

## **Head 326 – Department of Community Based Corrections**

### **01. Financial Statements**

#### **1.1 Qualified Opinion**

Head 326 – The audit of the financial statements of the Department of Community Based Corrections for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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. In terms of Section 11(1) of the National Audit Act, No. 19 of 2018, the summary report including my comments and observations on the financial statements of the Department of Community Based Corrections was issued to the Accounting Officer on 12 June 2023. In terms of Section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department of Community Based Corrections **was** issued on 11 July 2023 to the Accounting Officer. This report is submitted to Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, which should be read in conjunction with provisions of 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 Community Based Corrections as at 31 December 2022, and of 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, under those standards are further described in the Auditor’s Responsibility for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer on 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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determines 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 of Community Based Corrections is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

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 of Community Based Corrections and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibility 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 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, they could reasonably be expected to influence the economic decisions of users taken 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 identify and assess the risks 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, 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.

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

As required by Section 6 (1) (d) of the National Audit Act, No.19 of 2018, I state the followings:

- (a) The financial statements are consistent with that of the preceding year.
- (b) Recommendation made by me on the financial statements related to the preceding year had been implemented.

## 1.6 Comments on Financial Statements

### 1.6.1 Accounting Deficiencies

#### (a) Recurrent expenses

The following deficiency was observed while accounting for recurrent expenses related to financial statements.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
According to the expenditure statement (ACA 2(ii)) for the year ending 31st December 2022, the expenditure incurred in cash for personnel emoluments and operational expenses was Rs.483,270,594, but in the cash flow statement, the expenditure of Rs.313,630 incurred by another department as personnel emoluments and operating expenses was recorded as Rs.483,584,224.	Due to an error that occurred at the time of printing the cash flow statement, in the financial statement prepared in Sinhala language only, in the cash flow statement, the expenditure of Rs.313,630 incurred by another department as personnel emoluments and operational expenses was also recorded as Rs.483,584,224. It was informed that the correct expenditure of Rs.483,270,594 was recorded in the financial statements prepared in Tamil and English.	Care should be taken to include the correct values in the financial statements.

#### (b) Compilation statement on Advance Account to Government officers

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The sum total of three officers included in the distress loan individual balance classification summary was Rs.437,611 and was not included in the (CC 10) register.	It was informed that the credit balances of the concerned officers will be recorded in the (CC 10) register.	Arrangements should be made to maintain the loan register correctly.

**(c) Property plant and equipment**

The following deficiency was observed while accounting for property, plant and equipment.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Although a vehicle acquired from the Ministry of Justice in the year 2018 is estimated at Rs.4,750,000 in the year 2021, the value of property, plant and equipment was understated by that amount in the statement of financial position of the year under review as its value was not accounted for in non-financial asset.	In June 2023, it was informed that this vehicle will be accounted under non-financial assets.	The correct value of the assets should be included in the financial statements.

**(d) Failure to maintain books and records**

The department did not maintain some of the following documents, and it was observed during the sample audits that some of the documents were not regularly up dated.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<b>i. Register of losses damages</b> A register of losses damages as per FR 110 was not maintained.	It was informed that so far 02 documents and books have been prepared to record the details of the losses damages.	A damage and loss register should be maintained as per the Financial Regulations.
<b>ii. Vehicle log book</b> According to Finance Regulations 1645(a) the log books related to 04 vehicles of the department were not updated.	It was informed that it will be updated in the year 2023	Vehicle log books in General Form 267 shall be maintained in respect of each vehicle in accordance with the provisions of Financial Regulation 1645(a).

## 2. Financial review

### 2.1 Management of Expenditure

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
According to Section 03 (xvii) of National Budget Circular No. 03/2022 and Circular on Controlling Public Expenditure dated 26 April 2022, if there are surpluses in the allocations earmarked for incurring expenses during the year, even if they should not be used for other expenses before the end of the year, in the year under review, allocations of Rs. 15,030,000 had been transferred under FR 66 for 4 expenditure subjects. The percentage of such transfer among the expenditure subjects was between 29 percent and 231 percent and there was savings in the range of 5 percent to 52 percent of the allocation of Rs.15,030,000.	Due to receiving less budget allocations compared to the estimates made by the department for these expenditure subjects, no additional allocations being made for the same and due to the day by day increase in the prices of goods and services due to the economic crisis in the country and due to the insufficiency of budget allocations to maintain the services that are very essential, the necessary allocations are not provided. It was informed that provisions under 66 have been made by transfer.	It should be done according to circulars.

### 2.2 Certifications to be made by the Chief Accounting Officer / Accounting Officer

According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Accounting Officer should have made assurances regarding the following matters, but had not done so

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
i. The Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial control of the Department, The effectiveness of the system should be reviewed from time to time and the necessary changes should be made accordingly to	Although there is no Internal Audit Officer regarding the internal control in place for the financial control of the Department, It was informed that 02 audit and management committee meetings were held in the year 2023 with the participation of the Chief	To act in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018.

