

Police Reward Fund - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Police Reward Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 2021, 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

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 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 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

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

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) According to the financial statements, a difference of Rs.891,502 was observed between the revenue from annual fines and the revenue from annual court fines recalled directly from three Courts by the Audit.	In case of differences between the cheque of the Muthur Court and reports of Divisions, action will be taken to rectify through journal entries. The difference of Rs.429,168 between other two courts will be rectified in preparing financial statements of the year 2022.	Reasons therefor should be identified by examining non-reconciliations.
(b) A revenue from fines on motor vehicles amounting to Rs.137,800 receivable from the Postal Department as at 31 December 2021, had not been brought to account.	In the preparation of final financial statements of the year 2022, action will be taken to adjust the fines on motor vehicles declared in the year 2021 to the revenue and to rectify through journal entries.	Revenue relating to the year should be identified and brought to account accurately.
(c) Adjustments had not been made in respect of Rs.1,267,196 identified as dishonoured cheques in the Bank Reconciliation Statement as at 31 December 2021.	It has been informed to send a cheque in lieu for dishonoured cheques. It is informed that relevant adjustments will be made in the Bank Reconciliation Statement after receiving a cheque in lieu for the said cheque.	Value of dishonoured cheques should be settled.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
Financial Regulation 396 of the Democratic Socialist Republic of Sri Lanka	Relevant action had not been taken on 57 cheques valued at Rs.541,250 which had lapsed 06 months, issued as at 31 December 2021 but not submitted for payment.	Relevant adjustments will be made therefor in future.	Action should be taken in terms of Financial Regulations of the Democratic Socialist Republic of Sri Lanka

1.7 Cash Management

Audit Observation	Comments of the Management	Recommendation
Out of the sum provided for the construction of Bomburu Ella Training School exceeding the sum of Rs.2,500,000 granted under general imprests for the State Intelligence Service on 17 February 2021, a sum of Rs.4,402,305 including Rs. 1,902,305 had been spent for payment of rewards.	It has been brought to account accurately in the financial statements of the year 2021.	Police Divisions should take action to incur expenditure subject to the approved imprest limit.

2. Financial Review

2.1 Financial Results

The operating result of the year under review had been a surplus of Rs. 1,423,128,814 as compared with the corresponding surplus of Rs. 1,487,969,210 in the preceding year, thus observing a deterioration of Rs. 64,840,396 in the financial result. The decrease in the revenue from interest on fixed deposits by Rs.296,630,794 had mainly attributed to the said deterioration.

2.2 Trend Analysis of Major Income and Expenditure Items

The expenditure of Rs.125,823,598 under welfare activities comprised of the payment of Rs.104,288,491 for 37 Police divisions for supplying dry rations subject to a financial limitation of Rs.5,000 to Police Officers sent into quarantine for being affected by the virus or associates of the affected by being directly involved in fighting against the Corona Virus and the expenditure of Rs.19,888,781 for the permanent construction of the Nuwara Eliya Bomburu Ella Training School for conducting special intelligence training courses in regional

police stations by the State Intelligence Service for officers engaged in the intelligence service and duties of the Police Special Task Force.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Rewards totalling Rs.14,943,229 payable by 05 courts to the Reward Fund as at the end of the year under review were being delayed for a long period and the said delay had ranged from 05 months to 15 months.	Action is being taken in the year 2022 to summon cheques.	Revenue receivable to the Police Reward Fund should be collected without delay.

3.2 Operating Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) It was stated in the Vehicular Instructions Circular, No. 149/2019 that prevention of damages caused to the public by drunken drivers was essential. As such, it was decided to pay rewards to encourage the police officers conducting raids in that connection. Even though 4,090 drunken drivers had been apprehended by 32 police stations belonging to 11 police divisions in the year 2021, no rewards whatsoever had been paid to the officers who were involved in such raids. According to the test check on information made available to Audit,	Letters have been sent to each office signed by the Chief Accountant to obtain information from Divisional offices to explain matters observed on payment of rewards relating to the apprehension of those driving under the influence of liquor and reasons relating thereto. Action will be taken to inform immediately after receiving replies for those queries.	Action should be taken to pay rewards for motivating officers in a manner of achieving expected objectives stated in the circular.

rewards had been paid to relevant officers of the above remaining 11 police stations. The payment to certain police stations and non-payment to certain police stations in this manner had been an obstruction in achieving expected objectives of the circular.

- (b) There were 16 police stations for which rewards of Rs.710,000 had been paid only to Officers-In- Charge of Police stations without paying rewards to officers directly involved in apprehending drunken drivers in the year 2021. Out of these 16 police stations, 14 stations had apprehended 1,219 drunken drivers and rewards of Rs.100,000 had been paid to Officers-In- Charge of 02 Police stations which had not apprehended even one drunken driver.
- Letters have been sent to each office signed by the Chief Accountant to obtain information from Divisional offices to explain matters observed on payment of rewards relating to the apprehension of those driving under the influence of liquor and reasons relating thereto. Action will be taken to inform immediately after receiving replies for those queries.
- Action should be taken to pay rewards for motivating officers in a manner of achieving expected objectives stated in the circular.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
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Even though Rs.100,000,000 had been estimated as expenditure on special rewards, the expenditure amounted to Rs.21,168,250. As such, the expenditure incurred had been 79 per cent less than the budget estimate.	No correct forecast had been made on the payment of special rewards and it is kindly informed that special rewards are paid on incidents occurred during each period.	Action should be taken to reach budgeted targets.