Expenditure		Receipts		Debit Balance		Liabilities	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual	Maximum Limit	Actual
Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
100.00	96.96	125.00	150.87	62.00	19.12	12.00	4.15

(b) Financial Results

The financial results for the year under review of the Commercial Advance Account on Prisons Industrial and Agricultural Affairs under Item No.23202 as compared with the preceding year had been as follows.

Advance Account Activity	Financial Results			
	2016		2015	
	Profit excluding Hypothetical Charges	Loss including Hypothetical Charges	Profit excluding Hypothetical Charges	Loss including Hypothetical Charges
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
Prisons Industrial and Agricultural Affairs	63.07	10.34	50.80	9.51

2.4 Imprest Account

The balances of two Imprest Accounts of the Department as at 31 December 2016 totalled Rs. 8.17 million. Details appear below.

Imprest Account Number	Balance as at 31 December 2016
	Rs.Millions
7002/0000/00/0078/2016/000	0.18
7002/0000/00/0079/2016/000	7.99
Total	8.17

2.5 General Deposit Accounts

The balances of 07 Deposit Accounts of the Department as at 31 December 2016 totalled Rs. 300.72 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
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	Rs.Millions
6000/0000/00/0001/0016/000	1.08
6000/0000/00/0002/0017/000	3.67
6000/0000/00/0006/0028/000	2.31
6000/0000/00/0006/0018/000	3.92
6000/0000/00/0016/0062/000	286.64
6000/0000/00/0018/0075/000	2.10
6000/0000/00/0013/0125/000	1.00

Total	300.72
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2.6 Audit Observation

The Appropriation Account, Revenue Account, Commercial Advance Account and Reconciliation Statements of the Department of Prisons for the year ended 31 December 2016 have been prepared satisfactorily, subject to the audit observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and significant audit observations out of the audit 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 during audit test checks that the Department had not maintained the Register of Fixed Assets in terms of Treasury Circular No.842 of 19 December 1978.

3.2 Replies to Audit Queries

Replies to 02 Audit queries issued to the Department in the year under review had not been furnished even by 30 August 2017 and the value of quantifiable transactions relating to those audit queries amounted to Rs.15,778,078.

3.3 Appropriation Account

Budgetary Variance

Action had not been taken according to the Action Plan and Procurement Plan prepared by the Department. As such, the savings, after utilization of provisions, ranged between 37 per cent and 100 per cent of the provision made for 4 Objects by the annual budget estimate.

3.4 Reconciliation Statement on the Advances to Public Officers' Account

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account Item No. 23201.

- (a) According to the Reconciliation Statement presented to audit, the balances that remained outstanding as at 31 December 2016 totalled Rs. 7,328,320. Even though those outstanding balances had been brought forward over periods ranging from 1 year to 5 years, the Department had failed in the recovery of those outstanding balances.
- (b) According to the books of the Department and the Treasury as at 31 December 2016, a difference of Rs.90,268 in the balance of the Advance Account, a difference in the individual balances totalling Rs.923,842 according to the classification summary of individual balances and books of the Department, a difference in the individual balances totalling Rs.833,574 according to the classification summary of individual balances and the books of the Treasury existed. However, those differences had not been reconciled and rectified even by the end of the year under review.
- (c) After closing down the Wathupitiwela Prison, action had not been taken to transfer loan balances of Rs.168,183 of 28 employees and officers who were deployed in service there, to the places for which the relevant employees and officers were attached afterwards. Those loan balances remained outstanding even by the end of the year under review. The Department had failed to recover outstanding loan balances of Rs.32,176, Rs.113,363 and Rs.22,303 respectively from 17 employees or officers who vacated the service, from 8 retired employees or officers as at 31 December 2016 and 3 employees or officers in the service at present.

3.5 Commercial Advance Account

The following deficiencies were observed during the course of audit test checks on the Commercial Advance Account on Prisons Industrial and Agricultural Affairs under Item No.23202.

- (a) A qualified audit opinion was expressed on the Advance Account for the year 2016 and an audit opinion relating to the preceding year had not been expressed.
- (b) Confirmations of balances relating to creditors of Rs.3,595,980 and accrued expenses of Rs.554,351 as at 31 December 2016 had not been made available to audit.

