

## **Police Reward Fund - 2015**

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The audit of financial statements of the Police Reward Fund for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 Section 74 (4) of the Police Ordinance. My comments and observations on the above financial statements appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor's Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessments of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant of the Fund's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **1.4 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of Police Reward Fund as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Accounts Receivable and Payable**

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The following observations are made.

- (a) An advance of Rs.2,000,000 given to the Police Sponsor Fund had remained outstanding for more than 16 years without being taken proper action to get settle this advance.
- (b) Special rewards aggregating Rs.33,241,336 relating to the year 2001 had not been paid to respective officers even up to the year under review due to pending the legal proceedings.

#### **2.2.2 Un-reconciled Control Accounts**

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A difference of Rs.1,150,000 had been observed between the interest receivable on fixed deposits shown in the financial statements and in the schedules submitted by the Reward Division of the Police Headquarters. However, no action had been taken to reconcile these two balances.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the operations of the Fund for the year under review had resulted in a surplus of Rs.909,174,670 as compared with the corresponding surplus of Rs.896,375,737 for the preceding year, thus indicating an improvement of Rs.12,798,933 in the financial results for the year under review as compared with the preceding year. The significant decrease in the payment of rewards during the year under review was the main reason attributed for this improvement.

#### 4. Operating Review

##### 4.1 Performance

###### Payment of Rewards

The main objectives of the Fund are motivating the police officers in the rank below the Chief Inspector of Police in order to perform their duties in an efficient manner by providing rewards to them and payment of rewards to the civil persons who providing the required information to the police. In these purposes, the payment of rewards made during the year under review and in the previous five years is given below.

	<u>2015</u> Rs. Millions	<u>2014</u> Rs. Millions	<u>2013</u> Rs. Millions	<u>2012</u> Rs. Millions	<u>2011</u> Rs. Millions	<u>2010</u> Rs. Millions
(i) Payment of Rewards to the Police Officers	400.6	415.3	422.7	585.2	534.8	407.2
(ii) Special Rewards paid to the Police Officers and Civil Persons	17.3	15.5	12.1	33.1	28.1	28.4
(iii) Motor Traffic Rewards Paid to the Police Officers	148.2	163.1	-	-	-	-
Total	566.1	593.9	434.8	618.3	562.9	435.6

The following observations are made in this connection.

- Although rewards payments had been made to Police Officers and Civilians annually, number of persons to whom rewards were paid had not been submitted to audit.
- The payment of rewards made to the police officers had been dramatically decreased for the last four years.

#### 5. Accountability and Good Governance

##### 5.1 Budgetary Control

The significant variances were observed between the budgeted and actual income and expenditure thus indicating that the budget had not been made use of as an effective instrument of management control.

**6. Systems and Controls**

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Inspector General of Police from time to time. Special attention is needed in respect of the following areas of control.

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| (a) | Maintenance of Cash Book          | - | In several instances the cash book had been altered by using correction fluid |
| (b) | Accounting of Motor Traffic Fines | - | Collect the fines without delays and make suitable adjustment in the accounts |