

Head 418 - State Ministry of Prison Management and Prisoners Rehabilitation.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Prison Management and Prisoners Rehabilitation 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 State Ministry of Prison Management and Prisoners Rehabilitation was issued to the Accounting Officer on 12 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 State Ministry of Prison Management and Prisoners Rehabilitation was issued to the Accounting Officer on 23 June 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 State Ministry of Prison Management and Prisoners Rehabilitation as at 31 December 2020, and its financial performance and cash flow 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 Chief Accounting Officer/ Accounting Officer are 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 Ministry 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 Chief Accounting Officer/ Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry 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 judgment and maintain professional skepticism 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 Ministry'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 communicated with the Chief Accounting Officer/ 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) and Section 38 of the National Audit Act, No. 19 of 2018.

There is no necessity of preparation of Financial statements for the preceding year due to the State Ministry of Prison Management and Prisoners Rehabilitation had been reformed during the year under review.

1.6 Comments on Financial Statements

1.6.1 Non-compliance of Financial Statements with Circular Provisions

The financial statements should be prepared in terms of Guideline No. 06 issued by the Department of State Accounts. However, instances of non-compliance with those provisions appear below.

Audit Observation

Although the value was Rs. 854,029 acquisitions of physical asset as per ACA-6, that value had been overstated by Rs.189,732,572 because of the aggregating amount of Rs. 190,586,601 expenditure of rehabilitation and improvement of capital assets and capital expenditure of the Bureau of Commissioner General of Rehabilitation to the value of the physical assets in the Cash Flow Statement. Further, because of that the value of subsidies and transfers by Rs. 189,386,542 and personal salaries and operating expenses were understated by Rs. 346,029.

Comments of the Accounting Officer

Instruction had been given to relevant officers to include the expenses of the Office of the Commissioner General of Rehabilitation in the Cash Flow Statement under the relevant Expenditure Classifications in future.

Recommendation

Action should be taken in accordance with Circular provisions.

1.6.2 Statement of financial position

Following observations are made.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|---|
| (a) Action had not been taken to adjust the non-current asset account and property plant and machinery reserve account by identifying the cost of office equipment, computer accessories and plant & machinery which were sold at a cost of Rs. 97,975 during the year under review. | Instructions had been given to relevant officers to remove the cost of office equipment, computer accessories and plant and machinery which were sold at Rs. 97,975 during the year under review from the non-financial asset account and property plant and machinery reserve account | Adjustments should be done correctly in the accounts. |
| (b) Action had not been taken to remove the value of Rs. 45,200,000 of 04 vehicles which were legally transferred to other institutions from the non-current assets and Property Plant and Equipment Reserve in the Statement of Financial position as at 31 December 2020. | Instructions had been given to relevant officers to remove vehicles which were legally transferred to other institutions from the non-financial assets and reserve of property, plant and equipment. | -Do- |
| (c) Action had not been taken to adjust the value of the acquisitions of capital assets including in the capital transfer value of the Bureau of the Commissioner General of Rehabilitation Rs. 288,513,580 transferring by journal entries to the non-financial assets account and the property plant and equipment reserve account. | The value of the Capital Assets Acquisitions of the Bureau of the Commissioner General of Rehabilitation has not even been accounted by the Bureau under the previous Ministries. However, instructions had been given to the relevant officers to include the value of Capital Assets Acquisitions to the non-financial assets account and the property plant and equipment reserve account after obtaining advice of the Department of State Accounts in future . | -Do- |

1.6.3. Non-maintenance of Registers and Books

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

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|--|--|
| (a) Security Register A Security Register containing the details of all officers and employees required to give security had not been prepared in terms of Financial Regulation 891(1). | Instructions had been given to maintain a security register in terms of Financial Regulation 891(1). | A Security Register containing the details of all officers and employees required to give security should be maintained in terms of Financial Regulation 891(1). |
| (b) Inventory of Electrical Fittings An Inventory of Electrical Fittings had not been maintained in terms of Financial Regulation 454(2) | Instructions had been given to update current Inventory register of Electrical Fittings. | Action should be taken in terms of Financial Regulation 454(2). |

2. Financial Review

2.1 Management of Expenditure

Following observations are made.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|--|--|
| (a) Savings of 63 percent and 73 percent were observed even after the transfers of Rs. 150,000 under Financial Regulations 66 from allocated amount of 02 recurrent expenditure objects. | Allocations were remaining because food and drink uniforms and building repairs expenditure did not arise as expected. | Financial allocation should be planned and applied properly. |

- (b) The total net provision of Rs. 650,000 had been saved without utilized in allocated amount for a recurrent and a capital expenditure object.
- Recurrent provision savings have been retained to settle electricity bills for the month of December.
 - Provisions have been saved as no capital expenditure has been incurred for the vehicles reserved for the Hon. Minister and his staff.
- Do-

2.2 Incurring of Liabilities and Commitments

Audit Observation

Although the value of Liabilities was Rs. 28,633,779 of Bureau of Commissioner General of Rehabilitation as at 31 December 2020, that amount had been understated by Rs.8,313,297 in the statement of liabilities submitted with the financial statements.

Comments of the Accounting Officer

I observe that liabilities were not included into appropriation account as the practical difficulties in obtaining the germicidal documents directly due to corona infection in inmates and officers of the Kandakadu and Senapura centers.

Recommendation

Value of liabilities should be accounted correctly.

