

Head 326 – Department of Community Based Corrections

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Community Based Corrections for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 29 June 2020. In terms of Section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 16 July 2020 to the Accounting Officer. This report which should be read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms 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, those financial statements prepared in terms of Provisions of State Accounts Circular bearing No. 271/2019 of 03 December 2019 give a true and fair view of the financial position of the Department of Community Based Corrections as at 31 December 2019, 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

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, under those standards is 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 qualified opinion.

1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statement

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 of the Department of Community Based Corrections.

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 scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit 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 Department's 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) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings:

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

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Even though the lease period of a motor vehicle valued at Rs. 2,184,268 provided under the financial leasing method by the General Treasury on 18 March 2015 was ended, action had not been taken to transfer its ownership to the institution.	Proper action should be taken to transfer assets.	It was not possible to complete the lease and to transfer the ownership of the vehicle during the prescribed period due to the prevalence of CoViD – 19.

1.6.2 Deposits

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Action had not been taken in terms of FR 570 in relation to deposits amounting to Rs. 88,250, related to two deposit accounts, which had exceeded 2 years.	Action should be taken in terms of the Financial Regulations.	6000-0-012-0-145. Agreed. Action would be taken to credit the amount of Rs. 250 retained in this Deposit Account to the Government Revenue before 30.06.2020. 6000-0-0-19-0-29 The amount of Rs. 88,000 was retained in the deposit account for designing a Guidelines Manual on Community Based Corrections. It has already been prepared and finalized and necessary action is being taken to print the manual.

1.6.3 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance to laws, rules and regulations observed at the audit test checks are mentioned below.

Reference to Laws, Rules and Regulations	Observation Non-Compliance	Recommendation	Comments of the Accounting Officer
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) FR 214	Even though Records of liabilities should be regularly examined, travelling expenses amounting to Rs. 1,771,420 had not been settled even by 17 June 2020.	Action should be taken in compliance with the Financial Regulations.	Liabilities for travelling expenses are still being settled.
(ii) FR 447 (7)	Page of the Appropriation (votes) Ledger pertaining to the Object 1201 had not been balanced as at 31 December 2019.	Action should be taken in compliance with the Financial Regulations.	Arrangements will be made to rectify.
(iii) FR 565 (2) and (4)	In making repayments for deposits, the date of payment had not been stated in receipts column and the date of deposit had not been stated in the payments column and an authorized officer had not initialled for confirming balances.	Action should be taken in compliance with the Financial Regulations.	Arrangements will be made to rectify.
(b) State Accounts Circulars			
Paragraph 7 (ii) of the Circular No. 271/2019 of 03 December 2019.	An amount of Rs.10,595,473 collected for Revenue Accounting Officers had not been included in the Form ACA – 3.	Provisions of State Accounts Circulars should be followed.	Action would be taken to rectify it in the following year.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Provisions amounting to Rs.8,525,000 out of the provisions of Rs. 25,700,000 made for 06 recurrent Objects had been transferred to other Objects and provisions amounting to Rs.12,825,278 or 50 per cent including provisions transferred in that manner had not been spent for the targeted functions.	In terms of FR 50, reasonable expenditure estimates should be prepared.	Provisions have been saved as the participation for examining regional offices and participation for progress review meetings were minimized and cancellation of many programmes and minimum requests were made by officers in relation to the implementation of the language policy due to the easter attacks in April.
(b) Supplementary provisions of Rs.3,272,000 made for 02 recurrent Objects had been completely saved.	In terms of FR 50, reasonable expenditure estimates should be prepared.	These provisions have been saved as sufficient imprests had not been received.
(c) Provisions amounting to Rs.2,617,758 out of provisions of Rs. 6,144,000 transferred under FR 66/69 for 04 Recurrent Objects had been saved without utilizing them and the percentage of those savings was in the range of 31 per cent to 82 per cent.	In terms of FR 50, reasonable expenditure estimates should be prepared.	Provisions had been saved since vouchers for paying travelling expenses scheduled to be paid had not been received even by 31.12.2019 and adequate imprest had not been received.
(d) Provisions amounting to Rs.2,000,000 out of the provisions of Rs.8,450,000 made for 04 Capital Objects had been transferred to other Objects and provisions amounting to Rs.5,618,179 or 66 per cent including provisions transferred in that manner had not been spent for the targeted functions.	In terms of FR 50, reasonable expenditure estimates should be prepared.	(i) Provisions had been saved due to the saving of 10 per cent of provisions as per Budget Circular 05/2019 and due to the utilization of machines and machinery with a proper maintenance and control.