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| run the system effectively, and the reviews should have been written and a copy submitted to the Auditor General, but the statements that such reviews were made were not submitted to the audit.  | Internal Auditor of the Ministry of Justice, and accordingly, the effectiveness of this system was reviewed.   |
| ii. Although the Chief Accounting Officer and the Accounting Officer should ensure that there is an effective system for the proper execution of internal audit functions, as per the observations mentioned in paragraph 4 of the report, that requirement was not fulfilled. | It was informed that currently the Ministry of Public Administration has requested to appoint an officer for the post of Internal Auditor of the Department. |
|  | To act in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018.   |

**2.3 Non-Compliance with Laws, Rules and Regulations**

The instances where the provisions of the laws, rules and regulations observed during the sample audits were not complied with are analyzed below.

<b>Audit Observation</b>	<b>Comments by the Accounting Officer</b>	<b>Recommendation</b>
<p><b>Reference to the Laws, Rules and Regulation</b></p> <p style="text-align: center;">-</p> <p><b>i. Financial Regulation of the Domestic Socialist Republic of Sri Lanka</b></p>	<b>Non Compliance</b>	
F.R. 103 (i) e	A damage and loss register was not maintained as per the Financial regulations.	It was informed that a damage and loss register has been prepared by now.
F.R. 103 , 104	The items destroyed due to the fire at the Puttalam Community Corrections Office were not dealt with as per the financial regulations.	It should be dealt with according to the financial regulations.
	In this regard, it was informed that a committee has been appointed again to deal with this matter according to Article 103 and 104 and to investigate whether an officer is related to this fire and get a report.	It should be dealt with according to the financial regulations.

F.R.227	Expenditure details were not recorded in payment vouchers as per financial regulations.	It was informed that it will be corrected from the year 2023.	It should be dealt with according to the financial regulations.
F.R. 756(6)	Arrangements were not made to appoint the Board of Survey on the scheduled date as per the circular.	The department's head office, 09 provincial offices and 115 regional offices have completed the survey work so far, out of which no recommendations have been made in 88 offices. It was informed that the recommendations are currently being implemented in 27 offices.	Proceed as per the circular.
<b>ii. Public Administrati on Circulars</b>			
<b>Circular No. 30/2016 dated 29 December 2016</b>			
Paragraph 5.1	The amount of fuel and the distance driven should have been entered in the Running Chart daily, but this was not done.	It was informed that the necessary activities will be carried out from June 2023.	Proceed as per the circular.
Paragraph 3.1	No fuel combustion test was done in relation to 04 vehicles.	It was informed that the fuel combustion test was not possible due to the quota system of fuel release, and since the fuel quota has been increased, the necessary arrangements will be made to conduct the fuel combustion test in June 2023.	It should be done according to the circular.
<b>(iii)Public Finance Circulars</b>			
<b>Paragraph 04 of Circular No. 02/2020 dated 28 August 2020</b>	Although the annual procurement plan for the implementation of renewal and capital programs in the coming year should be prepared before 10	It was informed that a detailed procurement plan will be prepared from the year 2024 according to the Public Finance Circular No. 02/2020.	Proceed as per the circular.

December of the year of renewal and the approval of the Chief Accounting Officer should be obtained for the same. The procurement plan for the year 2022 included only capital programs and was approved by the Accounting Officer on 07 January 2022.

**iv State  
Accounts  
Guidelines**

**No. 2022/05**

Although the guidelines require a blank report to be submitted in cases where there is no information related to the reporting agency's records, in respect of statement of losses and omissions, statement of write-off and statement of missing vouchers, the department had not submitted blank records in the financial statements.

It was informed that it will be included in the financial statements of the year 2023.

It should be done as per the State Accounts Guidelines.

**3. Operational review**

**3.1 Failure to Perform Duties**

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
a) In the action plan, it was planned to hold five short-term drug prevention training programs in five provinces, nine workshops on project management short-term training courses in nine provinces, and nine	These training workshops were planned to be implemented from the second quarter of 2022 and had to be stopped due to financial constraints imposed by Budget Circular No. 03/2022 issued on April 26, 2022.	Planned tasks should be prioritized.



public relations and communication skill development workshops in nine provinces, but these activities were not carried out during the year under review.

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| <p>b) Although the Ministry of Health planned to establish a unit during the year to identify the underutilized hospitals in Sri Lanka to provide drug prevention treatment, but it was not done.</p> | <p>Requests have been made from the Ministry of Health to upgrade the underutilized hospitals identified by this department as treatment centers, and as per the notification of the State Minister of Justice, a request has been made again on 13 January 2023 in this regard.</p> | <p>Planned tasks should be prioritized.</p> |
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### 3.2 Non achievement of expected output level

The following are observed.

#### **Audit Observation**

Although the officials involved in the community corrections process should be given enough space and office facilities to carry out their work without hindrance, due to the lack of sufficient space in the 49 community corrections offices established in the Magistrate's Courts in relation to 9 provinces, the effective implementation of the community corrections process has become an obstacle.