- (c) Out of the debtors' balance of Rs.63.79 million recoverable from the Government and Private Sectors as at 01 January 2016, only a sum of Rs.22.36 million had been recovered in the year under review. A schedule on the debtors' balances of Rs.63.19 million recoverable from the Government Sector as at 31 December 2016 had not been prepared and confirmation of balances as well had not been obtained. Moreover, recovery of a sum of Rs.8.95 million brought forward for over a period of 10 years, a sum totalling Rs.4.13 million brought forward for a period ranging from 5 years to 10 years and a sum totalling Rs.28.39 million brought forward for a period ranging from 1 year to 5 years had failed even by the end of the year under review. As such, it was observed that the recovery of outstanding loan balances of the Department had been at a very weak level.
- (d) An Action Plan had not been prepared including the identified activities such as reducing the level of re-offending after re-integration to society through rehabilitation of the prison inmates and providing them with vocational training in various sections during the period in prison. A budget estimate had been prepared and named it as Action Plan instead. No production whatsoever had been carried out in 08 work sections established in 06 prison institutions in the year under review.
- (e) In terms of Financial Regulation 133, an internal audit had not been carried out on the transactions of the purpose of the Advance Account.
- (f) The budget of the year under review which was named as the Action Plan of 15 prison institutions relating to the purpose of the Advance Account had been revised in 12 instances. According to the final revision, in comparison of the estimated income with the actual income, the total income of 07 prison institutions had increased by Rs.18.15 million and the income of 05 prison institutions had decreased by Rs.2.74 million. According to that revision, in comparison of the estimated expenditure with the actual expenditure, the total expenditure of 07 prison institutions had increased by Rs.16.73 million while the expenditure of 03 prison institutions had decreased by Rs.1.52 million, thus indicating that the budget had not been made use of as an effective instrument of management control.

3.6 General Deposit Account

 Action had not been taken in terms of Financial Regulation 571 in respect of a deposit account balance totalling Rs.59,938 older than 2 years.

3.7 Assets Management

Idle and Underutilized Assets

 It was observed during the course of audit test checks that certain assets had been either idle or underutilized as shown below.

- (i) In terms of Sri Lanka Atomic Energy Act, No.40 of 2014, a people detector and a parcel detector had been purchased by spending sums of Rs.19.47 million and Rs.2.66 million respectively on 07 July 2015 and issued to the Mahara Prison without

obtaining approval from the Atomic Energy Regulatory Council for the machines to be installed and without obtaining building facilities required to install the machines. The people detector and the parcel detector had remained idle for periods over 06 months and 20 months respectively.

- (ii) It was compulsory for the officers to manually examine all parcels and goods subjected to the examination of the detector as no prohibited goods whatsoever could be revealed by the parcel detector even by 10 January 2017. The Mahara Prison had not reported this situation to the Department of Prisons.

3.8 Unsettled Liabilities

The unsettled liabilities of the Department as at 31 December 2016 totalled Rs.359.76 million. Contrary to Financial Regulation 94(1), commitments of Rs.14.99 million had been incurred exceeding the savings after utilization of provisions made for 04 Objects.

3.9 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

Non-compliance

(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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|---|--|
| (i) Financial Regulations 103, 104, 105 and 106 | Even though a motor vehicle belonging to the Department had met with an accident on 11 March 2013, it had been removed from running without taking action to hold a proper inquiry or to assess the loss or damage or to fix responsibility from relevant parties. |
| (ii) Financial Regulation 237(b) | Even though the relevant suppliers had not supplied building materials by 31 December 2016, a sum of Rs.1,697,645 had been paid contrary to Financial Regulation 237 for 04 payment vouchers certified by the officer who certified the payments of the Mahara Prison. |
| (iii) Financial Regulation 753(i) (ii) | The Mahara Prison had not properly maintained Inventories and sub-inventories had not been maintained by each branch of the Prison. Accordingly, the goods issued to branches as well |

- (iv) Financial Regulations 1645 and 1647 (e) remain as goods in stores and only the goods removed and disposed of, had been entered in the Inventory as issues. Even though the Mahara Prison owned 25 motor vehicles, a list of motor vehicles had not been prepared. Neither the Log Books of motor vehicles had been updated nor had they been checked by the Supervising Officer.

(b) Public Administration Circulars

Circular No.41/90 of 10 October 1990

Tests on the fuel consumption of 34 motor vehicles belonging to the Mahara and Matara Prisons had not been carried out for over a period of one year.

3.10 Implementation of Projects under Domestic Financing

Delays in execution of Projects

The following delays in execution of projects by the Department were observed.

- (a) Provisions had been continuously made annually under Object 2502(1) for the construction of the Pallekale Prison Complex commenced in the year 2007 and planned to be completed in the year 2011. As constructions had been carried out without a proper plan, there had been a delay in the Project which had not completed work even by 31 August 2017 and as such, only a sum of Rs.1,285.05 million had been spent by 31 December 2016 out of the provisions of Rs.1,927.04 million made in the year under review.
- (b) Works up to Rs.30 million of the Prisons Head Office building, with an engineer's estimate of Rs.37 million prepared in the year 2014 on the basis of completing within 2 years, had been awarded to a subsidiary of a state corporation deviating from the procurement procedure. The Cabinet of Ministers had decided to **release** that company from the requirement of submitting bid securities and performance securities as well. Works up to Rs.37.3 million had been awarded to that company contrary to the approval of the Cabinet of Ministers and in terms of Guideline 8.9.1 of the Government Procurement Guidelines, a proper contract agreement had not been entered into.

A sum of Rs.6.04 million had been paid as mobilization advances and by 31 December 2016, Rs.2.84 million out of that had not been recovered. However, the security submitted for mobilization advances had lapsed on 10 February 2017.

A sum of Rs.9.74 million had been paid to the contractor by 31 August 2017 and the contract had been awarded in the year 2014 on the basis of completing within 2 years. However, the physical progress of the building had been at a level below 50 per cent even by 31 August 2017.

