

## **Prisoners' Welfare Fund - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Prisoners' Welfare Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 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 accompanying financial statements give a true and fair view of the financial position of the fund as at 31 December 2021, 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**

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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**

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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**

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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 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 on the preparation of Financial Statements**

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### **1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards**

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| <b>Non Compliance with the reference to particular Standard</b>  | <b>Management Comment</b>   | <b>Recommendation</b>   |
|--|---|---|
| <p>Although the non-current assets reported in the financial statements of the year 2020 have been removed from the financial statements of the fund for the purpose of indicating it in the financial statements of the department from the year 2021 and restated for the year 2020 and the financial statements for the year ended 31 December 2021 have been submitted, it had not been act in accordance to the paragraph 54 of the Public Sector Accounting Standard No. 03.</p> | <p>Detailed disclosure was not made in the account presented for the year 2021 because, the restated account was presented separately and only a brief disclosure about it was made from No. 12</p> | <p>Restatements related to correction of prior period errors should be disclosed in the financial statements in accordance with paragraph 54 of the Public Sector Accounting Standard No. 03.</p> |

## 1.5.2 Accounting Policies

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| <b>Audit Observation</b>  | <b>Management Comment</b>   | <b>Recommendation</b>   |
|---|---|---|
| Consumable items amounting to Rs. 1,275,460 in the year under review was not indicated in the financial statements due to that no accounting policy was identified for accounting the consumable items received by the institutions of the prisons. | Consumable assets received as donations are goods donated for the use of prisoners and those goods are arranged to be used of prisoners. In that, they are not adjusted to the final account as stock due to the end of consumption of those goods. However, consumer assets have been received and delivered to the warehouse. | An accounting policy should be introduced to account the donations of consumable items. |

## 1.5.3 Lack of Written Evidences for Audit

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| <b>Subject</b>        | <b>Amount<br/>Rs.</b> | <b>Audit Evidence not<br/>provided</b>  | <b>Management<br/>Comment</b>  | <b>Recommendation</b>   |
|-----------------------|-----------------------|---|--|---|
| Revaluation of Assets | 24,350,099            | In submitting the financial statements for the year ended 31 December 2021, the financial statements presented for the year 2020 had been restated. Although the value of non-current assets before adjusting for depreciation was Rs. 11,709,369 as at 31 December 2020, the restated financial statements indicated the value of non-current assets at Rs. 24,350,099 after adjusting the assets disposal surplus of Rs. 12,640,730. But, evidence was not submitted to the audit as these assets were identified as clearly, physically and actually revalued before restating them. | According to the departmental circular 21/2021, all assets have been taken as a whole and the board of survey has been carried out from the year 2021 and all physically identifiable assets were revalued and entered into the CIGAS programme. | Before restating the assets, should be provided evidences that the assets have been identified clearly, physically and actually revalued. |

## 1.6 Non-compliance with Laws, Rules and Regulations

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| Reference to the Laws, Rules and Regulations  | Non-compliance  | Comments of the Accounting Officer  | Recommendation  |
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| (a) Section 4 "a" of the Amended Act No. 54 of 1979 of the Department of Prisons Prisoners' Welfare fund of the National Assembly | Although there was an amount of more than Rs. 4,324,428 per year in the general deposit account 6000-0-006-0-081-0, the unclaimed amount included in that amount had not been identified and credited to the fund within a period of not less than one year from the date of the prisoner's release.  | I would like to inform you that after obtaining details about the amount in the deposit account and the time that have passed after the release of prisoners; the amount will be transferred to the prisoners' welfare account as income. | It should be done according to the Act.   |
| (b) Financial Regulations included by paragraph 15.1 of Public Finance Circular No. 01/2020 dated 28 August 2020.                 | (i) F.R. 876 (2)(b) The fund had not spent any amount on prisoners' welfare also during the year under review and Rs. 1,721,729,057 had been spent from the budget of the department under 03 expenditure subjects. Accordingly, if it appears that the desired objectives can be achieved under the government budget or if it is not necessary to further maintain the fund, steps should be taken immediately to terminate the activities of that fund. But, it was not acted accordingly. | It was noted to discuss again with the Commissioner (Rehabilitation) about whether this fund will continue and I would like to inform that further action will be done based on that decision.  | If it is not necessary to increase the sources of income or to maintain the fund further, should be followed the circular instructions. |

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|-----------------------|---|---|--|
| (ii) F.R. 877 (2) (a) | No separate account has been maintained for the fund and the transactions of the welfare fund were carried out under the official bank account of the department. | It is being discussed whether this fund will continue to be maintained and if it is decided to continue, I would like to inform that a bank account will be opened for it in the year 2022. | Should be act in accordance with the Financial Regulations 877 (2)(a). |
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**2. Financial Review**  
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**2.1 Financial Result**  
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The operating result of the year under review amounted to an excess of Rs. 908,830 and the corresponding excess in the preceding year amounted to Rs. 735,004. Therefore an improvement amounting to Rs. 173,826 of the financial result was observed. The main reason for the improvement was increasing the income by Rs. 173,826.

