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முகாமைத்துவக் கணக்காய்வுத் திணைக்களம்  
DEPARTMENT OF MANAGEMENT AUDIT

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මහලේකම් කාර්යාලය 01 කොළඹ,

நிதி மற்றும் வெகுசன ஊடக அமைச்சு  
செயலகம், கொழும்பு 01

MINISTRY OF FINANCE AND MASS MEDIA  
The Secretariat, Colombo 01

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திகதி } 2019.01.12  
Date }

**Management Audit Circular No: DMA/01-2019**

Secretaries to the Ministries,  
Heads of the Departments,  
District Secretaries

**Guidelines for Internal Auditing**

According to the section 38 and 39 of the National Audit Act No. 19 of 2018 and Financial Regulation (FR) 127, each Secretary to the Ministry as the Chief Accounting Officer is responsible for the Financial Management and Accountable to the Committee on Public Accounts / Committee on Public Enterprises with regard to the Ministry, Departments, and other Institutions under its purview. Similarly, each head of a Department is also responsible as Accounting Officer in accordance with Financial Regulation 128.

With the objective of further strengthening the support provided by the treasury to the Chief Accounting Officers and Accounting Officers in fulfilling the above responsibilities, the Department of Management Audit has been established as a treasury department since 01.02.2008 as per the Cabinet Decision No.08/0200/306/012 and dated on 25.01.2008.

The Department of Management Audit will provide guidance to auditee entities mentioned in the section 41(2) of the National Audit Act to carrying out the internal audit activities in efficient and effective manner.

**01. Independence of Internal Audit**

Independence of the Internal Audit has been specified in section 40(3) of National Audit Act and FR 134 (1).

The independence of the internal audit is refers to establish formal official background for making impartial, unbiased recommendations without undue influences and any other conditions.

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Director General

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website 2484700

## **02. Objectives of Internal Audit**

The main objectives of Internal Audit units are clearly mentioned under FR 133(1). Internal Audit is a supporting process to enhance the operational process and overall performance of the organization.

## **03. Internal Audit Units**

An Internal Audit unit has to be established in every Ministries, District Secretariats, Specific Departments / Special Spending Units headed by a class I officer of the Sri Lanka Accountants Service under the direct supervision of Chief Accounting Officer/ Accounting Officer. Accordingly, Internal Audit Units of other Departments/ Special Spending Units should be established, and headed by a suitable officer of the Sri Lanka Accountants Service. And with regard to other entities actions should be taken in terms of the section 40 of National Audit Act.

## **04. Scope of the Internal Audit**

The scope of the Internal Audit has been mentioned in FR 133(2) and Management Audit Circulars. Action shall be taken according to the paragraph 29:4 of chapter XLVIII of volume two (2) of the Establishment Code with regard to any discrepancy or fraud revealed in audit report or any special investigation report issued by the Internal Auditor according to FR 133 (2) VIII.

## **05. Audit and Management Committee (AMC)**

### **5.1. Establishment of Audit and Management Committee and its objectives.**

5.1.1. According to the section 41 of the National Audit Act it is mandatory to establish an Audit and Management Committee in each Ministry, Department, and other entities gazette under the purview of the Ministry. Hence, it is needed to be established Audit and Management Committee for every auditee entities mentioned in the section 41(2) of the National Audit Act. The composition of the Audit and Management Committee should be as annexure 01.

5.1.2. According to the section 41 of the National Audit Act, “review all audit and management aspects of the auditee entity to ensure that its resources, are used economically and efficiently for the purpose of achieving the predetermined objectives of such entity as a whole, or in respect of any specific project or programme undertaken giving priority to the resources available in Sri Lanka.” Therefore, Committee should be chaired by Secretary to the Ministry with the participation of the heads of all auditee entities under the ministry and it is required to be taken your personal consideration for the effective operation of the committee.

It is necessary to pay attention at the AMC to the reports of Internal Audit and Auditor General and discuss the important matters for the enhancement of financial and asset management. Immediate remedial actions must be taken for the existing issues accordingly.

### **5.2. Functions of the Audit and Management Committee**

Recommended common duties for Audit and Management Committee are given in annexure 02. The Audit and Management Committee should be able to facilitate and promote efficient utilization of public resources including Human Resource of the organization and providing of public amicable services to achieve the objectives of the entity. Minutes of the AMC meetings must be maintained properly to review the implementation of committee recommendations.