3.11 Irregular Transactions

Certain transactions entered into by the Department had been devoid of regularity. Several such instances observed are given below.

(a) Deviation from Government Procurement Procedure

One hundred book shelves and 300 mattresses had been purchased by spending sums of Rs.1.99 million and Rs.1.10 million for the Prisons Head Office and the Angunakolapelassa Prison respectively without entering into a contract agreement in terms of Guideline 8.9.1 of the Government Procurement Guidelines.

(b) Transactions Without Authority

The contract of constructing a training school for the Prison at Kotawilawatte area in Matara, valued at Rs.27.26 million, had been awarded to a state corporation on 19 September 2014 without obtaining a performance security and approval of the Cabinet of Ministers for deviation from the procurement procedure in terms of Guideline 2.14.1 of the Government Procurement Guidelines. A sum of Rs.15.99 million had been paid to the contractor by 31 December 2015 and the works of the contract had been abandoned from that date. The iron trusses fixed in the roof and the upper floor and the concrete slab of the upper floor were being subject to decay due to failure in thatching the roof of the building. Moreover, water had been collected in the inner rooms of the building and as a result, breeding of mosquitoes and forming of moss had taken place while animals such as cattle had taken shelter due to the land being overgrown with weeds.

3.12 Losses and Damage

The total loss sustained from 153 motor vehicle accidents and 04 riots during the period ranging from 01 year to 10 preceding years had been Rs.34.17 million. Action had not been taken in terms of Financial Regulations 103, 104 and 109 in respect of the losses not assessed even by the end of the year under review occurred due to expiry of a stock of goods in the year 2013 at the Watareka Prison and 18 motor vehicle accidents assessed at a total loss of Rs.2.52 million occurred in the year under review. In terms of Financial Regulation 110, action had not been taken to record in the Register of Losses. Moreover, the loss occurred due to a motor vehicle owned by the Welikada Prison meeting with an accident on 16 October 2016, had been understated by Rs.340,312 in the Register of Losses.

3.13 Uneconomic Transactions

Provisions of Rs.99 million had been made during the period from the year 2014 to the year 2016 to operate an information management system estimated at a cost of Rs.85 million with a view to registering the inmates imprisoned daily and entering data of about 30,000 inmates detained at present. The operation of that information system at experiment level had been commenced in the Welikada Prison and the amount spent by 30 November 2016 for purchase

of the system and to install it only in the Welikada Prison totalled Rs.38.33 million. However, the system was subjected to breakdowns from time to time even by 31 August 2017 due to weaknesses in designing the system, failure in networking and obtaining internet facilities properly and as such, it could not be duly operated. The contractor had been paid 89 per cent or a sum of Rs.2.74 million of the retention money of Rs.3.06 million by 16 December 2016 despite the inoperative condition of the system.

3.14 Management Activities

The following weaknesses were observed during the course of audit test checks.

- (a) The Report Book on Disciplinary Inquiries of the Mahara Prison had not been updated from the year 2013 and out of 214 disciplinary inquiries, only 13 final inquiry reports had been handed over.
- (b) Even though the approval for the revision of prisoners' wages by the Secretary to the Ministry had been granted on 31 December 2013 on the recommendation of the report submitted by the committee appointed by the Commissioner General of Prisons for the revision of wages of the inmates engaged in service in the industrial sections, steps had not been taken to revise those rates for over a period of 03 years.
- (c) According to the request of the Drivers of the Mahara Prison, tyres valued at Rs.240,858 purchased for 03 motor vehicles in the preceding year and the year under review had been retained in the stores without being made use of and delayed in issuing. As such, it was observed that a greater part of the guarantee period of the tyres had remained idle in the stores.
- (d) The rice from the harvest of 3,680 kilograms of the paddy field of 07 acres in extent located on the land of the Pitabeddara Rehabilitation Centre in Matara commenced on 02 November 2014, had been given for the consumption of the inmates. It was observed that from 07 December 2016, the date of audit up to September 2017, the cultivation of this paddy field had been abandoned and fallowed.
- (e) The examinations carried out by the Public Health Inspector had confirmed that the raw and dry food provided by the supplier to the Matara Prison in the year under review and the preceding year contained carrots, cabbage, sprats, tea dust and fish not suitable for human consumption. In addition to that, contrary to the agreement entered into, the supplier had ceased to supply sugar due to the increase in market price. Nevertheless, the Department had not taken any measures whatsoever in that connection.
- (f) Contrary to provisions of paragraphs 653 and 673 of Prison Standing Orders, inmates had been engaged in demolishing of an old building of the Mahara Prison and constructing a new building on it. As such, the safety of the inmates was not assured.

3.15 Human Resources Management

----- Approved Cadre and Actual Cadre -----

The position on the cadre as at 31 December 2016 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	165	84	81
(ii) Tertiary Level	132	74	58
(iii) Secondary Level	7,154	5,683	1,471
(iv) Primary Level	371	322	49

Total	7,822	6,163	1,659
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