

Police Reward Fund – 2013

The audit of financial statements of the Police Reward Fund for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and the statement of income, statement of changes in equity and cash flow statement for the year then ended 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 73 (4) (Chapter 65) of the Police Ordinance. My comments and observations on the financial statements appear in this report.

1.2 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards in terms of Public Enterprises Circular No. 03/2013 of 02 October 2013 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. However, the financial statements had been presented to audit in accordance with Generally Accepted Accounting Principles.

1.3 Auditor’s Responsibility

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 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 judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 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 qualified audit opinion.

1.4 Basis for Qualified opinion.

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

2. Financial Statements

2.1 Qualified Opinion

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 the Police Reward Fund as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

2.2.1 Accounting Policies

The transactions relating to the court fines had been accounted on cash basis and this had not been disclosed in the financial statements.

2.2.2 Un-reconciled Differences

A difference of Rs.30,852,746 had been observed between the amount shown in the financial statements and the reports submitted by the Crime Division of the Police Headquarters relating to rewards payments made during the year under review.

Details are shown below.

Item of Accounts	Amount According to the Financial Statements ----- Rs.	Amount According to the Reports of the Crime Divisions ----- Rs.	Difference ----- Rs.
Payment of reward under general and special imprest	422,775,671	394,821,675	27,953,996
Payments of special rewards	12,090,500	9,191,750	2,898,750
Total	434,866,171 =====	404,013,425 =====	30,852,746 =====

The reasons for the difference had not been identified and adjusted in the accounts accordingly.

2.2.4 Suspense Account

The credit balance of Rs.48,929 existed in the suspense account since the year 2003 had been credited to the accumulated fund for the year under review without being taken necessary action to rectify this balance.

2.2.5 Accounts Receivable and Payable

The following observations are made.

- (a) Advances amounting to Rs.2,000,000 and Rs.8,000 given to the Police Sponsor Fund and Crime Division respectively had been outstanding for more than 14 years. Proper action had not been taken get settled those advances.
- (b) Court fines receivable aggregating Rs.1,371,166 outstanding for more than one year as at 31 December 2013 without being recovered even up to 30 April 2014.

2.2.6 Lack of Evidence for Audit

Evidences such as schedules, age analysis etc. relating to the special rewards payable amounted Rs. 64,592,411 as at December 2013 had not been presented for audit.

2.3 Non- compliance with Circular Provisions

A budget for the year under review had not been prepared in terms of Public Finance Circular No. PF/423 of 22 December 2006.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Fund for the year under review had resulted in a surplus of Rs.761,468,308 as compared with the corresponding surplus of Rs.369,271,321 for the preceding year. Accordingly there was an improvement in the financial results during the year under review by Rs.392,196,987. This had analyzed and shown below.

	2013	2012	Affect to the financial results for the current year favorable/ (adverse)
	----- Rs.	----- Rs.	----- Rs.
<u>Income</u>			
Court Fines	674,698,010	684,654,390	(9,956,380)
Motor Traffic Fines	77,457,590	26,876,352	50,581,238
Terrorist Investigation Unit	13,004,477	-	13,004,477

Income on Investments	433,474,657	278,856,951	154,617,706
Other Income	-	1,000	(1,000)
Total Income	1,198,634,734	990,388,693	208,246,041
<u>Less : Expenditure</u>			
Rewards and Entertainments Activities	(436,966,226)	(620,592,867)	183,626,641
Administrative Expenditure	(200,200)	(199,050)	(1,150)
Other Expenditure	-	(325,455)	325,455
Improvement in the Financial Results	----- 761,468,308 =====	----- 369,271,321 =====	----- 392,196,987 =====

4. Operating Review

4.1 Performance

Payment of Rewards

Police Reward Fund had paid the rewards amounting to Rs.394.8 million to 275076 Police officers during the year under review when compared with a sum of Rs.554.4 million paid to 396287 Police officers in the previous year. Further, special rewards aggregating Rs.9.2 million had been paid to 262 Police officers and 18 civil persons during the year under review in respect of contributions made to revealed crimes when compared with a sum of Rs.29.9 million paid to 1232 Police officers in previous year.

5. Systems and Controls

Deficiencies observed in systems and controls 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.

- (a) Collection of Court Fines.
- (b) Accounting of Court Fines.
- (c) Control over the payment of Rewards.