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அரசு கணக்குகள் திணைக்களம்
Department of State Accounts

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03 .10.2023

State Accounts Guideline No. 2023/02

All Secretaries of Ministries

All District Secretaries

All Heads of Departments

Matters need to be given special attention in preparation of Annual Financial Statements

Having examined the Auditor General's reports of Government Ministries, Departments and District Secretariats for the last few years, the issues on which the qualified audit opinion is based on are stated under paragraphs (1), (2), (3), (4) and (5) of this guideline. It is emphasized that all Chief Financial Officers, Chief Accountants and Accountants should draw special attention to the following issues in preparing financial statements in the forthcoming years.

- 1) **Deficiencies identified in relation to accounting of non-financial assets**
 - Differences identified in opening balances with comparison of closing balances of previous year
 - Value of assets were overstated due to not removing the value of the disposed and transferred assets to other entities from the asset balance.
 - The land and buildings belong to the entities were not assessed and accounted and assessed values were not accounted properly.
 - The values of some assets owned by entities (assets other than land and buildings) were not accounted.
 - The assets being constructed under the project expenditure were not properly identified and accounted (Object Codes 2506, 2507 and 2509)

- All assets related to capital expenses incurred during the year under the object codes for purchase of capital assets were not accounted during the year.
 - The assets that are not legally owned were accounted and the assets that are legally owned by the entity were not taken over and accounted.
 - Even after the completion of the construction, the relevant values are being continued to be reported under the work-in-progress without being transferred to the relevant asset category
 - Code numbers were not placed to identify the assets physically
 - Values of certain assets have been duplicated
- 2) Errors in preparing cash flow statement
- Showing the income collected on behalf of revenue accounting entities under non-revenue receipts
 - Errors in classification of receipts and payments
 - Showing the expenditure incurred on behalf of other entities under personnel emoluments and operating expenses
 - The Cash Flow Statements have been prepared without taking the trial balance figures as at 31st December of the respective year.
 - Inclusion of expenses incurred by other reporting entities in the cash flow statement
- 3) Errors in preparation of statement of Imprest Reconciliation
- Denoting values to be added as subtractions and values to be subtracted as additions
 - Preparation of statement of Imprest Reconciliation without adjusting certain necessary items
 - The Imprest Reconciliation Statements have been prepared without taking the figures shown in Treasury Accounting Statements.
- 4) Figures used in preparation of financial statements
- The different values has been used in preparation of Financial Statements than the

Treasury Accounting Statements and the values were not tallied in the statement of financial performance, cash flow statement, statement of financial position and related formats.

Ex. Differences between the expenditure mentioned in the statement of financial performance and the expenditure as per ACA-2 format

5) Other matters

- Books and records are not maintained and not properly updated (register of losses, register of securities etc.)
- Existence of long outstanding imprest account balances
- Existence of unrecognized differences between the balance of Advance “B” account and the individual balances
- Existence of long outstanding unsettled advance account balances
- Rent and work advances paid are not correctly accounted
- Lists of lapsed deposits are not prepared and credited to Government revenue as per the provisions of FR 571
- Unrecognized balances in deposit accounts
- Deposit account balances are not reconciled with individual balances

In addition to the above facts, the Auditor General has highlighted below mentioned matters, although they have not affected to express a qualified opinion on the financial statements.

- (i) Existence of significant variances in comparison of estimates with actual values due to weaknesses in preparation of revenue and expenditure estimates.
- (ii) Non-utilization of a significant percentage of the budget allocation during the year and non-utilization of budget allocations transferred between object codes under FR 66
- (iii) Settlement of significant amount of ad-hoc sub imprests without utilization due to issuance of such sub imprests without proper estimation
- (iv) Not settling the ad-hoc sub imprests within 10 days after the completion of the relevant work.



- (v) Entering in to liabilities exceeding the amount of remaining provisions at the end of the year and not including certain liabilities in the list of liabilities
- (vi) Actions were not taken to collect revenue arrears
- (vii) Long outstanding unidentified balances and unrealized cheques in bank accounts
- (viii) Capitalizing the expenditure which are not in capital nature
- (ix) Keeping of deposit balances for a long period without completing the relevant tasks

Your special attention should be drawn to the aforementioned issues since there is a possibility of qualifying the audit opinion on the financial statements based on the materiality of the above issues.

Furthermore, it is the responsibility of all chief accounting officers and accounting officers to properly address the issues pointed out by the Auditor General and internal audit in their audit reports and to maintain a proper internal control system in the organization.


W.A. Samantha Upananda
Director General
Department of State Accounts

Copy: Auditor General