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இலாபத்தின் கவனப்பிடிப்பு திணைக்களம்

DEPARTMENT OF MANAGEMENT AUDIT

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Ministry of Finance and Planning  
 The Secretariat, Colombo 01

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To all Secretaries to Ministries and Heads of Departments,

### **Maintenance of Assets Records and Internal Audit**

1. Safeguarding Public Assets is one of the primary responsibilities of the Chief Accounting Officers (CAO) and Accounting Officers. Under General Responsibilities of Accounting Officers F.R. 128(1) (e) specifies that adequate and proper arrangements are made for the safe custody and preservation of money, stores, equipment and other assets belonging to the Government, or in its custody, and that these are verified from time to time; and, where they are disposed of, such disposal is according to prescribed regulations and instructions. According to Financial Regulation 127, Chief Accounting Officer is responsible to the Minister of Finance for the adequacy of the Financial Administration of all the departments within the Ministry and it is also CAO's duty to appear before the committee on Public Accounts to justify the accounts of the departments for which CAO is responsible.

2. Accordingly it is obvious that proper financial records on Public Assets with necessary controls to ensure their accuracy are necessary to be maintained by the Chief Accounting Officers in this regard. A very important step taken in this direction is the Treasury Circular 842 of 19<sup>th</sup> December 1978 which specified a comprehensive procedure for recording and accounting assets and required all Departments, Statuary Boards and Corporations to follow it while giving flexibility to make any revisions if heads of organizations are satisfied that general objectives and requirements of the Auditor General are met. Public Finance Circular No 359 of 04<sup>th</sup> August 1998 also reiterated compliance with Treasury Circular 842. Accordingly:

- 1) Accounting Officers are responsible to keep proper records on public assets
- 2) A comprehensive system has been specified in the Financial Regulations to help the Accounting Officers in complying with this responsibility
- 3) The regulations allow the Accounting Officers flexibility to make any revisions to the system with the concurrence of the Auditor General. Three such revised formats used by an organization for recording vehicles, land and general assets are included in Appendix 1 as samples.

3. In 1992 the Financial Regulations were revised, including this comprehensive asset recording system as Appendix 11, running into 25 pages with following schedules providing detailed instructions.

- 1) Classification of Fixed Assets
- 2) Register of Departmental Numbers assigned to Fixed Assets
- 3) Register of Fixed Assets
- 4) Fixed Asset Ledger
- 5) Control Accounts in Main Ledger
- 6) Accounting for Depreciation

- 7) Accounting for operating, maintenance and repair costs

- 8) Accounting for the use of Fixed Assets
  - 9) Accounting for Fixed Asset transferred to other organizations
4. The following regulations are also important on recording of public assets.
- 1) According to F.R. 454 and F.R. 751 Government Departments should keep Inventory Books in the form General 44, Inventories of Electrical Fittings, and Catalogue of Books.
  - 2) Recording the details of is required according to regulations from FR 802(1) to FR 852(3).
  - 3) Treasury Circular IAI/2002/02 of 28<sup>th</sup> November 2002 provides a detailed procedure for recording of Computer Equipment.
5. The comprehensive “Register of Fixed Assets” to be maintained as per 3.3 above in form General 287, extends beyond the form General 44, demanding the recording of very necessary comprehensive details on assets which would make fraudulent activities difficult and avoid errors and omissions. Form General 287 specifies the following sections to be completed;
- A – General information on all assets such as purchase and cost details
  - B – Special information relevant to Land, Buildings and Structures
  - C – Special information relevant to Plant, Machinery, Equipment and vehicles
  - D – Records on Disposal of all assets
  - E – Records on Verification of assets
6. However according to Public Finance Circular No 359 of 04<sup>th</sup> August 1998 the compliance with these regulations was poor and the specified system or any other adequate system for proper asset recording was not maintained with regard to Public Land, Buildings, Vehicles, Computer Equipment, Mobile Phones and many other valuable public items. This situation creates the risk of loss, misuse or waste of public assets by;
- 1) Acquisition of public assets unnecessarily when similar assets are idling
  - 2) Fraudulently consuming the public assets by unauthorized parties
  - 3) Fraudulently removing the high value public assets by unauthorized parties by replacing it with low value assets
7. The risk of misuse or loss of assets could be more when
- 1) Changing the portfolios of Ministries and Departments
  - 2) Moving an organization from one premises to other
  - 3) When officers leave due to transfer, retirement, dismissal etc.
  - 4) Handing over the assets to relevant Ministry or other relevant organization after a special project is completed
  - 5) When disposing excess and unwanted assets
8. According to chapter VIII of the Financial Regulations accounts of the government Advance Accounts have to be maintained according to accrual basis of accounting. According to circular Public Finance Circular Number PF 423 of 22 December 2006, with regard to Statuary Funds and Trusts also accounting statements on accrual basis has been recommended. Asset and depreciation records are necessary for the above accounting functions.