### **5.3. The Audit and Management Committee Meeting.**

The Audit and Management Committee shall meet at least once in a quarter, in order to meet 4 times per year covering all other entities comes under the purview of the Ministry. However, if there is a recession of revenue collection in the departments which are headed by Revenue Accounting Officer, special Audit and Management Committee meetings should be held and suitable remedial actions must be taken accordingly.

Chief Accounting Officer and Accounting Officer is responsible for calling all Heads of Departments and other entities under its purview to diligently implement the decisions taken at the AMC. The representative of the Department of Management Audit will provide necessary guidance and report the relevant matters observed at the committee to the Secretary to the Treasury.

## **06. Annual Internal Audit Plan**

The Annual Internal Audit Plan should be prepared paying special attention to the approved annual action plan of each entity, budget estimate, procurement plan, budget proposals and other development projects. Furthermore, to ensure effective performance in the organization, it should be covered performance audit, system audit, financial audit and special investigations focusing auditing of high risk activities of the organization. In addition, attention has to be paid for the matters in FR 134(2) The Sample format of the Annual Internal Audit Plan is attached here with as annexure 03.

The Annual Internal Audit Plan of each Ministry should be prepared before the 31<sup>st</sup> January of each year and copied to the Auditor General and the Department of Management Audit. It should be approved at the Audit and Management Committee meeting. Internal Audit Plan of all other entities under ministry should be forwarded to the respective ministry.

## **07. Internal Audit Programmes, Questionnaire and staff training**

It is a responsibility of Internal Auditor to prepare and provide audit programmes, questionnaires in order to achieve the functions of the internal audit plan by giving necessary training for the staff of the Internal Audit Unit. Top management is responsible to provide required human resource and other resources to implement the Internal Audit Plan.

## **08. Reports to be prepared by Internal Auditor**

### **8.1. Internal Audit Reports**

Internal Audit Reports should be prepared including observations, conclusions and recommendations with the facts and figures revealed at the audit examinations carried out in accordance with the audit plan and forwarded to the heads of the entity with the signature of the Internal Auditor. A register should be maintained to record the details of internal audit reports. Furthermore, it is needed to pay attention to the section 40(4) of the National Audit Act.

### **8.2. Preliminary Reports**

A preliminary report should be prepared by paying attention to the annexure 04 of this circular and it should be submitted to the head of the entity before 31<sup>st</sup> of January each year.

### 8.3. Quarterly Assessment Report of Internal Auditor

The Quarterly Assessment Report should be prepared by the Internal Auditor according to the annexure 05 and it should be forwarded to the Department of Management Audit before the end of next month of each quarter.

Your cooperation in the process of internal audit is highly appreciated. You may kindly contact Department of Management Audit for further Guidance.

The Management Audit circulars related to this subject DMA/2009(1) dated 03.06.2009 and DMA/2009(1)(i) dated 28.01.2016 are hereby repealed .



S.A.Chandrika Kulathilake  
Director General  
Department of Management Audit  
For Secretary to the Ministry of Finance and Mass Media

Copies:           01. Auditor General  
                      02. Chief Secretaries of Provinces

**Composition of the Ministry's Audit and Management Committee**

01. Secretary to the Ministry	-	Chairperson
02. Chief Accountant of the Ministry	-	Member
03. Representative from the Department of Management Audit	-	Member
04. Representative of the National Audit Office	-	Observer
05. Chief Internal Auditor of the Ministry	-	Convener

**Composition of the Department's Audit and Management Committee**

01. Head of the Department	-	Chairperson
02. Chief Accountant of the Department	-	Member
03. Chief Internal Auditor of the relevant Ministry	-	Member
04. Representative of the National Audit Office	-	Observer
05. Chief Internal Auditor of the Department	-	Convener

**Composition of the District Secretariat's Audit and Management Committee**

01. District Secretary	-	Chairperson
02. Chief Accountant of the District Secretariat	-	Member
03. Representative from the Department of Management Audit	-	Co-member
04. Chief Internal Auditor of the Ministry of Home Affairs	-	Co-member
05. Representative of the National Audit Office	-	Observer
06. Chief Internal Auditor of the District Secretariat	-	Convener

