

## **Police Reward Fund – 2011**

### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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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 Police 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**

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##### **1.2.1 Accounting Policies**

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The financial statements of the Police Reward Fund had been prepared by using 02 methods such as cash basis and accrual basis.

##### **1.2.2 Accounting Deficiencies**

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The following observations are made.

- (a) Dishonored cheques valued at Rs.2,882,520 received during the year under review as court penalties had been shown under current liabilities by crediting to the dishonored cheques account without crediting to the cash account.
  
- (b) Any responsible officer had not placed his signature for 28 journal entries used for making debit and credit entries in the ledgers during the year under review.

1.2.3 Suspense Account

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A credit balance of Rs.48,929 had existed in the suspense account since the year 2003 up to the year under review. Any action had not been taken even during the year under review to identify reasons for arising this balance in the suspense account and to correct it.

1.2.4 Accounts Receivable and Payable

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- (a) Two types of liabilities amounting to Rs.660.997 had not been settled within a period of more than 06 Years. As a result, it was observed that the opportunity for settlement of these liabilities in future was doubtful.
- (b) Even though a period of nearly 12 years had elapsed after granting the advances of Rs.2,000,000 to the Funds sponsored by the Police, those had not been settled. As a result, it was observed that the recovery of those amounts was doubtful.
- (c) A period of more than 11 years had elapsed after granting 03 category of advances amounting to Rs.4,184,014 and it had been brought to account as an expenditure during the year under review.

1.2.5 Non-compliance with Laws, Rules, Regulations, Circulars, etc.

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The following non-compliances were observed in audit.

Reference to Laws, Rules , Regulations,  
Circulars, etc.

Details

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- (a) Financial Regulations (F.R.)  
F.R. 395(h)

Even though Bank Reconciliation Statement should be prepared by an officer or officers who have no connection with the banking of

collections, the writing out of cheques or maintenance of the cash book, action had not been taken accordingly by the Police Reward Fund.

(b) Circular Provisions

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Public Finance Circular No. PF/423 dated  
22 December 2006

A budget had not been prepared for the  
year 2011.

2. Financial Review

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2.1 Financial Results

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The activities of the Fund for the year under review had resulted in a surplus of Rs.248,926,156 as compared with the corresponding surplus of Rs.413,505,403 for the preceding year. Accordingly, there was a deterioration in the financial results during the year under review by Rs.164,579,247 and it could be analyzed as shown below.

	2011	2010	Affect to the financial results for the previous year Favorable / (Adverse)
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<u>Income</u>			
Court fines and income on investments	818,302,753	850,892,579	(32,589,826)
<u>Expenditure</u>			
Rewards and entertainments activities	564,658,750	437,246,226	(127,412,524)
Administrative expenditure	187,600	140,950	(46,650)
Other expenditure	4,530,247	-	(4,530,247)
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Deterioration in the financial results			<u>(164,579,247)</u>

**3. Operating Review**  
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**3.1 Management Inefficiencies**  
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Approximately Rs.150 million had been retained in a Bank Current Account in the entire year. If the necessities had been forecasted correctly, an interest income amounting to Rs.12 million could have been obtained by investing the surplus funds in the fixed deposits at an interest rate of 8 per cent.

**4. Systems and Controls**  
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Deficiencies observed during the course of audit were reported to the Management from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Maintenance of Registers
- (c) Preparation of Monthly Accounts Summary