

Prisoners Welfare Fund – 2018

1.1 Qualified Opinion

The audit of the financial statements of the Prisoners Welfare Fund for the year ended 31 December 2018 comprising the financial position as at 31 December 2018 and income and expenditure account, 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(3) 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. My comments and observations which I consider should be reported 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 financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, 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 Fund's 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 Financial Statements

1.5.1 Non-compliance with the Sri Lanka Public Sector Accounting Standards

Non-compliance reference with the relevant standard	Comments of the Management	Recommendation
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(i) Going concern of the Fund could not be confirm in the reasons of uncertainly of receipts which are collecting from revenue Heads for the Fund, non-contribution from the Government, for the activities of the Fund, insufficient fund for incur expenses for the year under review, non-preparation of budget for the year under review etc. had been presented with Financial Statements under disclosures relating to the accounting activities as per standard No.01.	Agree with the audit observation. Sources of the revenue of the Fund existing in uncertainly condition, not having government contributions etc., the balance of the Fund not sufficient, in the reasons of that an estimate had not been prepared for the year under review but programmes had been implemented on the assistance of the external institutions and voluntary organisations for fulfilment of objects of the Fund as such as possible.	Attention should be refer for the going concern of the Fund as per the Public Sector Accounting Standards.
(ii) When the assets had been acquired by on through non-money exchange transaction its cost should be valued at fair value of that asset when the asset is acquired as per the paragraph 25 of the standard No.07. However, 33 number of items of donated assets in 2 prison Institutions fair value had not been disclosed through financial statements.	It is inform action will be take to correct it in the final accounts of the year 2019, make the value decision by market survey in appointing an Assess Board for that assets.	Activities should be done as per the Public Sector Accounting Standards.

1.5.2 Accounting Policies

----- Audit Observation -----	----- Comments of the Management -----	----- Recommendation -----
In the reason of non-identifying a accounting policy for accounting of the value of assets receive as donations although there carrying amount was Rs.9,076,568 but the balance of the account of Donated Assets Reserve had been shown as Rs.21,920,102 as at that date.	Make identify the value of assets receive as donations the value of that assets credit has been made to the Assets Donations Free Reserve Account. Therefore, the balance of that account as at 31 December 2018 was Rs.21,920,102. In the using of those capitalized donated assets annual depreciation has been write off from the each year Income and Expenditure Account. In that reason assets of the Prisoners Welfare Fund had been shown in the financial statements deducting the depreciation equal value to the depreciation carrying amount of the donated assets.	Donated assets should be correctly accounted as per the identified accounting Policy.

1.5.3 Accounting Deficiencies

----- Audit Observation -----	----- Comments of the Management -----	----- Recommendation -----
(a) Action had not been taken to misplaced donations eliminate from books value amounting to Rs.181,365 and Rs.46,500 in Bogambara Prison, Dumbara Prison and Colombo Remand Prison respectively.	It is inform action will be taken to dispose these assets which are not existing as physically in future it is noted necessary instructions to give to the superintendents of prison and regular committee will be appoint in future to dispose those from books in regularly.	Financial Regulations should be follow up.
(b) Value amounting to Rs.2,158,133 had been shown as donation assets which were received to the prison Institutions during the year under review. However, according to the sample check a difference of Rs.520,030 was observed between value of donated assets which were confirmed by 11 institutions and donated assets value amounting to Rs.70,900 had not been confirmed by 3 Institutions. Also donated assets value amounting to Rs.255,275 had not been included into the financial statements which were confirmed by 2 Institutions.	It is inform, it had been noted to give instructions to the superintendents of prison to send the formats in appropriately make completely with value in the reporting of donated assets.	All donated assets should be disclose by accounts.

1.5.4 Lack of written evidence for audit

Item	Amount	Audit Evidence not presented	Comments of the management	Recommendation
Depreciation on donated assets	Rs. 2,220,016	Relevant schedule for the donated assets.	The balance only amounting to Rs.2,220,016 show as the balances as at 31 December 1997 in the register of depreciation on donated assets which is pointed out by audit existing in the ledger as the balance brought forward in the reason of that it is maintain in that manner.	Donated assets should be documentaries.

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

Reference to the laws, rules and regulations etc.	Non-compliance	Comments of the management	Recommendation
(a) Section (AA) of the amendment Act No.54 of 1979 Prisoners Welfare Fund of the Prison Department	Wages not claim within less than one year and personal money amounting to Rs.312,785 which had been deposited in the General Deposit Account and safe of the Institution had not been credited to the Fund.	Action will be taken to give necessary instructions to the superintendents of Prison in connection with the no claim wages calling up a age analysis report from the relevant institutions credit made those to the prisoners welfare fund.	Regulations in the prisoners welfare fund should be follow up.

- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Financial Regulation 104

Donated assets had been damaged in the reason of internal riots occurred at welikada, Magazine and Anuradhapura Prison Institutions and goods damaged at the Galle Prison by Tsunami Disaster on 26 December 2014. However, action had not been taken in terms of the regulations.

There are short coming in the articles then make the correct it and send it to the Magazine and reminders had been send to the sub institutions and the write off application with incident about the magazine prison had been send to the Director General of Department of Public Accoounts.

Action should be done in accordance with the Financial Regulations.

2. Financial Review

2.1 Financial Results

The operational result of the Institute for the year under review was a surplus of Rs.281,121 as against the corresponding deficit of Rs.2,783,683 for the previous year. Thus, observing a growth of Rs.3,064,804. Revenue of the fund had increased by Rs.391,370 as compared with previous year and even though sum of Rs.2,853,749 had been incurred in respect of welfare expenses in the previous year. But any expense had not been incurred during the year under review had mainly attributed for this improvement.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Any programme had not been hold during the year under review for fulfil of the role of the Prisoners Welfare Fund as per the section 5 of the Prisoners Welfare Fund Act	The balance existed as at 01 January 2018 amounting to Rs.921,313 was not sufficient to use for the welfare	Existing fund should be utilized in optimum.

No.18 of 1973. In that reason Treasury balance of the fund amounting to Rs.921,313 existed as at 01 January 2018 and revenue received amounting to Rs.1,915,620 during the year under review had not been utilized.

programmes in all prison Institutions and it happened become a sufficient balance at about end of the year 2018 because of that balance had not been utilized for the programmes but welfare activities functioned had been done on behalf of the prisoners on the contributions of voluntary institutions, prisoners welfare sub unions, external institutions and the persons.

(b) Income of the fund for the year under review was Rs.1,915,620 to increase of this income by identifying a methodology and to implement this provisions had been made in terms of the Act to collect income under 10 income heads, but appropriate attention had not been paid by the Fund.

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Existing fund should be utilized in optimum.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
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<p>Although prepared annual budget with the relevant approvals should be presented to the Director General of National Budget and Director General of Public Finance before 30 September as per the introduced formats by the Treasury in accordance with the objectives of the fund as mention in the Public Finance Circular No.PF/423 dated 22 December 2006, although budget for the year 2018 had not been prepared.</p>	<p>Preparing a estimate and presented it could not be done because of the balance of the fund exist as at end of the year 2017 not sufficient for preparing a estimate for the year 2018 because of that prepare a estimate and presented it could not be done. A estimate had been prepared for the year 2017 as accordingly.</p>	<p>Works should be done according to the regulations of Public Finance circulars.</p>