

Police Reward Fund - 2014.

The audit of financial statements of the Police Reward Fund for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 and the statement of income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies 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 74 (4) (Chapter 65) of the Police Ordinance. My comments and observations on the above 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 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.

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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant of 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 the 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 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounts Receivable and Payable

The following observations are made.

- (a) Advances amounting to Rs.2,000,000 and Rs.3,000 given to Police Sponsor Fund and Crime Division respectively had been outstanding for more than 15 years. Proper action had not been taken get settled those advances.
- (b) Court fines receivable aggregating Rs.1,371,166 remained outstanding for more than two years. However, no action had been taken to recover this balance even up to 31 March 2015.
- (c) Special rewarding totalled to Rs.32,048,586 relating to the year 2001 had not been paid to the respective officers up to the year under review due to conducting the legal proceeding.

2.3 Non-compliance with Circular Provisions

A budget for the year 2014 had not been prepared in terms of Public Finance Circular No PF/423 dated 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.893,780,700 as compared with the corresponding surplus of Rs.993,687,966 for the preceding year. Accordingly, there was a deterioration in the financial results during the year under review by Rs.99,907,266. This had analyzed and shown below.

	2014	2013	Affect to the financial results for the current year {Favorable/(Adverse)}
	----- Rs.	----- Rs.	----- Rs.
<u>Income</u>			
Court Fines	648,001,235	832,871,950	(184,870,715)
Motor Traffic Fines	444,230,576	115,553,898	328,676,678
Terrorist Investigation Unit	11,440,434	13,004,477	(1,564,043)
Income on investments	386,092,184	433,524,367	(47,432,183)
Other income	-	35,899,700	(35,899,700)
Total income	1,489,764,429	1,430,854,392	58,910,037
<u>Less: Expenditure</u>			
Reward and Entertainments Activities	(595,787,679)	(436,966,226)	(158,821,453)
Administrative Expenditure	(196,050)	(200,200)	4,150
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	893,780,700	993,687,966	(99,907,266)
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4. **Operating Review**

4.1 **Performance**

Payment of Rewards

The payment of rewards made during the year under review compared with previous two years details are given below.

	2014		2013		2012	
	Amount	Number of Persons	Amount	Number of Persons	Amount	Number of Persons
	Rs. millions		Rs. millions		Rs. millions	
(i) Payment of rewards to the Police officers	415.3	Not Submitted	422.7	275,076	585.2	396,287
(ii) Special rewards paid to the Police officers and civil persons	1.8	Not Submitted	2.1	262 Police officers and 18 civil persons	33.1	1,160 Police officers and 72 civil persons
(iii) Motor traffic rewards paid to the Police officers	163.1	Not Submitted	-	-	-	-

Although rewards payments had been made to the police officers and civil persons during the year under review, the number of persons paid with rewards had not been submitted to audit.

5. **System 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) Accounting of Rewards.
- (b) Control over the Payment of Rewards.
- (c) Investments in Fixed Deposits.
- (d) Maintenance of Registers.