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⊚லේ අංකය எனது இல. My No.

SA/MAA/GRG/01

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Guideline No. 02/2022 Utilization and accounting of Gifts / Donations received under F.R.170 (2)

Guidelines on accounting for Gifts / Grants made by local institutions/individuals to the Government of Sri Lanka

The provisions of State Accounts Circular No. 30/94 are applicable to the accounting of foreign aid received by the Government of Sri Lanka. The Treasury has observed that gifts/grants made by local private institutions and individuals are not accounted for in a proper manner. The procedure to be followed with regard to locally received gifts /grants is described under F.R 170 (2) and the guidelines for utilizing and accounting for locally received gifts /grants are outlined below.

1. Gifts / Grants Received in Cash

1.1. Gifts / Grants Received by Ministries/Departments in Cash Without Indicating a Specific Purpose

The following procedure should be applied in this regard.

1.1.1. Up to one million Rupees -

Relevant Ministry / Department should credit to the Revenue Code 3001.02.00 which is specifically assigned for the local grants. Thereafter the details stated in para 1.1.3 should send to the Department of Treasury Operations without any delay.

1.1.2. More than one million Rupees -

Relevant amounts of gifts/grants should be remitted to the Department of Treasury Operations by cheque/bank draft enabling the credit made to the account of the Deputy Secretary to the Treasury by the relevant Ministry / Department.

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Director General - Tel : +94 11 2484728 Fax : + 94 11 2473856 E -mail : dgsa@sad.treasury.gov.lk

The accounting entries for the relevant entity are;

(a) Receipt of Gift/Grant

Debit:- Cash Book

XXXX

Credit:- Deposit Account- Temporary Retained

XXXX

Payable to Third Parties (6000-0-0-013-0-xxx-0)

(b) Remittance of Money Received to the Treasury

Debit:- Deposit Account- Temporary Retained

XXXX

Payable to Third Parties (6000-0-0-013-0-xxx-0)

Credit:- Cash Book

XXXX

After forwarding the relevant credit notices to the Department of Treasury Operations, the Department of Treasury Operations will credit the relevant amount to the Local Grant Revenue Code.

- 1.1.3. The following details of gift/grant amounts credited/to be credited to Government revenue under 1.1 above should be reported to the Department of Treasury Operations without delay.
 - i. Name and address of the donor
 - ii. The amount of gift/grant
 - iii. If credited to Government Revenue the date of credit
 - Details of remittances over Rs. 1 million made to the Treasury (date, cheque number and amount)
- 1.1.4. Gifts/Grants Received by Statutory Institutions Without Indicating a Specific Purpose

In case of a gift/grant received by a statutory body (as defined in Part II of the Finance Act No. 38 of 1971), that institution should remit the money to the relevant Line Ministry and the relevant Ministry should follow the procedure stated in para 1.1.1 or 1.1.2 above depending on the amount of money received.

- 1.2. Money Received as a Gift /Grant Requesting to Use for a Specific Purpose
- 1.2.1. Gifts/Grants should not be accepted for matters that interfere with national security, breach of public order, or interfere with inter-ethnic reconciliation or adversely affect international relations.



1.2.2. Budget provisions required for the implementation of the intended function should be obtained from the Department of National Budget, under relevant Expenditure Object Code and Financing Code No. (11). Necessary imprest should be obtained from the Department of Treasury Operations under the relevant Expenditure Head.

1.2.3. <u>Cash Gifts/Grants up to Rs. 01 Million Received by the Ministries / Departments for a Specific Purpose</u>

(i) The relevant Ministry / Department should credit to the Deposit Account 6000-0-0-019-0-xxx-0 maintained for this purpose (Deposit Account Number should be obtained from the Department of States Accounts on the recommendation of the Department of Treasury Operations) and the Expenditure incurred should be credited to the object code specially allocated for the purpose under Financing code (11). (A separate expenditure object code and provisions should be obtained from the Department of National Budget for this purpose)

The accounting entries for the relevant entity are;

(a) Receipt of Cash Gift/Grant

Debit:- Cash Book

XXXX

Credit:- 6000-0-0-019-0-xxx-0 - Local Grant Deposit Account

XXXX

(b) Incurring Expenditure

Debit:- Head-Programme-Project-Object Code xxxx -Item – Financing Code

Credit:- Cash Book

XXXX

- (ii) Two journal entries mentioned below as (a) and (b) signed by the Chief Financial Officer / Chief Accountant should be submitted to the Department of Treasury Operations in order to account for the value of the grant income with regard to the expenditure incurred.
 - (a) Debit:- 6000-0-0-019-0-xxx-0 Local Grant xxxx
 Deposit Account