#### **Comments of the Accounting Officer**

The Ministry Secretary has informed all the engineers of the engineering department regarding the request to reserve space for the local community corrections offices. It has also been informed that necessary steps will be taken to allocate space for the Regional Community Corrections Offices in the construction of buildings, and it has been informed that the requests received by the Regional Community Corrections Office will be dealt with in the future.

#### **Recommendation**

Officials should be provided with the necessary facilities to carry out their work without any hindrance.

### 3.3

#### Asset Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
a) The department had not reported to the Comptroller General as per paragraph 7 of Asset Management Circular No. 01/2017 dated 28 June 2017, the information about the electrical devices worth Rs.246,804 purchased in the year under review and the goods that were disposed in the year under review.	It was informed that necessary arrangements will be made to inform the Comptroller General's office about the electrical equipment worth Rs. 246,804 purchased in the year 2022, and necessary arrangements will be made to inform the Comptroller General's office about the assets purchased in the future.	It should be done in a circular manner.
b) During the year under review, the goods were disposed of and the information about the actual amount received from the sale of the goods and the information about the destroyed goods were not submitted to the audit.	It was informed that they will provide a report on the money received from the sale of goods.	Arrangements should be made to provide the relevant information to the audit.
c) As the cost of goods disposed of during the year under review had not been removed from fixed assets, the audit could not ensure the correctness of the value of property, plant and equipment and its value in the statement of financial position.	Due to the fact that the fixed asset register of this department has not been properly updated and identified, it has not been possible to remove the value of the misused goods from the fixed assets, and it was informed that the necessary activities to update the fixed asset register are currently being carried out.	Arrangements should be made to include correct information in the financial statements.

### 3.4 Security of Public Officer

The following are observed.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
As amended in paragraph 9 of Public Finance Circular No. 01/2020 dated 28 August 2020 on deposit the security of government officers, FR 880 on deposit the security of government officers, the Accounting officer is responsible for the custody and security of public money, etc. Although it is stated that care should be taken, officers holding positions such as Accountants, Cashiers and Storekeepers who are required to deposit security in FR 315 had not deposited the relevant security.	It was informed that the officials who need to deposit the security have been identified and the necessary arrangements are being made to deposit the security from those officials.	According to the circular, the officers who have to deposit the security should arrange to deposit the security.

### 3.5 Failure to Respond to Audit Quarries

The following audit quarries issued to the Department had not been answered by 28 August 2023.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Although the department had given answers to 2 audit queries issued on 11th November and 18th November 2022, the replies were not given covering all the relevant observations in those queries.	At that time in December 2022, this department was informed that two letters with answers to the two audit queries were handed over to the Audit Superintendent of the National Audit Office at the audited prison headquarters.	Answers should cover all relevant observations in the query.

### 3.6 Management Weaknesses

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
i. For the regional offices of the department in the year 2018 Rs. 2,889,145 had been provided at a cost of 97 Fingerprint Machines, but the installation of such machines had not achieved the desired objectives due to lack of development of information retrieval data system in the regional offices as controlled by the head office.	Centralization of Information System is being done to improve the data system to be controlled by the head office, and it was informed that as the first stage, the work is being done in the 21 regional offices belonging to the Western Province.	Efforts should be made to achieve the desired goals.
ii. A Distress loan and Festival Advance balance of Rs.131,020 due for more than 05 years of a suspended officer and a balance of same of Rs.246,443 due for more than a year from an interdicted officer had not been recovered.	The formal disciplinary investigation on behalf of the concerned officer, who has been suspended since 2011, has now been completed, and it was informed that necessary measures will be taken after the final report is given. It was informed that the total loan balance of Rs. 246,443 has been recovered.	Arrangements should be made to recover the loan balance promptly.

## 4. Good governance

### 4.1 Internal Audit

The following is observed.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
As per Section 40(i) of the National Audit Act No. 19 of 2018, the Department had not established an Internal Audit Unit.	It was informed that currently the Ministry of Public Administration has been requested to appoint an officer for the post of Internal Auditor.	Audit Act should be followed.

## 5. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
a) At the end of the year under review, there were a total of 43 vacancies in the department as 03 vacancies in senior staff ranks, 19 vacancies at tertiary level, 15 vacancies at secondary level and 6 vacancies at primary level.	It was informed that the Ministry of Public Administration has been informed to fill two of the senior level posts and that there are no qualified officers in the department for the post of departmental Assistant Commissioner. It was informed that the recruitment process for tertiary level posts is going on and for other secondary and primary level posts, applications have been made through online system (PACIS).	Emphasis should be placed on recruitment for vacant posts.
b) 10 posts of senior community corrections officer and 01 post of administrative officer in the department have been vacant since 2015 and 2010 respectively. As per the recruitment procedure for those regular posts, officers were appointed to perform duties without promotion or recruitment.	Interviews have been conducted and completed for recruitment to the ten posts of Senior Community Corrections Officers, and applications have been called through online system (PACIS) for the post of Administrative Officers.	Emphasis should be placed on the appointment of permanent officers for vacancies.