

## **Head 110 – Report of the Auditor General on the Ministry of Justice and Prison Reforms – Year 2017**

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The Appropriation Account and the Reconciliation Statement 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 Ministry of Justice and Prison Reforms. The financial and physical performance reflected by those accounts and the reconciliation statements 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 for the Financial Management and Accountability**

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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 Regulations.

### **1.3 Scope of Audit**

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The audit of the Ministry of Justice and Prison Reforms – Head 110 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 Secretary of the Ministry on 23 October 2017. 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

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The audit observations of the Ministry of Justice and Prison Reforms for the year ended 31 December 2017 revealed in audit appear in Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.11 of this report. It was observed that the accountability as the Chief 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 specified in the Financial Regulation 127 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

<b>Accountability of the Chief Accounting Officer in terms of Financial Regulation 127</b>	<b>Non-compliance of the Chief Accounting Officer to the Provision</b>	<b>Reference to the Paragraph of the report Containing Observations</b>
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Financial Regulations -----		
127(1)(a) has planned the financial work of his department so that the business is transacted with correctness and financial propriety;	1. Deficiencies in the Action Plan 2. Deficiencies in the maintenance of registers and books 3. Deficiencies in training of the Staff.	2.1.1 2.8 2.11(b)
127(1)(b) has evolved a system which provides adequate controls over expenditure and the collection of revenues	Not obtaining approval for the additional Staff recruited.	2.11(a)
127(2) that existing items of expenditure, as well as proposals for new or Increased expenditure in the departments under his control, are closely examined in the Ministry from the points of view of economy and efficiency;	1. Non implementation of Projects 2. Non accomplishment of Programmes as expected 3. Deficiencies in the procurement process	2.1.2 2.1.3 2.2

127(3)	that all cases of doubt or difficulty are referred to him so that he may bring his own administrative experience and judgement to bear on them	Idle and underutilized assets.	2.3
127(5)	that important variations between departmental Estimates and expenditure receive critical examination at the Ministry.	<ol style="list-style-type: none"> <li>1. Incurring liabilities exceeding Provisions</li> <li>2. Non utilization of Provisions made</li> <li>3. Making Over Provisions</li> </ol>	<p>2.4</p> <p>2.6(a)</p> <p>2.6(b)</p>
127(6)	that the collection of Revenue or other Government dues for which Accounting Officers are responsible is closely watched and examined by the Ministry.	Failure to recover the loan balances of the Public Officers in arrears	2.7(a)
127(7)	<p>That the procedure laid down in Financial Regulations 103 to 108 is</p> <p>followed by the Accounting Officers, in case of losses caused to government by the delays, negligence, fault or fraud on the part of officers/employees and surcharges are imposed on the officers/employees responsible for such losses, in terms of F.R.156 (1). It is also a duty of the Chief Accounting Officer to appear before the Committee on Public Accounts and to assist it along with his Accounting Officer in explaining and justifying the</p>	Losses and Damages	2.5

accounts of the departments  
for which he is responsible.

## **2. Material and Significant Audit Observations**

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### **2.1 Performance**

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#### **2.1.1 Planning**

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In terms of the Public Finance Circular No. 01/2014 of 17 February 2014, there were 17 main roles that should be accomplished by the Ministry in the year under review as per the Action Plan prepared for the year 2017. The following observations are made in that regard.

- (a) It was not possible to accomplish the main functions according to the Action Plan as it had not been prepared in the way that main functions could be accomplished.
- (b) Particulars regarding the updated organizational structure, approved cadre and the staff employed in the service at present in the Institution have not been submitted in the year under review.

#### **2.1.2 Non Implementation of Projects**

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The following observations are made.

- (a) Provisions of Rs. 15 million had been made in the year 2017 for Strengthening the Process of Administration of Justice Project. The functions of the relevant Project had not been initiated due to the absence of a foreign donor.
- (b) Even though total Provision of Rs. 600,000 had been made under 02 Objects for the implementation of the Official Languages Policy, the relevant project had not been implemented.