In addition the government has completed the following activities for maintaining an internationally valid accounting system according to International Public Sector Accounting Standards.

- 1) Facilities has been provided in CIGAS accounting software package used for Government Accounting for automatic record of classified asset details on-line with the entry of the relevant payment voucher.
- 2) The format of the Annual Appropriation Account has been improved to disclose values of assets purchased based on capital asset classification.
- 3) The Annual Financial Statements of the government of Sri Lanka shows the total value of assets purchased together with asset values reported by each accounting officer.
- 4) The values of all assets purchased by the government since the year 2004 are disclosed in Annual Financial Statements of the government.
- 5) Accounting Officers are held responsible for maintaining detailed records on the assets represented in above accounting statements.

9. In the above circumstances the Chief Accounting Officers are kindly requested to deploy their Internal Audit Officers also to examine the adequacy of assets records in organizations in which they are assigned to audit, as maintaining asset records has become more important. An Internal Audit questionnaire to guide Internal Audit Officers to develop their-own questionnaires for this purpose is attached to this circular as appendix 2. Chief Accounting officers could use the Audit and Management Committee to ensure suitable corrective measures so that to avoid loss or misuse of public assets.



Sgd. P.M. Pius Fernando  
Director General of Management Audit  
For the Secretary to the Ministry of Finance and Planning

Appendix 1

**Sample Form - Vehicles**

Name of Ministry / Department						
Asset Code						
Asset Identification Number						
Registered	Production Type					
Vehicle Class		Car	Van	Jeep	Cab	
Engine Number						
Chassis Number						
Horse Power and Tare						
Production Model						
Fuel Type Petrol/Diesel/Gas		Petrol		Diesel		Gas
Date of Registration / Date Transferred						
Unit Assigned (if available)						
Cost						
Date of Disposal / Transfer						
Site Parked						
<p>Recent Changes -</p> <p>Disposal - <span style="margin-left: 150px;">File No -</span> <span style="margin-left: 150px;">Disposed Vehicle -</span></p> <p>Authority of Disposal - <span style="margin-left: 100px;">Amount Received -</span> <span style="margin-left: 100px;">Cost of Disposal -</span></p>						

**Sample Form - Land**

Ministry / Department -							
Division -							
Asset Code -							
Asset Type -							
Classification -							
Serial No.	Land Name and Deed No.	Sub No. (if relevant)		Unit Cost	Extent	Total Cost	Other

**Sample Form - General**

Ministry / Department -							
Division -							
Asset Code -							
Asset Type -							
Classification -							
Identification Number	Year Purchased	Sub No. (if relevant)	Model	Unit Cost	Quantity	Total Cost	Other

## Appendix 2

### Internal Audit Questionnaire for Examination of Asset Recording

1. The procedure for recording and accounting assets in Treasury Circular 842 of 19<sup>th</sup> December 1978 or a system suitably amended with the concurrence of the CAO/AO or Auditor General is practiced?
2. According to your view the procedure followed for recording assets is satisfactory? Comment?

If the answer to the following questions is 'Yes', comment whether the procedure followed is satisfactory according to your view. If the answer is 'No' comment on the risk of misappropriation and if possible make a suggestion.

