

Police Reward Fund - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Police Reward Fund for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of income statement for the year then ended, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions Section 73(4) of Police Ordinance, in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka and the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to 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 2024, and of its financial performance and its 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 determine 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 stability 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. 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 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 has performed according to its powers, functions and duties and whether the resources 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
(a) According to Police Circular RTM 613 an advance of Rs.17,337,800 had been granted from the Police Reward Fund to provide refreshments to the officers who participated in drug raids conducted within the Anuradhapura Police Division under the welfare expenses heading of the financial statements for the year under review. However it was observed that the financial statements had recorded the amount as Rs.18,259,400 resulting in a difference of Rs.921,600. Furthermore during the year under review an expenditure of Rs.196,042,483 had been incurred for the same purpose in respect of 15 police divisions. The accuracy of that expenditure unable to confirmed due to details relating to the officers who participated in those operations, the number of operations carried out, information on the detections made, and details of cases filed had not been presented for audit verification.	A sum of Rs.18,259,400 had been granted for providing refreshments to the officers who participated in drug raids conducted within the Anuradhapura Division. Out of this amount, Rs.6,724,815 had been returned. Accordingly, an expenditure of Rs.11,534,585 had been accounted for as the cost incurred in providing refreshments to the officers who participated in drug raids within the Anuradhapura Division and this has been disclosed in the financial statements.	Advances payments and settlements made should be properly reconciled and recorded in the financial statements.
(b) During the year under review a total expenditure of Rs.655,789,893 had been incurred comprising Rs.620,677,109 for the construction of canteens/barracks, married quarters and Rs.7,718,626 for the construction of the Bomburu Ella State Intelligence Service quarters and Rs.7,368,725 for the purchase of furniture and fittings for the Bambalapitiya Police Inspectors' mess and Rs.20,025,343 for the purchase of Gym equipment for	Out of the sum of Rs.620,677,109 incurred for the renovation and construction of canteens/barracks and married quarters, the expenditure relating to new building construction excluding renovation costs, together with the expenditure of Rs.7,718,626 incurred for the construction of the Bomburu Ella State Intelligence Service quarters,	Capital Expenditure should be recognized correctly in financial statements as non-current assets.

- the Police Sports Division. However, the total expenditure had been recorded as recurrent expenditure for the year under review instead of classifying it as non-current assets or work-in-progress in the financial statements. As a result, both the surplus for the year and the value of non-current assets had been understated by the same amount.
- Rs.7,368,725 incurred for the purchase of furniture and fittings for the Bambalapitiya Police Inspectors' mess and Rs.20,025,343 incurred for the purchase of gym equipment for the Police Sports Division will be recognized as non-current assets in the financial statements during the year 2025.
- (c) The motor traffic fines amounting to Rs.31,910,800 pay to the Department of Postal had not been recognized either as income to the Police Reward Fund or as receivable income. Consequently, the revenue and receivable income balance for the year under review had been understated by the same amount.
- The total amount of Rs.129,507,400, representing motor traffic fines received from the Department of Postal for December 2024, comprising with Rs.64,301,600 and Rs.65,205,800 has been included under motor traffic fines income in the financial statements.
- The receivable income should be identified correctly and accounted.
- (d) During the year under review while accounting the court fines income, an overstated of Rs.483,575 was recorded from 2 courts and an understated of Rs.913,668 was recorded from 5 other courts. As a result court fines income in the income statement had been understated by Rs.430,093.
- The calculation of receivable court fines has been calculated based on reports provided by the police division offices. However differences between the divisional reports and court cheques have resulted in some court fines being overstated, while other differences between divisional reports and court cheques as well as instances where the courts erroneously credited funds to the Reward Fund have caused some fines to be understated in the accounts.
- Fine income should be identified correctly and accounted.
- (e) At the end of the year under review the receivable court fine income had been overstated by Rs.8,832,140 in the statement of financial position due to the court fine income accounted with an excess of Rs.9,765,058 from three courts and a shortfall of Rs.932,918 from four other courts.
- The overstate of receivable court fine income of Rs.8,832,140 will be corrected in the year 2025.
- The receivable court fine should be accounted correctly.

1.5.2 Unreconciled Control Accounts or Records

Item	As per Financial Statements	As per corresponding Record	Difference	Management Comment	Recommendation
	Rs.	Rs.	Rs.		
(a) Normal Imprest	229,642,000	236,093,430	6,451,430	That the normal imprest accounted correctly.	It should be reconcile with division reports.
(b) Normal Imprest Expenditure	209,695,223	216,144,153	6,448,930	That the normal imprest expenditure accounted correctly.	It should be reconcile with division reports.