#### **2.1.3 Non implementation of Programmes as Anticipated**

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The following observations are made.

- (a) An estimate of Rs. 20 million had been prepared subsequent to making proposals to conduct 60 Programmes by the Training Institute for Non-Judicial Officers in the year under review. However, provisions of Rs. 10 million had been allocated. Only 31 Training programmes had been conducted incurring Rs. 4.5 million out of the Provision at the end of the year under review.

(b) It has been scheduled to translate 50 legal reports during the year under review under the Programmes on the reform of currently existing legal systems. Only 34 legal reports had been translated at the end of the year under review.

## **2.2 Procurement Process**

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The following deficiencies were revealed in the adoption of the procurement process for the accomplishment of supplies and services by the Ministry in the year under review.

- (a) A detailed procurement plan had not been prepared for works, goods and services in terms of Guideline 4.2.1 of the Government Procurement Guidelines.
- (b) Provisions of Rs. 6,804,950 had been made to purchase tyres and batteries required for the Ministry. However, only Rs. 2,583,596 out of the provision had been spent at the end of the year under review. Accordingly, it was disclosed that over estimation had been made for the purchase of tyres and tubes for the year under review. Likely, the expenditure had been recorded in accounts under a Capital Object though provisions were saved under the Object and though tyres and tubes worth Rs. 1,130,136 had been purchased during the period from October and December in the year under review.
- (c) Ten Air conditioners had been purchased by the Ministry incurring a total of Rs. 1.66 million in the year under review. This Procurement had not been effected in compliance with the Provisions of the Government Procurement Guidelines. Likely, a financial loss of 106,232 had been incurred due to the acceptance of a higher bid rather than accepting the minimum bid submitted for 04 air conditioners. Even though the officer who had accepted the machines had to certify that the machines were in compliance with the Guideline 8.12.3 of the Government Procurement Guidelines, he had not functioned so.
- (d) Provisions of Rs. 04 million had been made to purchase a Library Security System as per the Procurement Plan in the year 2017. It was not possible to carry out that procurement during the year under review owing to the impossibility of evaluating the bids received due to errors and deficiencies in the Procurement process and lists of specifications.

## **2.3 Assets Management**

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### **Idle and underutilized Assets**

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Thirteen (13) vehicles remained idle or underutilized as per the Survey Report of the vehicles of the Ministry of Justice as at 31 December 2017.

## **2.4 Commitments and Liabilities**

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The following observations are made.

- (a) Commitments amounting to Rs. 358,112 exceeding the balance by Rs.357,103 after the utilization of Provisions of Rs. 9.52 million made for 02 Objects in contrary to the Paragraph 02 (a) of the State Accounts Circular No. 255/2017 of 27 April 2017.
- (ə) Commitments of Rs. 222,187 incurred in the year under review in terms of F.R. 94 (2) and (3) had not been shown in the Statement of Liabilities of the Appropriation Account.

## 2.5 Losses and Damages

The following observations are made.

- (a) Even though 05 vehicles owned by the Ministry in the year under review had undergone accidents, the loss incurred from such accidents had not been estimated.
- (b) Loss of Rs. 431,120 had been incurred from an accident occurred to a vehicle of the Ministry on 08 March 2016. The Insurance institute had rejected to pay the compensation owing to the delay in requesting for the compensation from the relevant Insurance Institution for the reimbursement of the loss. The Ministry had failed even by the year under review to recover the loss from the parties responsible for the damage by functioning in terms of the F.R. 104 pertaining to this Accident.
- (c) The Ministry had not functioned in compliance with the F.R. 104 pertaining to the accidents occurred to vehicles owned by the Ministry in 16 instances during the year under review.

## 2.6 Utilization of Provisions made by Parliament for the Performance of Functions

Information regarding the provisions made to the Ministry within the year ended 31 December 2017 and the previous year, utilization and savings thereof is mentioned below.