Credit:- 9212 - Local Grants Account

XXXX

Description:-

(b) Debit - 9212 - Local Grants Account

XXXX

XXXX

Credit- 3001.02.00 - Local Grant Revenue Account

Description:-

1.2.4. <u>Cash Gifts/Grants over Rs. 01 Million Received by the Ministries / Departments for a Specific Purpose</u>

Cheques or bank drafts should be remitted to the Department of Treasury Operations in order to credit to deposit account (Local Grant Deposit Account) 6000-0-0-019-0-xxx-0.

The accounting entries of the Ministry/Department are;

(a) Receipt of Gift/Grant Money

Debit: - Cash Book

XXXX

Credit:- Deposit Account - Temporary Retained Payable to Third Parties (6000-0-0-013-0-xxx-0)

XXXX

(b) Remittance of Received Money to the Treasury

Debit - Deposit Account - Temporary Retained Payable to Third Parties (6000-0-0-013-0-xxx-0)

XXXX

Credit - Cash Book

XXXX

In order to carry out the relevant task, adequate annual provisions should be obtained by the Ministry/Department under the relevant Expenditure Object code and the imprest should be obtained from the Department of Treasury Operations as stated in 1.2.2 above.

After debiting the relevant expenditure under the specific expenditure Object Code, the Department of Treasury Operations will account the grant revenue as per 1.2.3 (ii) (a), (b) above and the quarterly reports should be sent to the Department of Treasury Operations via the format attached as Annexure 01.



1.2.5. Cash Gifts/Grants Received up to Rs. 01 Million by a Statutory Body for a Specific Purpose

The relevant amount should be remitted to the relevant Line Ministry and the relevant Ministry should follow the procedure in para 1.2.3. (i) above and should credit such money to a 6000-0-0-019-0-xxx-0 Category Deposit Account. In order to debit the actual expenditure incurred after discharging the funds required for the expenditure from the deposit account by the relevant Line Ministry to the special object code allocated for such purpose under financing code 11 and account the grant revenue, following journal entries should be submitted to the Department of Treasury Operations with the signature of the Chief Financial Officer / Chief Accountant.

(a) Debit:- Head-Programme-Project-Object Code-Item-Financing Code xxxx

Credit:- 9212 - Local Grants Account

XXXX

Description:-

(b) Debit:- 9212 - Local Grants Account

XXXX

Credit:- 3001.02.00 - Local Grant Revenue Account

XXXX

Description:-

1.2.6. Cash Gifts/Grants over Rs. One Million Received by a Statutory Body

A cheque or bank draft in the name of the Deputy Secretary to the Treasury should be forwarded through the relevant line ministry to credit the relevant amount to a Deposit Account by the Department of Treasury Operations. The Department of Treasury Operations will release the required imprest to the relevant Line Ministry in respect of the provision obtained by the Line Ministry for this purpose under the specific Object Code and the Ministry should debit the Object Code and release the cash to the relevant institution. In order to account the Grant Revenue the chief financial officer / chief accountant of the Ministry should send the quarterly reports to the Department of Treasury Operations through the format attached as Annexure 01 and the Local Grant Revenue will be accounted for by the Department of Treasury Operations.



- 1.2.7. If any balance is left from a grant up to Rs. 01 million received by a Ministry/Department for a specific purpose after completing the purpose, such amount should be returned to the donor after inquiring him or should be credited to the Government Revenue. Balance money which should be credited to the Government Revenue with the consent of the donor should be remitted to the Department of Treasury Operations via a cheque/bank draft along with a covering letter, debiting 6000-0-0-019-0-xxx-0 deposit account. The Department of Treasury Operations will take action to credit such amount to Local Grant Revenue account. If the donor is requesting, the balance money left from a grant up to Rs.01 million received by a Ministry/ Department for a specific purpose should be returned to the donor via a cheque debiting the relevant deposit account.
- 1.2.8. If a balance is left after completing the task from a grant over Rs. 01 million received by a Ministry/ Department and Statutory Institutions for a specific purpose, such amount should be returned to the donor or credited to the grant revenue code 3001.02.00 after inquiring the donor.
- 1.2.9. If it is not possible to commence the relevant work within 02 years after the grant is given to the Government, the reasons should be communicated in writing to the donor. If the relevant work is not performed or cannot be performed, the relevant amount should be refunded to the donor or credited to the government revenue. A request should be made to the Department of Treasury Operations along with the request letter from the donor and the Department of Treasury Operations will make arrangements to issue a cheque to the donor or to credit revenue code 3001.02.00.