2.3 Certification of Chief Accounting Officer/Accounting Officer

Chief Accounting Officer/Accounting Officer should certify the following matters in terms of provisions set out in Section 38 of the National Audit Act, No. 19 of 2018. However, it had not been so done.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|--|
| <p>Although the Chief Accounting Officer and the Accounting Officer shall ensure that an effective mechanism exists to conduct an internal audit, the said requirements had not been fulfilled due to audit observations indicated in paragraphs 4.1 and 4.2 of the report.</p> | <p>The work of the Internal Audit Unit can commence as soon as the staff provided including the Chief Internal Auditor.</p> | <p>Action should be taken in terms of Financial Regulations and Circulars.</p> |

2.4 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.

| Observation | | | |
|--|--|--|--|
| Reference to Laws, Rules and Regulations | Non-compliance | Comments of the Accounting Officer | Recommendation |
| <p>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p> | <p>Although all the deposits should be credited to the Government Revenue, action had not been taken to credit the deposits value of Rs. 4,550,943 more than 2 years which were in</p> | <p>Instructions had been given to relevant officers to credit retention money relevant to Office of the Commissioner of General of</p> | <p>Action should be taken in terms of Financial Regulations.</p> |

the deposit account Rehabilitation to the
6000/0/0/016/0/055 to the Government Revenue.
Government Revenue.

- (b) Paragraph 06 of Public Administration Circular No. 02/2018 dated 24 January 2018 Although the Human Resource Development Plan should ensure at least 12 hours of training opportunities for each member of the Ministry's staff, no Human Resource Development Plan has been prepared for the year 2020. Staff training programs were not conducted due to gathering people was practically impossible in the Covid 19 epidemic in 2020. Action should be taken in terms of Circular.
- (c) paragraph 23 and 24 of National Budget Circular No. 06/2020 dated 30 November 2020 A separate account number under their Heads of Expenditure should be obtained from the Department of State Accounts for accounting said balances of the work and rent advances by the expenditure Heads. However, the building rent advance of the Ministry is Rs.6,600,000 and the work advance of the Commissioner General's Office of Rehabilitation is Rs. 33,456,588 had not been accounted. Account numbers should be obtained at the time of paying the building rent advance through the Department of State Accounts. It has been instructed to credit the advance to the government revenue at the time of withdrawal, as the account numbers will not be given in subsequent years. Action should be taken in terms of Circular.

2.5 Balances of the Advance Accounts

Audit Observation

Actions had not been taken to recover the Distress loan balances amounting to Rs. 229,320 due from two suspended officers although more than 5 years have passed.

Comments of the Accounting Officer

Legal action has been initiated to recover the debt balances from the suspended officers.

Recommendation

Loan balances should be recovered within the dead line.

3. Operating Review

3.1 Delays in the Execution of Projects

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|--|---|
| Advances amounting to Rs.7,529,768 had been paid for construction of hostels in Senapura and Kandakadu Rehabilitation Centers by the Bureau of Commissioner General of Rehabilitation on 31 December 2016. The construction work had to be halted due to the commencement of work without obtaining legal ownership of the construction site and obtaining approval of the building plans prior to the signing of the contract. | It is observed that the construction work was started in accordance with the procurement guidelines and the advance was paid accordingly and development activities have been hampered due to the ownership of the land and the Bureau was coming under 4 Ministries from time to time | Construction work should be begun after the legal work has been done. |

3.2 Assets Management

Following observations are made.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|---|--|
| (a) Action should be taken to transfer the ownership of vehicles in accordance with paragraph 2 (i) of Circular No. 2/2017 dated 21 December 2017 issued in respect of non-financial asset management of Ministry of Finance and Mass Media. But 13 vehicles valued at Rs. 84,400,000 had been released to other institutions in the year 2019 the ownership of them had not been transferred after Most of those vehicles have been out for more than a year. | Requests have been made from the Secretary to the Ministry of Justice to take over the vehicles belonging to this Ministry and to hand over the other vehicles to those offices. It is planned to legalize all vehicles as soon as the approval is received. | Action should be taken in terms of Circular. |

(b) Although 3 vehicles valued at Rs. 8,550,000 parked in the Ministry premises under unutilized for more than a year, They had not been repaired and utilized or, if not, no action had been taken to dispose. It had failed to action accordance with paragraph 02 of Circular No. 05/2020 dated 02 October 2020 issued by the Ministry of Finance, until the end of the year under review.

Arrangements are being made to send the estimated cost of repairs to the Comptroller General's Office due to these vehicles are on repair condition.

-Do-

4. Good Governance

4.1 Internal Control

Audit Observation

An internal audit unit had not been established in accordance with Financial Regulation 133.

Comments of the Accounting Officer

The need for staff has been informed the Ministry of Public Services, Provincial Councils and Local Government to set up an Internal Audit Unit. I would like to inform you that the work of the Internal Audit Unit can commence as soon as the approval is given to the staff including the Chief Internal Auditor.

Recommendation

Action should be taken in terms of Financial Regulations.

4.2 Audit and Management Committee

Audit Observation

Audit and Management Committees had not been conducted as per paragraph 05.3 of DMA / 01-2019 circular of Department of Management Audit dated 12 January 2019.

Comments of the Accounting Officer

I would like to inform you that the Audit and Management Committee meetings can be held once given the staff including the Chief Internal Auditor.

Recommendation

Action should be taken in terms of Circular.

5. Human Resource Management

Audit Observation

The number of vacancies in the Ministry was 12 with 73 approved cadre and 61 actual carder as at 31 December 2020. It may have an impact on achieving the performance targets of the Ministry due to no action has been taken to fill the vacancies in 08 senior level posts in this regard.

Comments of the Accounting Officer

The Ministry of Public Service, Provincial Councils and Local Government have been informed about the vacancies.

Recommendation

Action should be taken to fill the vacancies for essential posts.