

Prisoners' Welfare Fund - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Prisoners' Welfare Fund for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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(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 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 2022, 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 skepticism 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, 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 related to the preparation of financial statements

1.5.1. Accounting policies

Audit Observation	Comments of the Management	Recommendation
Consumables amounting to Rs.7,860,139 in the year under review were not shown in the financial statements due to the non-identification of an accounting policy for accounting for the consumables received.	It is not necessary to identify an accounting policy to account for assets for the Prisoner Welfare Fund as all assets (fixed and consumables purchased and donated) are accounted for through the Appropriation Account.	An accounting policy should be introduced to account for donations of consumables.

1.5.2. Absence of written evidence for audit

Subject	Amount Rs.	Evidence not provided	Comments of the Management	Recommendation
Non-current assets	2,371,275	The financial statements of the year 2020 were restated in the year 2021 in order to include the non-current assets of the fund in the departmental financial statements without the approval of the treasury and as on that date, the balance of Rs.24,350,099 in the Free Assets Grant Account was adjusted through the asset disposal account, showing a disposal surplus of Rs.12,640,730 in respect of non-current	The assets shown by all the accounts of the Central Government, the Prison factory Division and the Prisoner Welfare Division are in the institutions under the prison and it is practically difficult to identify all those assets separately and carry out the goods survey and there is a possibility of a binary error. Therefore, in order to avoid double counting errors due to repeated accounting of assets, by showing the assets owned by all these departments through the appropriation account, efforts have been made to	Assets should be clearly identified physically and accounted for before restatement.

assets. This surplus has been included in the reserves of the statement of financial position on 31st December 2022 and although these assets were recorded under non-financial assets in the departmental financial statements presented for the year ending 31st December 2022, evidence that these assets were physically identified and recorded in the books of account was not presented to the audit.

present all the assets owned by the department through one account from the year 2020.

1.6 Non-compliance with laws, rules, regulations and management decisions etc

With reference to laws, rules, regulations etc.

Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) 237

Non compliance Rs.

In making the payment for warehouse supplies, a certificate must be attached to the payment voucher that the goods have been received and that the goods have been entered in the relevant inventory books etc. However, goods worth Rs. 205,002 purchased from the prisoner welfare fund in Welikada, Bussa and Wataraka prisons were not entered in the stock books and the payment vouchers also did not include notes that the

Comments of the Management

The Finance Commissioner's letter dated 28 March 2023 has informed the prison authorities of all institutions under the prison about the instructions required to account for consumables in those institutions and from the year 2023, arrangements have been made to bring the relevant quarter to quarter account reports to the headquarters. In particular, the superintendents of Welikada, Bussa and Wataraka institutions and related rehabilitation officers and the equipment store have been informed.

Recommendation

237 of the Financial Regulations shall be dealt with.

relevant materials were received.

(ii) 877(2) (a)	No separate bank account was maintained for the fund and the transactions of the welfare fund were carried out under the official bank account of the department.	The activities related to opening a separate bank account for the Prisoner Welfare Fund have already been done and the letter dated 29 November 2022 has been forwarded to the Ministry for approval.	877(2)(a) of the Financial Regulations to be dealt with.
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2. Financial review

2.1 Financial r

The operating result of the year under review amounted to a surplus of Rs.758,638 and the corresponding surplus in the preceding year amounted to Rs.908,830. Therefore a deterioration amounted to Rs.150,192 of the financial result was observed. Although no expenditure was incurred by the fund in the previous year, the expenditure of Rs.1,884,382 in the year under review led to this deterioration.

3. Operational Review

3.1. Management inefficiencies

Audit Observation	Comments of the Management	Recommendation
Performance indicators were not introduced to measure the progress of the fund and due to the nature of the programs to be held in the prisons, the number of prisoners/suspects to be attended, the costs to be incurred and the progress made according to those plans, it was not possible to evaluate the financial and physical performance of the fund.	Steps have already been taken to appoint a management committee of 07 members to update and maintain the affairs of the welfare fund. The committee will review the progress and performance related to the prison welfare account for the year 2023.	A preliminary plan for the fund's programs should also introduce performance indicators to evaluate the performance according to the plan, and conduct evaluations and report the progress.

4. Accountability and good governance

4.1. Budgetary control

Audit Observation	Comments of the Management	Recommendation
In the reviewed year, two million rupees had been allocated for the welfare of the prisoners in the budget of the fund, but due to the	Since the income of the Prisoner Welfare Fund is contingent nature and the balance of the fund is in minimum level.	Arrangements should be made to arrange for adequate provisions, and work should be done in such a way that

insufficiency of allocation, an amount of Rs.2,377,848,334 had been spent for number of 3 votes under the departmental head and ,although the estimated amount of receipts of the fund were Rs.1,437,250, the actual amount of receipts were Rs.2,651,796, so the actual amount of receipts were Rs.1,214,546, as 84.5 percent more than the budgeted amount of receipts. Also, the difference between the budgeted income and the actual income of 07 of the 10 income heads of the fund varied from 100 percent to 4,063 percent, so the budget estimate was not realistically prepared and used as a control measure

Achieving a maximum level of welfare for prisoners requires financial support from the Treasury or any other government source. I agree with your observations about the budgeted income and the situation is observed in comparison with the accounts of last 03 years. We hope to arrive at a negotiated decision on how to resolve the situation and how we should bear the costs, and we hope to present it to the Prisoner Welfare Fund Control Committee appointed by the Commissioner General of Prisons and resolve it.

the objectives of the establishment of the fund can be fulfilled. The budget estimate of the fund should be realistically prepared and used as a control tool.