

Police Reward Fund - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Police Reward Fund for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the income statement, statement of changes in equity and cash flow statement and notes to financial statements for the year then ended including a summary of significant accounting policies, 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 provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards

1.2 Basis for Qualified Opinion

I expressed qualified opinion on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Fund.

1.4 Auditor's Responsibility for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the 3 Fund and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;

- Whether the Fund has performed according to its powers, functions and duties; and Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws

1.5 Audit observations on the preparation of financial statements

1.5.1 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
<p>(a) The amount of Rs.18,600,000 stated as unrecognized receipts in the December 2023 bank reconciliation statement was an advance amount given to the Special Task Force for the construction of canteens and singles' quarters, and although the money had been returned without spending at the end of the year. Due to the fact that it was not correctly identified and adjusted to the accounts, the expenditure on the construction of canteens and barracks had been overstated by Rs.18,600,000 in the income statement, and the year's surplus had been understated by the said amount. Also, current assets had been understated by that amount due to the fact that this unspent amount did not match the cash balance.</p>	<p>The refund adjustment was missed by mistake. It had been informed that this mistake would be corrected in preparation of the financial statements of the year 2024.</p>	<p>Actions should be taken to identify and account the expenses related to the year correctly.</p>
<p>(b) Although the amount of Rs. 550,000 paid from the fund for a police officer to pursue a full-time degree course in Criminal Justice had been approved on 23 October 2023 to be recovered on the officer's withdrawal from the course. Due to the fact that the value was not recognized and accounted for as an amount due to the fund, the welfare expense in the income statement and the current assets in the statement of financial position had been accounted for more and less than that value respectively.</p>	<p>Actions are taken to the recover the amount of Rs. 550,000 to be charged by the National Police Training Institute, and it had been informed that this mistake will be corrected in the preparation of the financial statements for the year 2024.</p>	<p>Actions should be taken to identify the receivables related to the year correctly and account.</p>

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| <p>(c) In accounting of court fines income of the reviewed year and the court fines income due at the end of the year, the fines income related to 04 courts had been accounted by Rs. 8,912,551 more and 6 other courts had been accounted by Rs. 10,511,268 less. Due to this, the income from court fines in the income statement and the income from court fines receivable in the statement of financial position had been understated by Rs. 1,598,717.</p> | <p>It had been informed that These errors have occurred due to differences between the value of the fines reported by the divisional offices and the value of the cheques sent to the reward fund by the courts and the overstating and understating of court fines in the accounts would be corrected by the financial statements of the year 2024. and the values given in the financial statement were correct as they had been prepared based on the divisional reports of the two Pothuvil and Hingurakgoda courts.</p> | <p>Actions should be taken to identify and account the correct court fines income for the year.</p> |
| <p>(d) Although the proceedings have been completed in relation to 5 files included in the special reward value mentioned in Schedule 05 submitted with the statement of financial position, the remaining half value which was Rs. 5,567,500 had been wrongly included in the value of special reward payable in the statement of financial position due to reasons such as release of suspects, death, closure of cases etc, This value has not been reconciled with the Special Rewards Expense payable in the Statement of Financial Position and the Accumulated Fund.</p> | <p>It had been notified that this error would be corrected in the preparation of the financial statements of the year 2024.</p> | <p>Actions should be taken to verify the correctness of the values included in the special reward values to be paid and make necessary adjustments.</p> |
| <p>(e) In identifying on-site fines income, Rs. 5,121,700 receivable at the beginning of the year had been accounted as the income of the year due to the accounting of the revenue of 03 district secretariats to the monetary base and Rs. 5,751,380 receivable at the end of the year had not been accounted. Due to this, the net value of the on-site fines income of the year was understated by Rs. 629,680.</p> | <p>It had been informed that this error would be corrected in the preparation of the financial statements of the year 2024.</p> | <p>Actions should be taken to identify the correct on-site fines income for the year and account.</p> |

1.6 Accounts Receivable and Payable

1.6.1 Payables

Audit Observation	Management Comment	Recommendation
In relation to a special reward file in which 50 per cent had been paid, although the suspects were found guilty and the proceedings were completed by the year 2011, the remaining half of the reward amount, Rs.625,000 had not been settled.	It had been informed that actions would be taken to bring the relevant files through the Director, Criminal Intelligence Analysis and Prevention Division and make arrangements to pay in the future.	The correctness of the values included in the special reward values to be paid should be verified and necessary adjustments should be made.

1.7 Non-compliance with laws, rules, regulations and management decisions etc.

Reference to laws, rules, regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Order under No. 11 of the Minutes of the meeting of the Committee on Public Accounts held on 26 April 2023	As per the orders published in the Extraordinary gazette notification dated 09.03.1990 although it had been ordered to update those orders according to a proper system and to increase the amount of reward money given to the traffic police officers as payments are made from the police reward fund, actions had not been taken to act in compliance of it.	It had been informed that the relevant orders would be updated according to a proper method.	Actions should be taken to act according to the order of the Committee On Public Accounts
(b) Financial Regulation 396 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Although it was issued on 31 December 2023, actions had not been taken to act in accordance with Financial Regulation 396(c) in respect of 43 cheques worth of Rs. 372,500 which were not presented and exceeded for 06 months.	With regard to the relevant 43 cheques, I have informed the Director, Criminal Intelligence Analysis and Prevention Division to take further action through my letter bearing even number FD09/05/2023 and dated 04.04.2024. It had been informed	Actions should be taken to act in accordance with Financial Regulation 396 (c).

that if those cheques were not presented for payment, they would be taken into the income in the future.

