

## **Police Reward Fund – 2018**

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### **1.1 Qualified Opinion**

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The audit of financial statements of the Police Reward Fund for the year ended 31 December 2018, comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 154(1) 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 tabled in Parliament appear in this report.

In my opinion, except for the effects of the matters described in Basis for Qualified Opinion Section of my report, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018 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**

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My opinion is qualified 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 opinion.

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

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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 misstatements 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 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 Scope of Audit

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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 it 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 Judgement and maintain professional scepticism 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. My conclusions are based on the audit evidence obtained up to the date of my 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 audit also had 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 the Fund has performed according to its powers, functions and duties,
- \* 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 Accounting Statements

### 1.5.1 Accounting Deficiencies

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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(a) The penalty totalling Rs.18,151,675 relating to the year under review was received during the year 2019. Nevertheless, that amount had not been identified as the penalty receivable and had not been included in the financial statements of the year 2018.	Agreed with the observations	The receivable revenue at the end of the year should be identified correctly and brought to account.
(b) The penalty revenue and court fines receivable of the year under review had been overstated by Rs.7,280,501 in the financial statements.	Agreed with the observations	The receivable revenue at the end of the year should be identified correctly and brought to account.
(c) According to the revenue reports of vehicle fines given directly by 5 District Secretariats, to audit the receivable motor vehicle fines as at 31 December 2018 totalling Rs.5,055,840 had not been identified and brought to account.	Agreed with the observations	The receivable revenue at the end of the year should be identified correctly and brought to account.

(d) According to the audit test check carried out, it was observed that the expenditure incurred for administration activities of the Fund amounting to Rs.815,500 paid by 20 Police Divisions had been shown as general imprest expenditure in the financial statements.	Agreed with the observations	The expenditure incurred for administration purposes should not be brought to account under reward imprest.
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**2.1 Accounts Receivable and Payable**  
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<b>Audit Observation</b> -----	<b>Comments of the Management</b> -----	<b>Recommendation</b> -----
(a) Action had not been taken to settle the advances amounting to Rs.2,000,000 granted to Police Sponsorship Fund for over a period of 18 years.	Agreed with the observations. Action will be taken to settle these payments by obtaining the approval and brought to account.	Action should be taken to settle the advances.
(b) In making rewards from the Fund for Special Raids, an advance of 50 per cent is paid before finalize the lawsuits and balance amount is paid after finalize the case. Nevertheless, action had not been taken to pay special rewards payable valued at Rs.75,277,961 for a period ranging from 01 year to 15 years due to non-completion of the lawsuits.	Agreed with the observations. This position arised due to non-completion of the law suits.	Suitable action should be taken in respect of the progress of completion of law suits relating to the special rewards payable and follow-up actions to be taken.

### 3. Financial Review

#### 3.1 Financial Result

The operation of the Fund during the year under review had resulted in a surplus of Rs.2,065,029,245 and the corresponding surplus for the preceding year amounted to Rs.1,663,672,230. According to an improvement of Rs.401,357,015 was observed in the financial result. The increase in income from fines on motor vehicles by Rs.272,625,952 and income from fixed deposit interest by Rs.191,405,350 had mainly attributed in the above improvement.

### 4. Operational Review

#### 4.1 Operational Inefficiencies

##### Audit Observation

According to the information given relating to 288 police stations in 28 Police Divisions out of 42 Police Divisions of island wide in the year under review, 62,794 drunken drivers had been taken into custody and rewards money had been paid for taking into custody of 13,745. Accordingly, reward money for taking into custody for the amount of 49,049 had not been paid and the percentage thereon had been 78 per cent.

##### Comments of the Management

The recommendation for the reward money was made according to the paragraph No.7 and No.8 of revised Directive 1990 of the Fund. Action will be taken to inform all police stations with the special attention in respect of above.

##### Recommendation

In the instances of similar duties the payment of reward money as incentives for all officers involved should be made.

### 5. Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Fixed Deposit invested and the interest revenue earned thereon in the preceding year amounted Rs.8,123 million and Rs.819 million respectively and those amounts were improved up to Rs.9,821 million and Rs.1,011 million in the year under review respectively.	Agreed with the observations.	Even though, the value of the fixed deposit of the Fund and the interest revenue thereon had increased annually, the priority should be given to execute the objective of the establishment of the Fund.

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| (b) | Even though, a total sum of Rs.3,445.35 million had been earned comprising Rs.433.47 million, Rs.386.09 million, Rs.325.67 million, Rs.469.25 million, Rs.819.73 million and Rs.1,011.14 million as interest revenue on fixed deposits for the period from the year 2013 to 2018 respectively, it was not decided how to utilize these revenue to execute the objectives of establishment of this Fund. | Agreed with the observations.   | It should be decided how to utilize the revenue of fixed deposits for the objective of establishment of the Fund.  |
| (c) | The fixed deposit amounting to Rs.410 million of which the documents had been handed over to commence it as at 31 December 2018 had not been commenced on that date and it was commenced on 01 January 2019. As such the interest revenue of investment deprived to the Fund relating to the year 2018 under annual interest rate of 13.6 per cent amounted to Rs.152,767.                              | If not issue the cheques on the date of 31.12.2018 itself, the depriving revenue for the Fund was more than that and as such action was taken so as to receive the maximum profit.                          | Action should be taken with the prior understanding on the excess funds of the current account and the investments should be made in the correct opportunity.    |
| (d) | A sum of Rs.1,000,000 had been paid by 03 vouchers on 14 August 2018, only for persons who watch secretly (spies) without paying reward money to the police officers who involved for the raid. This reward payment made and the submitting of relevant documents through this 3 vouchers had been made deviating the normal procedure followed in payments of special rewards.                         | Reward payments should be made for this spies immediately after the activity completed. If the persons who watch secretly (spies) had discouraged maybe resulted to non-receiving of information in future. | Under the normal procedure followed in payments of special rewards, the reward files should be prepared properly and the special reward payments should be made. |

## 6. Budgetary Centre

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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(a) A total sum of Rs.121.45 million had been allocated comprising of Rs.17.35 million, Rs.17.35 million and Rs.86.75 million for the year 2018 for sports and entertainments, welfare activities and construction of barracks respectively. Nevertheless, those projects had not been executed and as such welfare of the officers as well had not been executed.	Even though, the money had been allocated for these activities in preparing estimates, the welfare activities and the projects of construction of barracks had not been implemented during the year.	Action should be taken to achieve the objectives of the year according to the Budget Estimate.
(b) In incurring expenditure under special imprest for payment of rewards, a sum of Rs.26,859,813 or 134 per cent had been over spent more than the estimated expenditure. Further, sums of Rs.110,905,658, Rs.1,123,671, Rs.100,618,155 and Rs.6,963,108 as under general imprest, entertainment imprest and motor vehicle imprest and under 1GP special reward payments had been incurred less than the estimated expenditure during the current year. That had been 15.84 per cent, 14.05 per cent, 37.27 per cent and 8.70 per cent respectively as percentage wise.	Agreed with the observations.	The revisions should be made properly in exceeding the estimates should be made.