**Proposed Common functions for the Audit and Management Committee**

01. Determination of the scope of the Internal Audit Unit.
02. Pre - Review and approve the Annual Internal Audit Plan.
03. Review and evaluate the internal control systems based on internal audit report and take immediate actions for deviations.
04. Regularly review Auditor General's audit queries, reports and take necessary actions to avoid repetition of deviations.
05. Review financial statements including budget review reports and evaluate cost effectiveness, achievement of performance & targets.
06. Review Annual Action Plan, Annual Procurement Plan and Performance Reports.
07. Monitoring actions to ensure timely submission of Financial Reports, and other monthly, quarterly, biannual and annual reports.
08. Make guidance on the necessity of acting in accordance with statutory and other rules, regulations, treasury circulars and other directives.
09. Review administration and development of resources including human resources and submit reports for decision making.
10. Review employee disciplinary matters to avoid waste & corruption and direct to achieve cost effectiveness of the organization.
11. Monitoring the implementation of recommendations given by Committee on Public Accounts (COPA) and Committee on Public Enterprises (COPE).
12. Take follow-up actions to ensure expected out comes of the committee recommendation have been achieved.
13. Using as important tool to create effective internal control systems and strengthening existing internal control systems.

Internal Audit Plan - 20xx

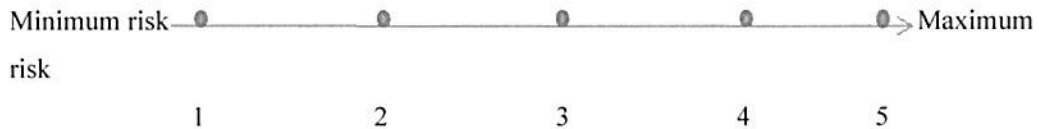
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 Ministry/Department/District Secretariat

		Internal Audit Plan										
Organizational activities in accordance with annual action plan / estimate		(1)	(2)	(3)	(4)	(5)	(6)				(7)	(8)
Serial No.	Projects, and Objectives to be achieved	Annual provisions for each project (Rs.million)	Planned activities under the each project	Audit areas & audit activities identified based on Risk Assessment by Internal Audit	Risk Rating	Time frame of implementing Internal Audit Activities	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Labour & other physical resources can be allocated for Internal Audit	Type of the Audit



Instructions:

- 1) Objectives expected to be achieved under annual action plan / budget estimate and projects.
- 2) Estimated allocation under each project according to the annual estimate.
- 3) Planned activities to implement during the year under each project.
- 4) Audit areas and audit activities identified according to the risk assessment by the Internal Auditor.
- 5) Risk rating can be done as follows considering the risks pertaining to each planned activities to achieve its objectives.



Audit plan should be prepared by considering high risk areas.

- 6) Time frame of implementing Internal Audit activities
- 7) Labour & other physical resources can be allocated for Internal Audit.
- 8) Indicate type of audit as follows
  - ❖ Financial Audit
  - ❖ Performance Audit
  - ❖ System Audit
  - ❖ Project Audit
  - ❖ Administrative Audit
  - ❖ Special Audit
  - ❖ Other Audit
- 9) Internal Audit Programme should be prepared for every internal audit action.
- 10) Internal audit plan should be prepared based on the Action Plan and Annual Budgetary Allocation. Its provisions, Physical progress need to be reviewed quarterly and if there is any deviations of the audit plan it can be revised before the end of the year with a copy to Department of Management Audit.
- 11) Audit plan's references should be mentioned in the item number 06 of the quarterly assessment report.
- 12) Internal audit plan should be included in the Annual Action Plan of the organization according to the Public Finance Circular No. 1/2014 dated 17.02.2014.



