

Prisoners' Welfare Fund of the Department of Prisons - 2014

The audit of financial statements of the Prisoners' Welfare Fund of the Department of Prisons for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 and the income and expenditure account and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 Section 7(1) of the Prisoners' Welfare Fund of the Department of Prisons Act, No. 18 of 1973. My comments and observations on the aforesaid financial statements appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund for the

preparation and fair presentation of the financial statements 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 of the Fund. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Prisoners' Welfare Fund of the Department of Prisons as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Non- compliance with Laws, Rules, Regulations and Management Decisions

Action in terms of Financial Regulations 104 of the Democratic Socialist Republic of Sri Lanka had not been taken with regard to the donated assets damaged by internal riots at Welikada, Magazine, Anuradhapura prisons etc.

3. Financial Review

3.1 Financial Results

The financial result of the Fund for the year under review had been a deficit of Rs.2,420,279 as compared with the corresponding deficit of Rs.1,307,314 for the preceding year. The increase in the expenditure of the Fund by Rs.1,459,074 had been the reason for the deterioration in the financial result by Rs.1,112,965 of the year under review as compared with the preceding year.

4. Operating Review

4.1 Performance

The income of the Fund for the year under review had been Rs.2,092,103 whereas a sum of Rs.2,981,316 had been incurred for the wellbeing of the prisoners. Even though income estimates of three prisons had been prepared , no income whatsoever had been earned therefrom and no returns had been received to the income from exhibitions and trade stalls.

5. Accountability and Good Governance

5.1 Budgetary Control

Significant variances were observed between the budgeted income and expenditure and the actual income and expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Commissioner General of Prisons from time to time. Special attention is needed in respect of the following areas of control.

- (a) Budgetary Control
- (b) Accounting
- (c) Internal Audit