

Excise Reward Fund -2012

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 2012 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 observations are made.

- (a) A Main Journal had not been maintained in accordance with the Generally Accepted Accounting Principles for rectification of accounting errors, adjustments and closing entries.
- (b) The value of the Isuzu double cab motor vehicle disposed of in the year 2012 amounting to Rs.60,067 had not been eliminated from the books and as such the value of fixed assets had been overstated by that amount.
- (c) The expenditure on the construction of canopies for motor vehicles amounting to Rs.652,750 brought to account as expenditure for the year 2011 without being capitalized had not been rectified even in the year 2012.
- (d) According to the policy on depreciation, provision for depreciation amounting to Rs.869,902 should have been made for furniture and office equipment in respect of the year 2012. Nevertheless, a sum of Rs.310,762 only had been brought to account as depreciation. As such depreciation for the year and the Accumulated Depreciation Provision Account had been understated by a sum of Rs.559,140 in the accounts.

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc.,

Non-compliance

- (a) Tobacco Tax Act, No. 8 of 1999
Section 17

Out of the fines collected under the Tobacco Tax Act, 25 per cent can be used for the payment of rewards. According to Section 17(ii) of the Act, a Reward Fund according to a scheme proposed by the Minister and under the control of the Commissioner General of Excise should be established. But such Fund had not been established even by 31 October 2013.

- (b) Financial Regulations 756

A physical survey of the fixed assets valued at Rs.22,882,912 had not been conducted for the year under review.

- (c) Treasury Circular No.1A1/2002/02 of 28
November 2002

A Register of Fixed Assets had not been maintained for computers, computer accessories and software.

- (d) Management Audit Circular No.
DMA/2009/02 of 01 September 2009

A Register of Fixed Assets had not been maintained for the assets purchased under the Excise Reward Fund.

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.19,769,754 as compared with the corresponding net surplus of Rs.17,245,710 for the preceding year, thus indicating an increase of Rs.2,524,044 in the financial results for the year under review. The increase of the overall receipts of the Fund by Rs.7,990,488 or 8 per cent as compared with the preceding year had been the main reason for the increase in the surplus.

3. Operating Review

3.1 Performance

The following observations are made.

- (a) An income of Rs.99,161,671 had been earned from 4,793 raids on excise technical offences in the year under review and an income of Rs.93,344,983 had been earned from 4,597 technical offences in the preceding year.
- (b) As compared with the preceding year, the overall income from technical offences for the year under review had increased by a sum of Rs.5,816,688 or 6.2 per cent and the overall income from tobacco tax offences had increased by a sum of Rs.2,173,800 or 60 per cent.

4. Accountability and Good Governance

4.1 Budgetary Control

Even though a sum of Rs.50,000 for sports, recreation and welfare activities and a sum of Rs.200,000 for acts of bravery or acts of special recognition had been allocated the entire amounts remained without being spent. The methodology for the payment of rewards for commendable work, acts of bravery or acts of special recognition in terms of Section 4.5 of the Excise Notification No.818 of 04 March 1994 had not been made effective even by 31 October 2013.

4.2 **Corporate Plan**

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

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) Accounting
- (b) Establishment of the Reward Fund under the Tobacco Tax Act
- (c) Assets Control