

Prisoners' Welfare Fund - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Prisoners' Welfare Fund for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the fund as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities 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 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the fund's financial reporting process.

As per Sub Section 16(1) of the National Audit Act No. 19 of 2018, the fund 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 fund.

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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.
- 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the fund has complied with applicable written law, or other general or special directions issued by the governing body of the fund ;
- Whether the fund has performed according to its powers, functions and duties; and
- Whether the resources of the fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
<p>All financial statements for general requirements should be prepared on accrual accounting basis in accordance with paragraph 02 of Sri Lanka Public Sector Accounting Standard No. 1. But the fund had two sources of income accounted for on a cash basis.</p>	<p>Due to an error in entering some data of Welikada and Watareka prisons, the details have been entered as accrued income and previous year’s income. Due to inconsistencies in the notes and details of CIGAS, the relevant officials corrected the reports when re-inquiry and the corrected reports were not received by the time of final reports were submitted for audit. Relevant reports have been submitted along with this.</p>	<p>Should be act in accordance with the Public Sector Accounting Standards.</p>

1.5.2 Accounting Policies

**Non Compliance with the
reference to particular Standard**

Management Comment

Recommendation

Due to non-identification of an accounting policy to accounting for consumer goods received to the prisons, received consumer goods and stocks of Rs. 2,195,395 were not mentioned in the financial statements for the year under review.

Consumer goods are donated for the use of prisoners and that goods are given for the use of prisoners. In that case, those goods will not be adjusted to the final account as the stock due to loss after the consumption of goods. Also, in order to streamline the accounting of assets, that assets have been reporting through the appropriation account from next year.

An accounting policy should be introduced to accounting for consumer goods.

1.5.3 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

**Reference to Laws, Rules
Regulations etc.**

Non-compliance

**Management
Comment**

Recommendation

(a) Section 4(a) of the amended Act No. 54 of 1979 of the National State Assembly of Prisoners' Welfare Fund of the Department

Rs. 4,554,557 in unclaimed wages and personal money had not been credited to the fund for less than one year in the General Deposit Account and safe.

A time analysis report on the unclaimed money from the relevant institutions will be called and action will be taken to give instructions to Superintendents of prisons to credit it to the Prisoners' Welfare Fund.

Should be act in accordance with the Act.

- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka included from the Paragraph 15.1 of the Public Finance Circular No. 01/2020 dated 28 August 2020,
- (i) Financial Regulation 876 Section 2(b)
- If it is not necessary to maintain a fund further or that the desired objectives can be achieved within the government budget, immediate action should be taken to terminate those funds. However, as the balance of this fund was not sufficient to welfare activities, money of the expenditure heads of the Department spent for that and it had not complied with the circular instructions even at the date of the audit.
- Due to that the balance of the fund is not sufficient to maintain the welfare of the prisoners and the reasons of uncertainty sources of income for the fund, no other financial contribution, it should be attention to that it is not necessary to continue in accordance with 2(a) of paragraph 15.1 of part I of the Ministry of Finance Circular No. 01/2020 dated 28 August 2020 as stated by the Audit, or it appears that the fund can achieve the intended objectives under the government budget approved by the appropriation act. If so, immediate action should be taken to terminate the activities of the fund. Accordingly, necessary arrangements will be made for the future activities of the fund.
- If it is not necessary to increase the sources of income or maintain the fund further, should be followed the instructions of Circular.
- (ii) Financial Regulation 877 Section 2(a)
- Separate bank account was not maintained for the fund and the transactions of the welfare fund were made under the
- It was noted that further action should be taken to open a new bank account for the relevant transactions due to that the audit
- Should be complied with Financial Regulation 877.

official bank observations
 account of the emphasized the need
 Department. to maintain a
 separate bank
 account for a find in
 accordance with
 Financial Regulation
 877 and Finance
 Circular 01/2020.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 763,088 and the corresponding deficit in the preceding year amounted to Rs. 1,359,184. Therefore an improvement amounting to Rs. 596,096 of the financial result was observed. The main reason for the improvement was the fund had no expenditure other than the depreciation.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation -----	Management Comment -----	Recommendation -----
(a)	Performance indicators were not introduced to measure the progress of the fund and the financial and physical performance of the objectives of the fund could not be assessed due to the nature of the programmes to be held in prisons, the number of suspects to be involved, the cost to be incurred and the lack of pre planning and not reporting the progress according to that plans.	Agree with the audit observation. An estimate for the year under review was not prepared due to the uncertainty of the sources of the fund and the lack of sufficient funds to cover the expenditures of the year under review. It was noted that the Commissioner General of Prisons (Rehabilitation) has been instructed to strengthen this fund and introduce performance indicators to further measure the progress of the fund in future.	A pre plan for the programmes of the fund and performance indicators to evaluate performance according to that plan should be introduced, evaluated and reported the progress.
(b)	After the release of the prisoners, no provision was made by the fund for post-mortem services to assist in their rehabilitation.	Agree with the audit observation. An estimate for the year under review was not prepared due to the uncertainty of the sources of	Appropriate arrangements should be made for post- mortem services to assist in the rehabilitation of released

the fund of income, lack of government contribution etc., but programmes were implemented under the contribution of external agencies and voluntary organizations to achieve the objectives of the fund to some extent.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
<p>The Prisons' Welfare fund Act No. 18 of 1973 of the Department of Prisons was established by the National State Assembly to provide for the establishment of a prisoners' welfare fund, the expenditure for the general welfare of prisoners and all matters related to that. However, the fund did not cover any of the prisoners' welfare programmes during the year under review.</p>	<p>The balance of the fund was not sufficient to cover the expenditures of welfare of the Prisoners' welfare fund for the year 2020 and an estimate for the year 2020 was not prepared as there was no other financial support from the treasury or the government. There was not any expenses incurred for the prisoners' welfare in the year 2020 through the fund, but this was largely done by the contributions from outside parties.</p>	<p>Should be act in accordance with the provisions of the Act.</p>

4. Accountability and Good Governance

4.1 Tabling of Annual Performance Report in Parliament

Audit Observation	Management Comment	Recommendation
<p>Although it should be submitted a performance report of the fund to the Auditor General with certified copies of the financial statements within 02 months after end of the financial year with a copy to the Public Finance Department in accordance with Financial Regulation 877 (2)(d) contained in the Public Finance Circular No. 01/2020 dated 28</p>	<p>Performance reports for the year 2021 as per the Circular No. 01/2020 have been duly prepared and recorded to be submitted to the Department of Public Finance and the Auditor General along with copies of the financial statements.</p>	<p>Circular instructions should be followed.</p>

August 2020; it had not submitted an annual performance report with the financial statements of the fund for the year under review.

4.2 Budgetary Control

----- Audit Observation -----	Management Comment -----	Recommendation -----
According to paragraph 4.1 of Public Finance Circular No. PF/423 dated 26 December 2006; annual budget of the fund for the year under review had not been prepared and submitted to the Director General of National Budget and the Director General of Public Finance before 30 September with the relevant approvals.	I would like to inform that an estimate for the year under review was not prepared due to the uncertainty of the sources of income of the fund and the lack of sufficient funds to cover the expenditure of the year under review due to insufficient balance of the fund.	An annual budget should be prepared and submitted in accordance with the circular.