3. Are Departmental Numbers assigned to Assets?
4. Is there a register maintained to record these Departmental Numbers?
5. Has a register of Fixed Assets as specified in Form General 287 is maintained?
  - a. Are records on General information on all assets such as purchase and cost details maintained?
  - b. Are records on Special information relevant to Land, Buildings and Structures maintained?
  - c. Are records on Special information relevant to Plant, Machinery, Equipment and Vehicles maintained?
  - d. Are records on Disposal of all assets maintained?
  - e. Are records on Verification of assets maintained?
6. Is a Fixed Asset Ledger being maintained?
7. Is there a Control Account maintained in a Main Ledger?
8. Are records of Depreciation of assets maintained?
9. Are records on operating, maintenance and repair costs maintained?
10. Are records on the use of Assets maintained?
11. Are records on Assets transferred to other organizations maintained?
12. When changing the portfolios of Ministries or Departments correct records on Asset transfers are maintained?
13. When moving an organization from one premise to other, correct records on Asset transfers are maintained?
14. When officers leave due to transfer, retirement, dismissal etc. correct records on Asset transfers are maintained?
15. When handing over the assets to relevant Ministry or other relevant organization after a special project is completed correct records on Asset transfers are maintained?
16. When disposing excess and unwanted assets correct records on Asset transfers are maintained?
17. Are records correctly maintained with regard to assets in
  - a. Inventory Books,
  - b. Inventories of Electrical Fittings,
  - c. Catalogue of Books,
  - d. Part-worn articlesas specified in F.R. 454 and 751?
18. Are records correctly maintained with regard to Computers and Software as per Treasury Circular IAI/2002/02 of 28th November 2002?
19. Are records correctly maintained with regard to vehicles in Log Books in Form General 267?
20. Are asset details correctly recorded in the Annual Appropriation Accounts?

## VEHICLES – CHECKLIST

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**Overall Objective:** To ensure that there is an effective management system for acquisition, hiring and disposal of vehicles.

### 2.1 Acquisition and Disposal of Vehicles

2.1.1 Is there a laid down procedure for the authorization of additional /replacement Vehicles?

2.1.2 Is the available vehicle fleet is sufficient or is there an excess?

2.1.3 Is the procurement procedure followed for purchases? Has the treasury approval been obtained?

2.1.4 Is there a laid down procedure for the disposal of vehicles? If so is it sound and is it followed.

2.1.5 Was the approval received for the vehicle disposal?

2.1.6 Are the entries in the vehicle register accurate?

### 2.2. Hired Vehicles

Objective: to confirm that the hire of vehicles are in accordance with laid down policy.

2.2.1. Was hire in accordance with laid down policy?

2.2.2. Were rate charts obtained for hiring?

2.2.3. Are the rates and details in hire invoices correct?

2.2.4. Are the hired vehicles used in an economical manner? (i.e. idling of hired vehicles result for economical losses)

2.2.5. Are there all party insurance for hired vehicles?

2.2.6. Have the legal ownership for hirers to hire vehicles?

2.2.7. Have the deductions been made for periods where vehicles not in running condition?

2.2.8. Where there any penalty imposed for days where service not provided and deducted?

2.2.9. Are the number of kilometers mentioned in the meter accurate with the running chart?



### **2.3. Maintenance of vehicles**

Objective: to ensure that control is being exercised over vehicle running costs, including fuel, tyres, batteries and spare parts.2200

- 2.3.1. Is there a sound policy in place for servicing and repairs?
- 2.3.2. Is servicing being carried out regularly (time or mileage) in accordance with a laid down programme?
- 2.3.3. Are inspections carried out regularly (time or mileage) in accordance with a laid down programme?
- 2.3.4. Are vehicles serviced by outside firms, are checks made as to the frequency and quality of such services?
- 2.3.5. Do all vehicles comply with legal standards of roadworthiness?
- 2.3.6. If vehicles are insured, either with outside companies or through an insurance fund, are claims made for accidents?
- 2.3.7. Is the system for recording both expenditure and maintenance adequate? Does it produce detailed management information? If so, what information and who uses it?