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| <p>(c) Paragraph 04 of the Circular No. PED/RED/01/04 /2014/01 issued by the Ministry of Finance and Planning on 17 February 2014 with regard to the Corporate Plan and Annual Action Plan of Public Institutions.</p> | <p>An annual action plan aimed at achieving the objectives mentioned in the relevant Act had not been prepared.</p> | <p>It had been informed that Quarterly action plans have been prepared and the quarterly progress has been reported to the Ministry of Public Security, the Director General of National Budget, the Director General of State Finance, and the Auditor General.</p> | <p>Actions should be taken to prepare the Annual Action Plan as per the referred circular.</p> |
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2. Financial Review

2.1 Financial Result

The operating result of the year under review had been a surplus of Rs. 4,828,432,640 as compared with the corresponding surplus of Rs. 2,419,131,941 in the preceding year, thus observing a growth of Rs. 2,409,300,699 in the financial result. The increase in the revenue from interest on fixed deposits by Rs. 2,321,069,311 had mainly attributed to the said growth.

3. Operational Review

3.1 Management inefficiencies

Audit Observation	Management Comment	Recommendation
<p>(a) According to the Traffic Instruction Circular No. 149/2019 of the Senior Deputy Inspector General of Traffic Division, although a reward of Rs.2,500 can be paid to the officers who arrested one drunk driver (not public transport),according to the sample check, 5,449 drunk drivers</p>	<p>It had been informed that answers had not been sent when inquired as to the arrest of 5449 drunken drivers by 18 police stations in relation to 13 police stations and rest of the police stations</p>	<p>Actions should be taken to make the payment within the relevant year itself.</p>

- were arrested by 18 police stations but no reward money had been paid to the concerned officers during the year 2023.
- also had not submitted the vouchers and measures would be taken to prevent such lapses in the future.
- (b) Although there have been reward payments in the range of Rs.1 to 5 million in the last 04 years for the police officers who died while on duty who were undergone to a sample test, there was no commonly recognized decision-making basis or commonly issued set of guidelines for this.
- It had been informed that a set of general instructions would be issued for the police officers who died while on duty for the payment of reward money to their dependents.
- Actions should be taken to introduce a series of general instructions and act upon accordingly.
- (c) Although 122 officers have been attached to Sir John Kothalawala Defense University for 05 degree courses which started on 19 January 2022 and 23 January 2023 to pursue full-time degree courses of 03 and 04 years each, On 17 August 2023, Rs.60,550,000 had been paid from the Reward fund for these projects, which have been started without prior planning and without adequate provision, as graduate course fees, with the approval of the Inspector General of Police.
- It had been informed that fees for degree courses have been paid with the aim of providing superior service to the public by developing the skills and capacities of police officers.
- Actions should be taken to incur Expenses on prior planning and approval.
- (d) According to the bank reconciliation statement prepared for the month of December of the year under review, the number of unrecognized receivables credited on 30 December 2022 was Rs. 544,400 and Rs.570,180 credited on 12 January 2023, and these unrecognized receipts had not been recognized and accounted even though about a year had passed.
- Although deposit had been made as on 21.12.2023 it had been informed that the cheques have been rectified in the cash book as unidentified direct deposits.
- Actions should be taken to identify and account the unidentified bank balances without delay.

3.2 Operational inefficiencies

Audit Observation	Management Comment	Recommendation
(a) At the end of the year 2023 in the Kalutara Police Division, the number of vouchers to be paid after the application of rewards was 4,885 and the vouchers were delayed from 03 to 12 months and it was observed the lack of direct supervision of the officers in charge of police stations and in charge divisional officers on the payment of rewards has caused this situation.	The number of unpaid vouchers in the year 2023 in the Kalutara Police Division, was 4,885, while the number of vouchers already paid was 3776. Accordingly, it had been informed that payment would be made for the remaining 1,509 vouchers.	Actions should be taken to make the payments within the relevant year itself.
(b) The amount to be given by 05 courts was Rs.12,026,458 with delays of 03 months to 07 months on 31 December 2023 in sending money to the police reward Fund by the courts. Thus, it was observed that actions had not been taken to act as per Financial regulations 128 (2)(e) and (f) by accumulating income to the gift fund with a long delay.	Rs. 9,826,596 has been received so far out of the outstanding amount as at 31.12.2023. It had been informed that the amount of Rs. 2,199,862 due to receive from Jaffna Magistrate's Court would be brought.	Actions should be taken to collect revenue within the relevant year itself.

4. Accountability and Good Governance

4.1 Budgetary control

Audit Observation	Management Comment	Recommendation
Although comparing actual figures with the revised budget, total revenue had grown by 78 per cent, surplus had grown by 339 per cent as total expenditure fell by 21 per cent. In the year under review, the cost of special awards was 82 per cent less than the estimated amount, the cost of traffic awards was 29 per cent less than the estimated cost and the entertainment reward had been 51 per cent less than the estimated cost. Despite the revision of the budget in December 2023, due to the existence of such variations, it was observed that sufficient attention was not paid in budget preparation and fund management.	It had been informed that the estimates would be prepared so as to minimize the variation between the budget and the actual values.	In preparing the budget, actions should be taken to prepare more realistically and act according to the budget.