

Prisoners' Welfare Fund of the Department of Prisons - 2015.

The audit of financial statements of the Prisoners' Welfare Fund of the Department of Prisons for the year ended 31 December 2015 comprising the balance sheet as at 31 December 2015 and the income 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(3) 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 which I consider should be published with the Annual Report of the Department of Prison in terms of Section 7(2) of the Prisoners' Welfare Fund of the Department of Prisons Act, No. 18 of 1973 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 Auditing 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 judgement, 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's 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 Fund's internal control. 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 Opinion

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

2. Financial Statements

2.1 Qualified Opinion

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 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made

(a) Sri Lanka Public Sector Accounting Standard-03

A sum of Rs.21,000 received in lieu of providing labour of the prisoners of the Wariyapola prison to other Departments relating to the year 2014 had been brought to account as an income of the year under review instead of being adjusted to the accumulated fund.

(b) Sri Lanka Public Sector Accounting Standard-07

- (i) According to the Standard, when the fair value of assets differs materially from its carrying amount, revaluation should be carried out and the value thereof should be adjusted in accounts, whereas action had not been taken accordingly.
- (ii) The depreciable amount of assets shall be allocated on a systematic basis over its useful life and the residual value and the useful life thereof shall be reviewed from time to time, whereas action had not been taken accordingly.
- (iii) The basis in which the fair value of the assets was determined had not been disclosed in the financial statements in terms of Sri Lanka Public Sector Accounting Standard 07.

2.2.2 Accounting Deficiencies

Assets valued at Rs.74,490 received by the Galle prison as donations and the relevant depreciation of Rs.7,548 had not been brought to account.

2.3 Accounts Receivable

Action had not been taken to recover the balance consisting of compulsory recoveries of prisoners' wages, amount due for the supply of labour of prisoners and recoverable advances amounting to Rs.1,124,923 by the end of the year under review.

2.4 Non- compliance with Laws, Rules and Regulations

Action in terms of Financial Regulation 104 had not been taken on the assets damaged as a result of internal disturbances erupted at Wlikada, Magazine and Anuradhapura prisons.

3. Financial Review

3.1 Financial Results

The financial result of the Fund for the year under review had been a deficit of Rs.2,019,114 as compared with the corresponding deficit of Rs.2,420,279 for the preceding year, thus indicating a decrease in the deficit by Rs.401,165 in the year under review as compared with the preceding year. Decrease in the expenditure for sports and the other expenditure of the prisoners had mainly given rise to the above decrease.

4. Operating Review

4.1 Performance

- (a) In terms of provisions in the Prisoners' Welfare Fund of the Department of Prisons Act, No. 18 of 1973, the functions of the Funds were the spiritual and religious welfare of prisoners, educational welfare of prisoners, provision of recreational facilities and other amenities to prisoners, payment of rewards to prisoners and payment of repayable advances for organizing exhibitions and the maintenance of canteens for prisoners.
- (b) The income of the Fund in the year under review amounted to Rs.1,449,150 and except for the Capital, a sum of Rs.1,907,884 had been spent for the welfare of the prisoners. The following observations are made in this connection.
 - (i) Although provisions had been made to maintain canteens within the prisons in terms of the Act in order to earn income for the Fund, attention had not been focused thereon.
 - (ii) According to the Action Plan, a variance ranging from 41 per cent to 85 per cent was observed between the estimated expenditure and the provision made for 5 Objects, that is, spiritual and religious affairs, educational and welfare expenditure, recreational and other facilities, payment of rewards and post funds services. Accordingly, it was observed that programmes had not been implemented in accordance with the Action Plan.

5. Accountability and Good Governance

5.1 Budgetary Control

- (a) A formal internal audit had not been carried out on the functions of the Prisoners' Welfare Fund.

- (b) Even though a sum of Rs.5,368,500 had been estimated for capital and recurrent expenditure for the year 2015 for the purposes of the Act, the actual expenditure incurred for the prisoners' welfare activities was Rs. 2,010,414. That expenditure representing 37 per cent of the estimated expenditure had affected to limit the achievement of the objectives.
- (c) Since variations between the estimated expenditure and the actual expenditure relating to 27 prison institutions ranging from 22 per cent to 100 per cent and variations between the estimated income and the actual income relating to 14 prison institutions ranging from 53 per cent to 100 per cent were observed, budget had not been made use of as an effective instrument of management control.
- (d) The expenditure of the Ambepussa prison had not been estimated whereas the Kegalle prison had not prepared income estimates relating to the year 2015.

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

Management of expenditure so as to maintain the variations between the budgeted and actual expenditure at a minimum level.

(b) Accounting

Accurate classification of expenditure, accurate valuation of stocks, making proper adjustments to the account and adherence to the Public Sector Accounting Standards.

(c) Prisoners Welfare

Paying more attention on the formulation and implementation of a proper programme on the welfare of the prison inmates and thereby encouraging prison inmates to develop good attitudes within themselves and carrying out accounting activities relating to the welfare in accordance with the circulars.

(d) Maintenance of Fixed Assets Registers

Maintaining registers of assets in an updated manner and carrying out their valuation according to the Standards.