1.5.3 Documentary Evidences not made available for Audit

Item available	Amount Rs.	Evidence not	Management Comment	Recommendation
(a) Court Fine Income	122,508,386	Balance confirmation letters	That the action will be taken to confirm the value of fine receivable from the court in future.	The system should be improve to give the accurate balance confirmations.
(b) Normal Imprest payment	199,153,150	Balance confirmation letters	It has been informed that the divisional offices have been notified to provide the information and clarifications required for the audit without delay.	The system should be improve to give the accurate balance confirmations.
(c) Special Imprest	8,000,100	The Signature documents for confirm the officers taken the money	It has been informed that all records related to the expenses incurred by the Rathnapura and Hatton divisions for the Sri Pada pilgrimage season are maintained at the respective divisional offices of Rathnapura and Hatton.	The system should be improve to give the accurate balance confirmations.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Section 186 of Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Although all money received should be recorded in the accounts on the same date it is received by the collecting officer as far as possible but a sum of Rs.129,724,115 received in January 2025 had been debited in the cash book as receipts for December 2024.	Since only the net expenditure should be accounted for, the receipts relating to the year 2024 that were received in 2025 have been recorded as receipts for December 2024. It has been stated that action will be taken to maintain accounts correctly from the year 2025 onward.	The financial regulations should be followed.
(b)	The amended Financial Regulation No. 877(2)(d) of the Public Finance Circular No. 01/2020 dated 28 August 2020	Although the financial statements should be submitted for audit within two months after the end of the financial year but the financial statements of the Police Reward Fund for the year 2024 had been submitted for audit on 14 March 2025.	That action will be taken to submit them by the due date in the next years.	The financial statements should be presented according to circulars.
(c)	The government procurement guideline 1.2.1	The construction of a building for the government intelligence service in the Bomburu Ella area was handed over to the Director General of the government intelligence service without following the government's formal procurement procedures.	The government intelligence service was constructed the building for government intelligence service in Bomburu Ella area and detail will be presented after.	The construction contractor should be selected as per the government procurement guidelines.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.2,946,877,157 and the corresponding surplus in the preceding year amounted to Rs.4,828,432,640. According to that a deterioration amounting to Rs.1,881,555,483 of the financial result was observed. The reasons for the deterioration is mainly decrease of Interest income of Fixed deposits Rs.1,801,372,067.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) Although the contractor had submitted progress inspection reports for each payment the accuracy of the payments could not be verified because the necessary information to confirm the work certified in those progress reports was not submitted for audit for a total of Rs.29,982,268 had been paid from the Sri Lanka Police Reward Fund for the construction of the Bomburu Ella lodge.	The details of the physical and financial progress related to the expenditure for the Bomburu Ella lodge has requested from Government intelligence Service and the information will be submitted to the audit after received.	The all necessary schedules should be taken to certify the payments.
(b) Although supporting documents were submitted for the balance of Rs.137,243,278 in special imprest payable as per statement of financial position as at 31 December 2024 and due to the documents did not specify the purpose of each special payment or its current status so that making it impossible to verify their accuracy.	The details regarding the purpose and current status of each payment listed under the 5 supporting documents in the financial statements have been submitted to the audit.	All the detailed payment supporting documents should be presented to the audit.
(c) A police single officers quarters barrack unit at Kadawatha Police Station was constructed at a cost of Rs.14,071,238 under 05 procurement stages and in each instance the project was awarded to a contractor who was not registered with the Construction Industry Development Authority (CIDA). Furthermore, although the initial cost estimate for the construction should be prepared by the procurement authority but it was prepared by the contractor.	Information regarding the contract for the construction of the police single officers quarters barrack unit at Kadawatha Police Station will be obtained from the Kelaniya division and will be submitted to the audit.	According to the guidelines of the Construction Industry Development Authority a separate tender should be called for each construction stage to select a contractor, and the cost estimate should be prepared by the procurement entity.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) As at 31 December 2024 a total amount of Rs.8,002,295 had been delayed for more than three months which should have been remitted to the Police Reward Fund by 07 courts.	That the actions are being taken to remitted the court fine to Police reward fund without delay.	Action should be taken to collected within relevant year.

Accordingly actions had not been taken in compliance with Financial Regulations 128(2)(e) and (f) due to the collection of income for the Reward Fund being carried out with long delays.

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| (b) | According to the bank reconciliation statement of the Police Reward Fund prepared as at 31 December 2024, a balance of Rs.2,199,692 had been shown as unidentified receipts relating to 14 instances. Out of this balance Rs.66,018 pertaining to 4 instances from the year 2023 had remained as unidentified receipts for more than one year, however necessary action had not been taken to properly identify those receipts. | That action is being taken to reconcile the unidentified receipts in the bank statement. | Unidentified receipts should be properly identified and accounted. |
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4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

When comparing with the estimated budget, the total revenue had increased by 28 percent while the total expenditure had decreased by 38 percent or as a result, the surplus had increased by 1,744 percent. When preparing the revenue estimates for the year under review, the interest income from the savings account had not been included in the budget estimate. In addition, the expenditure on special rewards had decreased by 88 percent compared to the estimated amount, the expenditure on motor traffic rewards had decreased by 64 percent compared to the estimated expenditure and the advance expenditure on entertainment rewards had decreased by 24 percent compared to the estimated expenditure. Furthermore the funds allocated for the improvement of infrastructure facilities under the rewards fund division had not been utilized. In addition, the expenditure on the construction of single quarters and barrack houses had decreased by 38 percent compared to the estimated expenditure. It was observed that such variances during the year 2024 indicated that the budget had not been used as a control tool.

Management Comment

That action will be taken to minimize variances when preparing the income and expenditure estimates of the Police reward fund.

Recommendation

The budget should be prepared in a more realistic manner and actions should be taken in accordance with the budget.