**Items to be included in preliminary report**

01. Whether the authority has been delegated under FR 135.
02. Whether an annual action plan has been prepared for the Ministry/Department.
03. Whether the Procurement Plan has been prepared according to the National Procurement Guidelines and related circulars.
  - I. Whether the Procurement Time Schedule (P.T.S.) has been included to the above plan?
  - II. Whether the procurement committees and technical evaluation committees have been appointed?
04. Whether the Internal Audit Plan has been prepared?
05. Whether the PE register has been updated according to the FR 453?
06. Whether the first, second and third passwords related to the payroll system have been duly assigned to the authorized officers?
07. Whether the sufficient backup copies have been taken and kept in safely?
08. Whether the organization uses the latest version of the New CIGAS programme for preparing accounts?
09. Whether the brought forward balances of commitments and liabilities were calculated correctly?
10. Whether the balances of General Deposit Account were brought forwarded?
11. Are there any unsettled advances in previous year? If yes, whether the actions were taken for the settlement?
12. Whether the boards of survey committee have been appointed for the previous year?
13. Whether the inventory book has been balanced as at 31<sup>st</sup> December and brought forward the balance for current year?
14. Whether the following documents have been opened or updated at the beginning of the year?
  - a) Asset Register
  - b) Audit Query Register (Internal and External)
  - c) Damages and Losses Register
  - d) Register of Donations
  - e) Inventory Book
  - f) Register of Consumable Goods
  - g) Leave Register
  - h) Attendance Register
  - i) Ad-hoc Sub Imprest Register
  - j) Other Special Registers
15. Whether the individual balances of Government Officers Advance 'B' account have been balanced and brought forwarded. (Members' loan register – CC10)

16. Whether the previous year imprest account has been settled correctly?
17. Whether the bank reconciliation as at 31<sup>st</sup> December has been prepared and submitted?
18. Whether the securities have been kept by officers who required to give security according to the Public Officers (security) Ordinance?
19. Whether the Internal Auditor has been appointed for foreign funded projects over USD 10 million?
20. Whether the relevant updates have been done in the Public Administration Carder Information System (PACIS) in web application at the website of the Ministry of Public Administration.
21. Approved carder and number of vacancies.

**Quarterly Assessment Report Chief Internal Auditor of the  
Ministry/ Department/ District Secretariat**

Name of the Institution: .....

Year: ..... Quarter: ..... Date: .....

01. Progress Review at the end of each quarter.

Name of the Entity	Progress of Implementing Action Plan %	Progress of Implementing Procurement Plan %	Progress of Capital expenditure %		Progress of Recurrent Expenditure %	Progress of Implementing Internal Audit Plan %
			Physical	Financial	Financial	

02. Submission of Annual/Quarterly/Monthly Reports

Name of the Entity	Annual					Quarterly		Monthly					
	Appropriation Account	Annual Financial Reports	Advance B Account	Board of survey Report	Performance Report	Advance B Reconciliation	Deposit Reconciliation	Financial Progress Report	Physical Progress Report	Monthly Accounts Summary	Bank Reconciliation	Imprest Reconciliation	Vehicle Cost Report

03. Maintenance of Important Books and Registers ( Manual Books or/and Computer Based) (If duly updated put "A", If partly updated put "B", If not Updated put "C")

Name of the Entity	Fixed Assets Register	Pay Ledger	Deposit Register	CC 10 Register	General Audit Query Register	Internal Audit Report Register	Leave Register	Guarantee Register	Creditors Register

04. General Audit Queries summary at the end of each quarter (Put the Number)

Name of the Entity	Received		Total	Replied	Balance	Age Analysis			
	Previous year replied	not replied				Current Year	Less Than One Month	1 to 3 Months	3 to 12 Months

05. Internal Audit Report summary at the end of each quarter (Put the Number)

Name of the Entity	Issued		Total	Replied	Balance	Age Analysis			
	Previous year replied	not replied				Current Year	Less Than One Month	1 to 3 Months	3 to 12 Months

06. Details of Internal Audit Reports issued at the end of each quarter

Name of the Entity	Date of Issue	Subject (As Summary)	Audit Plan Ref.

07. Details of General Audit Queries Received at the end of each quarter

Name of the Entity	Date of Issue	Subject (As Summary)

08. Progress of implementing Internal Audit Activities in entities belongs to the institutions at the end of each quarter.

Name of the Entity	Progress of Execution (%)	Comments of Internal Auditor

09. Details of audit paras of preceding years reported to the Committee on Public Accounts/ committee on Public Enterprises

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 .....  
 .....

10. Progress of implementing previous COPA/COPE directives.

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 .....  
 .....

Internal Auditor .....

Date: .....