

Excise Reward Fund of the Department of Excise - 2011

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Excise Reward Fund as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments On Financial Statements

1.2.1 Accounting Deficiencies

The following deficiencies were observed.

- (a) The depreciation provision on motor vehicles for the year under review had been understated in the accounts by a sum of Rs.285,000 and as such the expenditure for the year had been understated by that amount while the value of fixed assets had been overstated by that amount.

- (b) The expenditure amounting to Rs.652,750 incurred on improvements to 07 motor vehicles purchases in the year 2010 (construction of canopies) had been written off against expenditure instead of capitalizing and as such the income for the year and the value of fixed assets (motor vehicles) had been understated by that amount.

1.2.2 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliance were observed.

Reference to Laws, Rules, Regulations etc.,

Non-compliance

(a) Section 17 of the Tobacco Tax Act, No. 08 of 1999

Out of the fines recovered under the Tobacco Tax Act, 25 per cent can be used for the payment of rewards and according to Section 17(II) of the Act, a Reward Fund as proposed by the Minister and under the control of the Commissioner General of Excise should be established for the purpose. But such Fund had not been established.

(b) Financial Regulations

(i) 272 (1)

Even though the paid vouchers should be numbered in the numerical order and kept in safe custody, the paid vouchers of the year 2011 had not been filed according to the numerical order and bundled.

(ii) Financial Regulation 756

Even though a Board of Survey of the assets of the Fund should be conducted immediately after the end of the financial year, the fixed assets of the year under review valued at Rs.23,361,469 had not been subjected to a physical survey.

2. Financial Review

2.1 Financial Results

The operations of the Fund during the year under review had resulted in a net surplus of Rs.17,245,710 as compared with the corresponding net surplus of Rs.41,228,732 for the preceding year, thus indicating a deterioration of Rs.23,983,022 in the financial results. The decrease of Rs.24,387,872 or 20 per cent in the compounding fees received affected the deterioration of the financial results.

3. Operating Review

3.1 Performance

The following matters were observed.

- (a) The estimated raids under the industrial offences and excise offences for the year under review had been 5,292 and 43,555 and the actual raids had been 4,597 and 40,738 only.
- (b) The compounding fees income for the year under review as compared with the preceding year had decreased by Rs.17,705,872 or 16 per cent and the Tobacco Tax income had decreased by Rs.6,682,000 or 65 per cent.
- (c) The contribution of the Fund for the methodologies to enhance the efficiency of the officers who contribute directly for the achievement of the objectives of the Department and the training activities had been at a minimum level of the total expenditure.

4. Accountability and Good Governance

4.1 Corporate Plan

A Corporate Plan for the achievement of the Vision and Mission of the Fund had not been prepared.

4.2 Internal Audit

The Internal Audit Unit of the Department had not carried out an internal audit of the Fund during the year under review.

4.3 Budgetary Control

The following matters were observed.

- (a) Out of the provisions amounting to Rs.600,000 and Rs.11,000,000 made in the budget for special duties and special raids and the purchase of furniture and equipment and others, sums of Rs.512,330 or 85 per cent and Rs.6,933,503 or 63 per cent had been saved.
- (b) Even though allocations at the rate of Rs.50,000 for sports, recreational and welfare work, a sum of Rs.500,000 for commendable work, training and study purposes and a sum of Rs.200,000 for acts of bravery or acts meriting special recognition, the entire amounts had been saved. The methodology for the payment of rewards for commendable work, acts of bravery and acts meriting special recognition in terms of Section 4.5 of the Excise Notification No. 801 had not been implemented up to date. Nevertheless, a sum of Rs.200,000 for that purpose had been provided in the budget for the year under review.

5. Systems and Controls

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

- (a) Budgetary Control
- (b) Establishment of the Reward Fund under the Tobacco Tax Act
- (c) Board of Survey