

## **Prisoners' Welfare Fund of the Department of Prison- 2013**

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The audit of financial statements of the Prisoners' Welfare Fund of the Department of Prisons for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 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**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles 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**

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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.

### **1.4 Basis for Qualified Audit Opinion**

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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, 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 2013 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Accounting Deficiencies**

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Even though a sum of Rs.2,951,200 receivable to the Fund from other departments for supplying labour of prisoners by the Bogambara Prison, a sum of Rs.176,600 had been received to the Prisons Account in the year under review, it had not been transferred to the Funds Accounts.

### **2.3 Non- compliance with Laws, Rules and Regulations**

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A Register of Fixed Assets had not been maintained in terms of the Treasury Circular No.842 of 19 December 1978 in respect of fixed assets of the Fund.

### **2.4 Unreconciled Control Accounts**

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The following observations are made.

- (a) According to the Summary of Receipt of Donations of the financial statements of the Prisoners' Welfare Fund, receipts of donations to the Dalupotha Prison and Trincomalee Prison had been Rs.245,050 and Rs.124,449 respectively in the year under review. However, according to the Detailed Register of Receipts of Donations of Assets of the Prisoners' Welfare Fund, those values had been Rs.13,800 and Rs.134,529 respectively thus indicating a difference of Rs.241,330.
- (b) Even though according to the Individual Account of the Ambepussa Prison, educational and religious expenditure and expenditure for sports and other facilities of prisoners had been Rs.10,000 and Rs.24,415 respectively, the said expenditure had been shown as Rs.19,999 and Rs.14,416 respectively in the financial statements.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the financial result of the Fund for the year under review had been a deficit of Rs.1,307,314 as compared with the corresponding deficit of

Rs.1,144,613 for the preceding year. The decrease in the income of the Fund by Rs.201,547 and the decrease in the expenditure of the Fund by Rs.38,846 had been the reasons for the increase of Rs.162,701 of the deficit for the year under review as compared with the preceding year.

#### **4. Operating Review**

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##### **4.1 Performance**

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The following observations are made.

- (a) Even though the income of the Fund for the year under review had been Rs.3,947,010, a sum of Rs.1,372,881 had been incurred for the wellbeing of the prisoners. Thus the contribution of the Fund for the wellbeing of the prisoners had been at a minimum level.
- (b) Income estimates for 7 prisons that had earned income during the year under review had not been prepared.

#### **5. Accountability and Good Governance**

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##### **5.1 Budgetary Control**

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The budget had not been made use of as an effective instrument of management control due to the following reasons.

- (a) A variance between the estimated and actual income and expenditure of the Prisoners' Welfare Fund ranged between 3 per cent and 145 per cent for the year under review.
- (b) Even though according to the budget for the year under review, a sum of Rs.3,893,005 had been estimated as receipts of the Prisoners' Welfare Fund, the actual receipts had been Rs.1,806,918. Thus the difference between the estimated receipts and actual receipts had been Rs.2,086,087 indicating a decrease in receipts by an amount of over 50 per cent.
- (c) Even though the estimated expenditure for the year under review had been Rs.3,740,800, the actual expenditure for the welfare of prisoners had been Rs.1,372,881. Thus it had been about 63 per cent.

## 5.2 Internal Audit

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The Internal Audit Programmes of the activities of the Prisoners' Welfare Fund had not been prepared and implemented satisfactorily.

## 6. Systems and Controls

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