### **2.4. Vehicle Running**

Objective: To ensure that control is being exercised over the utilization of vehicles.

- 2.4.1. Is there a record of miles/ kilometers per gallon / liter? If so, who is responsible for reviewing it and following up anomalies?
- 2.4.2. Are tyre issues in accordance with laid down policy? Is there a record of tyre issues? If so, who is responsible for reviewing it and following up anomalies? Examine the record and ensure that obvious anomalies have been acted upon.
- 2.4.3. Are spare part issues in accordance with laid down policy? Is there a record of spare part issues? If so, who is responsible for reviewing it and following up anomalies? Examine the record and ensure that obvious anomalies have been acted upon.
- 2.4.4. Are driver's log books properly completed, checked and anomalies followed up?
- 2.4.5. Do drivers complete the running charts with no of kilometers mentioned milometer and supplied fuel liters and get signed by a responsible officer?

## **2.5. Use of Vehicles**

Objective: to ensure that control is being exercised over the utilization of vehicles.

- 2.5.1. Are the supervisory arrangements adequate?
- 2.5.2. Is the vehicles being used suited to the task (i.e. is a luxury vehicle being used when a three-wheeler could do the same job at a fraction of the cost)?
- 2.5.3. Is there are policy for authorizing vehicles to be taken home? If so, is it sound?
- 2.5.4. Are vehicle costs ever re-charged to users? If so, is it sound?
- 2.5.5. If vehicles are “ off the road “, is the time involved and the reasons for the non-availability reasonable?
- 2.5.6. Are the security arrangements for the garaging of vehicles adequate?
- 2.5.7. Are the security arrangement for the custody of spares and tools adequate?

### 3. INVENTORIES – CHECKLIST

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**Overall objective:** To ensure that there is an effective inventory management system operating.

#### 3.1. Inventories

- 3.1.1. Do this establishment require inventories to be kept?
- 3.1.2. If so, do the records of to inventories submitted to the head of the establishment?
- 3.1.3. Has a stock check of equipment been carried out in the last twelve months? If so,
  - (a) By whom?
  - (b) Is there satisfactory evidence of this?
- 3.1.4. Have recently purchased item been added to the inventory?
- 3.1.5. Are the relatively valuable item entered in the inventory?
- 3.1.6. Are any items gifted to the department added to the inventory?
- 3.1.7. Are there any items which you regard as being surplus to requirements?
- 3.1.8. Has it been recorded properly the write-offs and disposals
- 3.1.9. Have all write-offs been properly authorized?
- 3.1.10. Is any form of identification marking (e.g. paint; UV pencil) used to all relevant items?
- 3.1.11. Is a duplicate copy of the inventory held off site?

#### 3.2. Security

- 3.2.1 Were you asked to show your identification prior to access?
- 3.2.2 Is there a controlled access point?
- 3.2.3 Do the premises seem secure against intruders?
- 3.2.4 Can storekeeper observe all exists? If not ,is any improvement possible?
- 3.2.5 Is the storekeeper the only key holder? If not ,list the other key –holders.
- 3.2.6 Is the storekeeper the only person allowed to receive and issue stores? If not give details.
- 3.2.7 Is the adequate control over the goods inwards bay to prevent pilfering by visiting delivery people?
- 3.2.8 Is it possible for unauthorized person to collect goods from the dispatch bay?
- 3.2.9 Can control over either bay be improved? If yes, give details52.

### **3.3. Ordering**

- 3.3.1. Are official orders/requisitions/relevant forms used in all cases?
- 3.3.2. Are verbal orders permitted in an emergency? If so, does the system ensure that written conformation follows the next working day?
- 3.3.3. Is the person counter signing the order
  - (a) Authorized to do so?
  - (b) Independent of the storekeeper?
- 3.3.4. Does the storekeeper initiate requisitions for orders?
- 3.3.5. Does the storekeeper get a copy of the purchasing order?
- 3.3.6. Are orders issued only to approved suppliers in accordance with purchasing policy?
- 3.3.7. Are they within the authorized limits?
- 3.3.8. How often are suppliers asked to tender?