**3. Operational Review**  
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**3.1 Performance**  
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| <b>Audit Observation</b><br>-----   | <b>Management Comment</b><br>-----  | <b>Recommendation</b><br>-----                     |
|---|---|--|
| The Department of Prisons Prisoners' Welfare fund Act No. 18 of 1973 of the National Assembly was established to establish a Prisoners' welfare fund, incur expenses from it for the public welfare of prisoners and make arrangements for all matters related to that. Even though there was a balance of Rs. 4,527,464 in the fund including receipts of Rs. 908,830 to the fund in the reviewed year, no amount was spent for conducting welfare programmes for the prisoners, which is the role of the Prisoners' welfare fund according to Section 5 of the Act. | Agree with the audit observation. Although an estimate was not prepared for the year under review due to the prevailing covid epidemic, programmes were implemented with the support of external institutions and voluntary organizations to achieve the objectives of the fund to some extent. | Should be complied with the provisions of the Act. |

### 3.2 Management Inefficiencies

| Audit Observation  | Management Comment   | Recommendation   |
|--|--|--|
| (a) It was not possible to evaluate the financial and physical performance of the fund to achieve its objectives due to that the performance indicators were not introduced to measure the progress of the fund and the pre-plans included with the nature of the programmes to be conducted in the prisons, the number of prisoners/suspects to be attended and the costs to be incurred were not prepared and reported the progress according to that plans. | Agree with the audit observation.<br>An estimate was not prepared for the year under review due to that there were not enough funds to cover the expenses of the year under review because, the sources of income of the fund were in an uncertain situation due to the prevailing covid epidemic, lack of government contribution and if this fund is maintained, I noted to instruct the Commissioner of Prisons (Rehabilitation) to introduce performance indicators to measure the progress of the fund in future. | A pre-plan should be prepared for the programmes of the fund and performance indicators should be introduced to evaluate the performance according to that plan and should be evaluated and reported the progress. |
| (b) There was no provision from the fund for post-release services to assist in the rehabilitation of prisoners after their release.   | Agree with the audit observation.<br>An estimate was not prepared for the year under review due to that the balance of the fund was not sufficient because, the income sources of the fund were in an uncertain situation and the lack of government contribution, but the programmes were implemented with the support of external institutions and voluntary organizations to achieve the objectives of the fund to some extent.   | Appropriate arrangements should be implemented for post-release services to assist in the rehabilitation of released prisoners.  |
| (c) A balance of Rs. 7,460 to be recovered from other departments for prison labour in Bogambara   | There is a balance of Rs. 7,460 related to Bogambara prison where the prison   | Arrangements should be made to recover the balances to be recovered.   |

prison which has been in existence for more than 06 years and the brought forwarded balance of Rs.8,400 to be recovered from the Department of Prisons for prison labour in Badull prison had not been recovered yet.

wages should be collected mandatory and I would like to inform to the audit that necessary arrangements will be made to cut off that balance in future since it has not yet been possible to recover it.

There is a balance of Rs. 8,400 related to Badulla prison where the prison wages should be collected mandatory and it is income due for the year 2017. The amount has been received by the Institute of Prisons in the year 2018 and this has been corrected in the year 2022.

(d) An advance amount of Rs. 1,880 to be recovered from the Negombo prison which has been in existence for more than 05 years was continuously being brought forward in the accounts without being recovered.

I hereby inform that I will check the information and documents regarding the value of Rs. 1,880 advance to be recovered from Negombo prison and take appropriate action.

Arrangements should be made to recover the balances to be recovered.

#### 4. Accountability and Good Governance

##### 4.1 Tabling of Annual Performance Report in Parliament

| Audit Observation   | Management Comment  | Recommendation                                   |
|---|---|--|
| <p>Although it should be submitted a performance report of the fund to the Auditor General with certified copies of the financial statements within 02 months after end of the financial year with a copy to the Public Finance Department in accordance with Financial Regulation 877 (2)(d) contained in the Public Finance Circular No. 01/2020 dated 28 August 2020; it had not submitted an annual performance report with the financial statements of the fund for the year under review.</p> | <p>I inform that the performance reports related to the year 2021 have been prepared correctly and noted to be submitted to the Department of Public Finance and a copy to the auditor General along with copies of the financial statements.</p> | <p>Circular instructions should be followed.</p> |



## 4.2 Budgetary Control

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| <b>Audit Observation</b>  | <b>Management Comment</b>   | <b>Recommendation</b>  |
|---|---|--|
| <p>-----</p> <p>The annual budget should be submitted to the Director General of the National Budget for obtaining the approval of the treasury before 30 September of the current year according to the terms of Financial Regulations 877(1)(c) included by the paragraph 15.1 of the Public Finance Circular No. 01/2020 dated 28 August 2020 and a copy of it should be forwarded to the Director General of Public Finance, but it was not done accordingly.</p> | <p>-----</p> <p>Agree with the audit observation. The budget document had not been prepared due to the prevailing covid epidemic. An estimate was not prepared for the year under review due to that the balance of the fund was not sufficient because, the income sources of the fund were in an uncertain situation and the lack of government contribution, but the programmes were implemented with the support of external institutions and voluntary organizations to achieve the objectives of the fund to some extent.</p> | <p>-----</p> <p>An annual budget should be prepared and submitted as per the circular.</p> |