2. Grants in a Form Other than Cash

(Ex. Materials, Machinery, Equipment and Property, etc.)

Below mentioned procedure should be followed in this regard.

- 2.1. Grants in a form other than cash received by a Ministry / Department
- 2.1.1. When materials, machinery, equipment, property are donated by local institutions or the public for direct use in any specific or non-specific project, the value of the grant should be determined by the relevant Ministry / Department based on information in the relevant documents or based on assessed value of the items. Budgetary allocations should be obtained with regard to such grant value in the Budget Estimates under Financing Code 11 and should be accounted under the relevant Expenditure Head. (The accounting procedure is outlined in 2.1.4.)
- 2.1.2. Details of materials, machinery, equipment, property should be immediately recorded in the inventory or any other document maintained by the Ministry / Department for this purpose and the relevant documents should be updated and



relevant values should be included in the new CIGAS program as non-financial assets.

- 2.1.3. It will be the responsibility of the Accounting Officer to ensure that the grant value of all items, machinery, equipment, property which are included in the Monthly Account Summary or Transfer Order are included in the inventory, asset register or any other record maintained by the institution for that purpose. A certificate showing the folio number of the inventory or other document containing the assets should be attached to the relevant transfer order.
- 2.1.4. The following details should be sent to the Department of Treasury Operations on a quarterly basis via the form attached as Annexure 02 to account for the relevant grant value.
 - i. Name and address of the donor
 - ii. value of items / equipment granted
 - iii. Date of receipt
 - A certificate showing the folio number of an inventory or other document in which assets are included
 - Amount of allocations remaining in the relevant Expenditure Object Code under Finance Code (11) and consent to debit to the expenditure to such Object Code

After the above details are reported by the relevant institutions, the Department of Treasury Operations will take action to make the following accounting entries.

a)	Item-Financing Code	XXXX						
	Credit:- 9212 - Local Grants Account		xxxx					
	Description:-							
	[Value of materials and equipment received	as	a grant					
	for (Project name) from (Donor)]							
b)	Debit:- 9212 - Local Grant Account	XXXX						
	Credit:- 3001.02.00 - Local Grants Revenue Account xxxx							
	Description:-							
	[Crediting the value of the goods and equipment received as a grant for							
	(Project name) from							
	(Donor)]							



2.2. Grants in the form of Materials, Machinery, Equipment, Property Received to the Statutory Bodies

With regard to Grants in the form of materials, machinery, equipment, property received to the statutory bodies, procedure outlined from 2.1.1 to 2.1.3 should be followed as applicable for the respective entity. Budget allocations should be made by the relevant Ministry for accounting as the relevant grant value needs to be reflected in the Government Financial Statements. After confirming the grant amount by the relevant institute to the Ministry, Ministry should forward the information stated in above 2.1.4 along with the consent for debiting the relevant Expenditure Object Code and Annexure 02 to the Department of Treasury Operations in order to make the accounting entries.

3. Provisions of this Guideline are applicable with effect from 01.08.2022.

W.A. Samapiha Upananda

Director General

Copy:

01. Auditor General

Statement of Expenditure incurred from Allocations on Local Grants for the Quarter ended on

Details on Estimated Allocations						A I I'd and all and and	Treasury Reference				
Expenditure Head	Programme	Project	Object code	Finance Code	Allocations Rs.	Additional allocations or allocations obtained from FR 66 Rs.	Number	Date	Expenditure Debited Rs.		Name of the Grant Account

Date: Chief Accounting Officer/ Chief Accountant
Name of the Ministry/Department:

Statement of Value to be credited to the Treasury Grant Account for Local Grants Received in the form of Materials, Machinery, Equipment and Property for the Quarter ended on

	Details on l	Estimated A	Allocations	Amount to be debited to				
Expendit ure Head	Project	Object code	Finance Code	Allocations Rs.	allocations and credited to grant account Rs.	Details on items received		

I hereby certify that the materials, machinery, equipment and property received during the above quarter are included in the inventory / fixed asset records maintained in the office.

Date: Chief Accounting Officer/ Chief Accountant
Name of the Ministry/Department: