

Prisoners' Welfare Fund - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Prisoners' Welfare Fund for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 2023, 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 on Preparation of Financial Statements

1.5.1. Internal Control over the Preparation of Financial Statements

It is necessary for the organization to maintain an adequate “well-designed” internal accounting control system for exercise general and specific authority in transaction management, recording transactions and maintaining accounting for assets as required to prepare financial statements in accordance with applicable reporting standards, to access assets only with general and specific authority of management, to compare the accounting for recorded assets with the existing assets at reasonable intervals and to take appropriate action on discrepancies, if any etc.

1.5.2. Accounting deficiencies

	Audit observation	Comments of the Management	Recommendation
a)	As per the accounting policy of the Prisoner’s Welfare Fund, the non-current assets received as donations to the fund are shown in the financial statements of the department. During the year under review Rs.1,731,476 worth of donations and non-current assets relating to 09 subjects of unknown value were not accounted for in the Prison Department financial statements or in the Prisoner’s Welfare Fund.	As a policy regarding the assets of the department, all the donations received by the institution are recorded in the ledger in the main stores of the prison and the consumables are released from that ledger to the prisons as needed. Fixed assets received as donations are accounted for through appropriation account.	Non-current assets received as donations to the fund should be included in the financial statements.
b)	Due to lack of identification or disclosure of formal policy for accounting of consumables received by prison institutions for prisoner welfare in the year under review, consumables worth of Rs.1,996,297 related to 94 subjects and 136 subjects of unknown value were not included in the financial statements.	An accounting policy is not required to account for consumables received by prison institutions.	Steps should be taken to introduce a formal policy for accounting of consumables.

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

With reference to laws, rules and regulations etc,	Non-compliance	Comments of the Management	Recommendation
Paragraph 877(2)(a) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	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.	It has been informed that a separate bank account must be maintained for a fund in accordance with Financial Regulation 877 and State Financial Circular 01/2020, so it has been informed that the work related to opening a separate bank account for the Prisoner's Welfare Fund is already on the way.	877(2)(a) of the Money Regulations to be dealt with.

2. Financial review

2.1. Financial Results

The operating result of the year under review was a surplus of Rs.403,785, while the corresponding surplus of the previous year was Rs.758,638. Accordingly, a deterioration of Rs.354,853 was observed in the financial result. This deterioration was mainly due to the decrease in income received by the fund during the year under review.

3. Operational Review

3.1. Management inefficiencies

Audit observation	Comments by the management	Recommendation
a) The "Lalitha Sirisara" project was implemented using the human and physical resources of deterrent of prison with the aim of developing the artistic skills of the inmates and creating harmony between the prison officials and them. In relation to this project, an income of 8.5 million rupees had been collected, including 1.1 million rupees in catering costs, an expenditure of 4.7 million rupees, and the excess money of the project 3.75 million rupees were transferred and maintained in the bank account of the Welikada Prisoner Welfare Sub-	Although many years have passed since the formation of prisoner welfare associations, it is not possible to carry out this project through the prisoner welfare fund and it has been stated that the balance is insufficient for rehabilitation programs in all prison institutions.	Steps should be taken to carry out this kind of project through Prisoner Welfare Fund.

Association. If this project was implemented by the Prisoner Welfare Fund, the remaining money would be formally used for prisoner welfare and subject to government audit and if so was observed that this project, which was carried out using government resources, has the potential to do it more transparently.

- b) The Prisoner’s Welfare Fund did not accurately forecast and prepare realistic cost estimates for prisoner welfare programs, resulting in a 3 percent reduction in the number of programs actually implemented compared to the expected performance of the original estimate.
- On revision of the original estimate, the expected programs had to be reduced accordingly. Moreover, since the approval to spend from the Prisoner Welfare Fund for the year 2023 was given in July, the programs from the Prisoner’s Welfare Fund were implemented from August 2023. Here are mentioned the number of programs implemented since August. Approval to spend money from the prisoner welfare fund was obtained at the beginning of the year and steps have been taken to carry out the said activities.
- Fund estimates should be realistic and programs should be implemented within correct time frames.

4. Accountability and good governance

4.1. Budget control

Audit observation	Comments of the management	Recommendation
<p>According to the original estimate for the year 2023 of Prisoner’s Welfare Fund, the expected income was Rs.858,500 and the expected expenditure was Rs.1,500,000. Despite the ability to spend enough money for prisoner welfare, the fund's original estimate of expenditure was reduced to 53.3 percent, i.e. up to Rs. 800,000, and the actual income in the year 2023 was Rs. 1,172,126, while the actual expenditure was Rs. 768,341. Moreover, it was observed that the prisoner’s welfare fund had a balance of Rs.5,299,068 at the beginning of the year under review and Rs.5,696,914 at the end of the year.</p>	<p>It has been informed that while preparing the estimates for the coming years, the balance of the fund will be checked and more money will be provided for the programs.</p>	<p>The estimates of the fund should be prepared realistically based on the welfare of the prisoner and expenses should be incurred accordingly.</p>