(ii) Provisions had been saved as the shortcoming occurred due to an error in preparing estimates, transfer of provisions under 2102 Object by FR 66 and as imprest had not been received.

- (e) Provisions of Rs. 1,050,624 or more than 51 per cent out of provisions amounting to Rs.2,050,000 transferred under FR 66/69 for Object 326-1-1-2001 had been saved. In terms of FR 50, reasonable expenditure estimates should be prepared. These provisions had been saved as the relevant expenditure had not been incurred even by 31.12.2019.
- (f) Only a total expenditure of Rs.86,480,878 had been incurred including commitments and liabilities out of the estimated provisions of Rs. 106,000,000 for 02 Recurrent Objects and Provisions amounting to Rs.12,830,000 out of provisions allocated for those recurrent Objects had been transferred to other Objects. Expenditure amounting to Rs.21,120,749 was incurred including commitments and liabilities by exceeding the estimated provisions of Rs.12,750,000 for 04 Recurrent Objects and Provisions amounting to Rs.6,144,000 had been transferred for those Objects from other Objects under FR 66/69. Accordingly, it was observed that estimates of 06 Objects had not been prepared in realistic basis. In terms of FR 50, reasonable expenditure estimates should be prepared. Provisions of this Object had been saved as provisions had been received from the budget exceeding the estimated provisions and provisions had been received from the Presidential Secretariat under Object 001-2-6-6-2507 and cancellation of most of the programmes due to Easter Attacks.

2.2 Incurring of Liabilities and Commitments

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Value of the commitments and liabilities amounting to Rs. 6,280,070 stated in the financial statement was Rs. 5,220,124 according to treasury books and thereby, a difference of Rs.1,060,846 was observed and payments had been made for that in the year 2020.	Expenditure should be managed properly.	Since these expenses that could not be paid as imprest had not been received, were very essential expenses, payments had been made during the year 2020.
(b) An amount of Rs. 1,930,469, which was the total of overtime and holiday pay and local travelling expenses, which were not services or supplies annually recurring had been included in the statement of liabilities committed in terms of 94 (2) and (3) of the State Accounts Circular bearing No. 271/2019 of 03 December 2019.	Instructions of the Circulars should be followed.	Provisions were adequate for overtime and holiday pay and action will be taken in the ensuing year to take action accurately in relation to local travelling expenses.

2.3 Balances of Advance Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken to recover loan balances of Rs.174,880 that should be recovered by 31 December 2019 as disciplinary inquiries had not been conducted efficiently and expeditiously even though more than 8 years had passed after the interdiction and as the pension gratuity of an officer retired in the previous year had not been provided.	Disciplinary inquiries have to be completed expeditiously and loans should be recovered.	Action will be taken to recover loans immediately after completing the disciplinary inquiries.

3. Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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There had been impediments in the accomplishment of the objectives of the Department as it was not possible to duly carry out administrative functions of 633 officers since 13 posts in the executive level had remained vacant and non operation of Divisional Offices properly since 31 Posts of Community Corrections Officers and Inspectors of Works had remained vacant and following up activities of persons who had received Correction Orders were not carried out properly since 39 posts of Development Officers had remained vacant.	Action should be taken to fill vacancies of essential Posts by the Senior Management in coordination with the relevant institutions.	Requests were made from relevant institutions in several occasions to fill vacancies.