

Prisoners Welfare Fund of the Department of Prisons - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Prisoners Welfare Fund of the Department of Prisons for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy 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 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 financial statements give a true and fair view of the financial position of the fund as at 31 December 2024 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

I expressed qualified opinion 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 stability 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 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 it 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. Audit Observations on the Preparation of Financial Statements

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

Non-compliance with the reference to particular standard	Management Comment	Recommendation
a. Although the accounting policies of the Prisoners Welfare Fund require the fund's non-current assets to be reported in the financial statements of the Prisons Department, Out of the non-current assets worth Rs. 17,351,040 received as donations to the Prisoners Welfare Fund during the year under review, non-current assets worth Rs. 11,565,309 had not been included in the financial statements of the Prisons Department for the year 2024.	All prison institutions have been informed to account for the value of assets issued to prison institutions as assets in the CIGAS system. However, if there are assets that are not accounted for as assets in the CIGAS system, prison institutions have been informed to account for all such assets.	According to the Fund's accounting policy, all assets must be reported in the financial statements of the Prisons Department.
b. Consumer goods worth Rs. 2,446,160 received as donations were not included in the financial statements.	Donated consumables are not recognized as assets through the CIGAS system and are recorded in the consumables register.	Steps should be taken to introduce a formal policy for accounting for consumables.

1.5.2 Accounting deficiencies

Audit Observation	Management Comment	Recommendation
a. The balance of salaries and personal funds that have not been claimed for a period of not less than one year in the general deposit account for salaries and deposits was Rs. 2,173,030 as of 31 December 2024. The amount of Rs. 1,000,805, which had not been claimed for a period of not less than one year from the date of the prisoner's release,	While agreeing with the observations, steps have been taken to inform all prison institutions to identify unclaimed funds in the future and credit them to the fund.	Unclaimed funds should be identified and credited to the fund.

had not been credited to the fund in accordance with Section 4(a) of the Prisons Department Prisoners Welfare Fund Amendment Act, No. 54 of 1979.

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| b. | A balance of Rs. 128,155 from the Prisoner Welfare Fund, which had been in the Anuradhapura Prison for over two years, had been erroneously transferred to government revenue. | Steps are already being taken to correct the balance of Rs. 128,155 in the Anuradhapura Prison when posting accounts in the Prisoners Welfare Fund. | Steps should be taken to accurately identify and record transactions. |
| c. | An amount of Rs. 230,760 to be credited to the Prisoners Welfare Fund as mandatory levies on prison wages from production activities carried out by a private institution in connection with industrial activities at Mahara Prison during the year 2024 had not been identified in the 2024 financial statements. | While the receipts balance of Mahara Prison stated in the account is correct, the information provided by Mahara Prison in the file is incorrect, so the account information obtained through the CIGAS program has been included in the file. | Steps should be taken to obtain and account for accurate information by the prison institution. |

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

Reference to Laws, Rules, Regulations, etc.	Non - Compliance	Management Comment	Recommendation
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Part I of Public Finance Circular No. 01/2020 dated 28th August 2020

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| i. | Financial Regulation 877(2) paragraph (a) | Although a separate bank account should be maintained for the fund, the transactions of the Prisoner Welfare Fund were carried out under the official bank account of the Department. Although it was stated in the 2023 financial statement audit that steps were being taken to open a bank account for this fund, no action had been taken in this regard by the time of the audit on 08 April 2025. | Although the forms for opening a bank account for the Prisoner Welfare Fund have been completed and submitted to the Treasury Operations Department, since accounts are not opened in the name of the fund, its official name must be amended, and legal proceedings are underway for that purpose. | Proceedings should be made in accordance with Financial Regulation 877(2) (a). |
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| ii. Guidelines 04 of paragraph 877 (2)(c) of the Financial Regulation | Although quarterly reports on key activities should have been submitted to the Auditor General with copies to the Department of State Finance and the Department of National Budget before 15 days after the end of each quarter so that the progress of the Fund could be reviewed, this had not been done. | The Rehabilitation Division has been informed to submit quarterly reports on key activities on the due date so that the progress of the fund can be reviewed at the end of each quarter. | Quarterly reports should be submitted in accordance with Financial Regulation 877 (2)(c). |
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2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 1,290,052 and the corresponding surplus in the preceding year amounted to Rs. 403,785. Therefore an improvement amounting to Rs. 886,267 of the financial result was observed. The reason for the improvement is increase in other contribution income during the year under review.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
According to the Fund's financial performance statement for the year under review, out of Rs. 2,760,537 identified as income, Rs. 1,575,675 is shown as other contributions received. Due to the lack of proper attention to identifying and implementing a formal methodology to collect revenue under the revenue sources provided for in the Act, 14 out of the 30 prison institutions listed in the receipts list under the revenue head had not earned any revenue in the year 2024. Accordingly, although the highest expenditure on the Prisoner Welfare Fund had been incurred by the Mahara and Tangalle Prison Institutions in the year 2024 that institution had not taken steps to collect revenue.	Prisoner welfare activities are not carried out based on the income generated by each institution, but on the welfare needs of the inmates of each prison. Furthermore, the Rehabilitation Division will identify and implement a methodology to collect income in the future.	A formal plan for collecting income for the fund should be prepared and steps should be taken to act accordingly.

3.2 Operational inefficiencies

Audit Observation	Management Comment	Recommendation
a. Under the receipts of the Prisoners Welfare Fund, only the amount of Rs. 7,764 earned by the Trincomalee Prison is mentioned as the net profit received from the shops in the year 2024, while no money had been earned by the remaining prison institutions. According to the financial statements for the year 2023, the income from the shops was Rs. 225,871, a decrease of 97 percent from the year under review. Furthermore, although it was estimated that exhibitions and restaurants would earn Rs. 4,000 and Rs. 2,500 respectively for the year 2024, no income was earned during the year, and the income from the sale of entertainment items was as low as Rs. 1,750.	This amount has been credited to the Prisoner Welfare Fund from the money earned by the Karanavemi Division of the Trincomalee Prison in the year 2024 under the receipts of the Prisoner Welfare Fund, and further income generation efforts will be made in the future.	A formal plan for collecting income for the fund should be prepared and steps should be taken to act accordingly.
b. Under the short-term and long-term work relief scheme, 10 percent of the income earned by prisoners from employment should be given to the Prisoners Welfare Fund. During the year 2024, this scheme has been implemented only in Welikada and Watareka Prisons, and Rs. 139,286 had been given to the fund. Accordingly, steps had not been taken to expand the ways in which income could be earned under the work relief scheme.	Under the program, after the state institutions request the relevant prison institutions to provide the services of inmates for minor tasks in state institutions, the service is investigated and provided. In 2024, only Welikada and Watareka prisons provided the service.	Formal steps should be taken to expand the means of generating income under the programmatic methods.

3.3 Under-utilization of funds

Audit Observation	Management Comment	Recommendation
According to the action plan prepared for the reporting year, the number of programs planned for giving rewards was 54 percent, while the number of inmates who received rewards was only 36 percent.	Since many institutions provide prizes with the contribution of the Prisoners Welfare Association, the amount of prizes was thus low. I would like to inform you that we will obtain information from the institutions regarding the underutilization of the funds allocated for the purpose of providing prizes, identify the shortcomings of the previous year and take steps to implement the action plan correctly.	Steps should be taken to prepare estimates realistically and utilize the allocated funds properly.