### **3.4. Receipts**

- 3.4.1. Are all deliveries checked before acceptance to:
  - (a) Delivery Notes?
  - (b) Counter copies of the purchasing order:  
If not, is the delivery note marked “subject to a detailed check”?
- 3.4.2. Are all bulk materials checked for accuracy before being accepted?
- 3.4.3. Is the system for part deliveries adequate?
- 3.4.4. Are goods received notes produced and taken into store?
- 3.4.5. Are all goods promptly recorded and taken into store?
- 3.4.6. Is the recording of goods received independent of the checking of invoices?
- 3.4.7. Is the person certifying the invoice as to goods received :
  - (a) Authorized to do so?
  - (b) Independent of the storekeeper?
- 3.4.8. Are there adequate procedures to ensure:
  - (a) Return of goods to suppliers?
  - (b) Claims for shortages, breakages and incorrect deliveries?

- (c) All credit notes received ?
- (d) Return and control of chargeable containers, etc?

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### **3.5. Issues**

- 3.5.1. Are requisitions / issue notes completed for all issues being made?
- 3.5.2. Are requisitions / issue notes correctly made out and authorized by persons who are not storekeepers?
- 3.5.3. Are requisition / issue notes examined for accuracy of quantities? If so,
  - (a) By whom?
  - (b) At what stage?
- 3.5.4. Is there a list of persons who are authorized to sign requisitions / issue notes?
- 3.5.5. Does the storekeeper know who is authorized to sign requisitions / issue notes?
- 3.5.6. Are all bulk materials weighed before issue?
- 3.5.7. Is the procedure followed for complete requisitions/issue notes satisfactory?
- 3.5.8. Are arrangements for " emergency " or " night shift "issues adequate ?

### **3.6. Accounting Records**

- 3.6.1. Where stores records are posted from prime documents, are there arrangements to ensure that all such documents are accounted for?
- 3.6.2. Is the ledger updated at intervals not greater than those laid down by management?
- 3.6.3. Are adequate measures taken to ensure that the ledger shows an up-to-date position?
- 3.6.4. Are the procedures for dealing with the following satisfactory from the point of view of authorization and correct recording:
  - (a) Additional new stock items?
  - (b) Deletion of stock items?
  - (c) Adjustment of prices?
  - (d) Adjustment of units issue?
  - (e) Adjustment of minimum / maximum stock levels?
  - (f) Adjustment of re-order quantities?
- 3.6.5. Is there any duplication of manual and computer records? If so, give details.

### **3.7. Stocktaking**

- 3.7.1. Is stocktaking carried out independently of the storekeeper / stores control check?
- 3.7.2. Are all stock checks supported by T-66 stock taking sheets?
- 3.7.3. Are stocks checked:
  - (a) Continuously?
  - (b) At set intervals?
- 3.7.4. Are all items checked at least once every year?
- 3.7.5. Are attractive, portable and valuable items:
  - (a) Checked at least monthly?
  - (b) Not subject to abnormally high/ shortages?
- 3.7.6. Are all discrepancies investigated and reported on? If so, by and to whom?
- 3.7.7. Are all write-offs properly authorized?
- 3.7.8. Is the ledger adjusted immediately for discrepancies where the authority to do so is given?
- 3.7.9. Is the control for the disposal of obsolete items adequate?
- 3.7.10. Are tenders invited in appropriate cases for the disposal of such items?

### **3.8. Management Information**

- 3.8.1. Does the system provide for:
  - (a) Information on slow moving / obsolete items at regular intervals?
  - (b) Review of maximum / minimum and re-order levels?
  - (c) Details of stock levels held on comparative dates?
- 3.8.2. Is appropriate action taken on the management information produced?
- 3.8.3. In respect of the procedural manual:
  - (a) Is there one?
  - (b) Have all staff got copies?

(c) When was it last revised?

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