Year	Category of Expenditure	Net Provisions	Utilization	Savings	Savings as a percentage of the net provisions
		Rs. million	Rs. million	Rs. million	
2016	Recurrent	841.48	746.63	94.85	11.27
	Capital	505.49	320.25	185.24	36.65
	<b>Total</b>	<b>1,346.97</b>	<b>1,066.88</b>	<b>280.09</b>	<b>20.79</b>
2017	Recurrent	836.57	792.93	43.64	5.22

Capital	242.95	178.75	64.20	26.42
<b>Total</b>	<b>1,079.52</b>	<b>971.68</b>	<b>107.84</b>	<b>9.99</b>

The following observations are made on the provisions made for the year under review and utilization thereof.

(a) Non utilization of the provision made

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The entire net provision totaling to Rs. 14.9 million had been made for 04 recurrent Objects and for 04 capital Objects had been fully saved without utilization.

(b) Making Excess provisions

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Excess provisions of a total of Rs. 68.5 million had been made for 15 recurrent Objects and 11 Capital Objects and as such the savings after the utilization of provisions ranged between 20 per cent to 99 per cent of the provisions made relating to the respective Objects.

**2.7 Advances to Public Officers Account**

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The limit authorized by Parliament and actual values of the Advances to Public Officers Account under the Item No.11001 related to the Ministry are mentioned below.

<b>Expenses</b>		<b>Receipts</b>		<b>Debit balance</b>	
<b>Maximum Limit</b>	<b>Actual</b>	<b>Minimum Limit</b>	<b>Actual</b>	<b>Maximum Limit</b>	<b>Actual</b>
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<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>
26.00	25.21	9.00	12.34	100.00	56.61

The following observations are made in this regard.

(a) Non Recovery of Outstanding Loan Balances

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According to the reconciliation statement made available to Audit, the total of the loan balances in arrears as at 31 December 2017 amounted to Rs. 1.42 million excluding the loan balances of the officers transferred out. The loan Balances in arrears have been remained as arrears for a period of 01 year to 25 years and the Ministry was unable to recover the loan balances in arrears even by the end of the year under review.

(b) Deficiencies in the Registers of the Individual Loan Balances

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The balance of the individual flood distress loan of Rs. 119,141 as at the end of the year under review had been indicated under property loans.

**2.8 Non maintenance of Registers and books**

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It was observed during audit test checks that the Ministry had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Relevant Regulation	Observations
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(i) Bidding documents	Guideline 5.2.1 of the Government Procurement Guidelines	Not maintained.
(ii) Fixed Assets Register	Treasury Circular No. 842 of 19 December 1978	Not updated.
(ii) Register of Losses	Financial Regulations 110	Not updated.

**2.9 Internal Audit**

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An Internal Audit Unit had been established in the Ministry in compliance with the Financial Regulation 133 and the roles indicated in the FR 133 had not been included in the Internal Audit Programme prepared for the year under review.

**2.10 Audit and Management Committee**

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In accordance with the provisions of the Audit and Management Circular No. DMA/2009 (1) of 09 June 2009 as amended by the Audit and Management Circular No. DMA/2009 (1) (i) of 28 January 2016, four sessions of meetings of the Committee should have been conducted per year at the rate of at least one meeting per quarter, only 02 sessions of meetings had been conducted for the year under review.

**2.11 Human Resources Management**

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**Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments**

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The particulars regarding the approved, actual, vacant and excess staff as at 31 December 2017 are mentioned below.

	<b>Category of Employee</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of vacancies</b>	<b>Excess</b>
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(i)	Senior level	37	27	10	-
(ii)	Tertiary level	35	24	13	02
(iii)	Secondary level	157	134	27	04
(iv)	Primary level	113	109	04	-
(v)	Casual / Contract basis	-	04	-	04
(vi)	Training Institute for Non-Judicial Officers	04	04	-	-
	<b>Total</b>	<b>346</b>	<b>302</b>	<b>54</b>	<b>10</b>
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The following observations are made in this regard.

- (a) A staff comprised of 03 persons had been recruited exceeding the level of approval. Nevertheless, a formal approval in this regard had not been obtained even by the end of the year under review.
- (b) A training for a period at least 08 hours had not been provided for 189 Officers within the year under review.