

ANNEX C.

SRI LANKAN ACCOUNTING LEGISLATION

The **Finance Act (1971)** and the **Financial Regulations (1992)**, issued by the Ministry of Finance, require that ministries, departments, and constitutional bodies, such as the Auditor General's Office; and non revenue-earning statutory bodies and public enterprises report in accordance to this legislation. They prepare cash-based budgets and financial reports. The Financial Regulations do not prescribe accounting standards in this respect.

The **Sri Lanka Accounting and Auditing Standards Act (No. 15) 1995** requires that revenue-earning statutory bodies and public enterprises report in accordance with Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, and be subject to monitoring for compliance by the Sri Lanka Accounting and Auditing Standards Monitoring Board.

Financial Regulations Extracts:

F.R. 150. Appropriation Accounts. Part I, General Estimates. As soon as possible after the end of each financial year, accounting officers will arrange for Appropriation Accounts to be prepared for each programme of expenditure under their control: one for projects classified under recurrent expenditure, and one for projects classified under capital expenditure. The Appropriation Account will follow the general details of the Estimates and will indicate the financial provision in the Estimates (as altered subsequently by supplementary provision or virement, if any), the actual expenditure, and the saving or excess under each Programme/Project. It will also contain the accounting officer's explanations of the causes of any significant variations between total net provision and total expenditure under each object class, as well as notes of any unusual payments.

As a matter of accounting convenience, expenditure sanctioned by Special Law should be included in the main body of the Appropriation Account, together with a suitable footnote. The accounting officer for the programme will sign the Account in that capacity and will then submit the Account to the Chief Accounting Officer who will verify that it has been properly prepared, and that adequate explanations have been given of variations between estimated and actual expenditure. The Chief Accounting Officer will then sign the Account and forward it to the Auditor General as soon as possible. The Auditor General, after examination and certification, will forward the Account to the Director General, Department of State Accounts, Treasury for publication.

F.R. 151. Revenue Accounts. As soon as possible after the end of each financial year, each revenue accounting officer will prepare annually for publication a classified statement of revenue for which he is

responsible. This statement will provide the details of the appropriate Heads, Sub-heads, Items, and Sub-items of Revenue, the description of such Revenue, the amount of Revenue earned during each of the three preceding financial years, the estimated Revenue of the year for which the statement is prepared, the actual amount of Revenue collected during that year, the excess or the shortfall of actual collections as compared with the estimated Revenue, and the reasons for the excess or shortfall. This Revenue Account will be signed by the person in the capacity as revenue accounting officer and forwarded to the Auditor General for examination and certification. The Auditor General, after examination and certification, will forward the Accounts to the Director General, Department of State Accounts, Treasury for publication.

F.R. 152. Committee on Public Accounts. The Committee on Public Accounts of Parliament has been set up by the following Standing Order:

- (1) There shall be a designated Committee on Public Accounts consisting of twelve members nominated by the Committee of Selection.
- (2) It shall be the duty of the Committee on Public Accounts to examine the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure and such other accounts laid before Parliament as the Committee may think fit, along with the reports of the Auditor General thereon, and the reports of the Auditor General on local authorities.
- (3) The Public Accounts Committee shall, from time to time, report to Parliament on the accounts examined, the finances, financial procedures, performance, and management generally of any department and local authority, and on any matter arising therefrom.
- (4) The Public Accounts Committee may, when it considers necessary, appoint subcommittees of its own members to examine and report to the full Committee on all accounts and the finances and management of such departments and local authorities as the Committee may direct.
- (5) The Public Accounts Committee or any of its subcommittees shall, for the performance of its duties, have the power to summon before it and question any person and call for and examine any paper, book, record or other document and to have access to stores and property.

Chief Accounting Officers and Accounting Officers must appear before the Public Accounts Committee, when required, and answer questions on all matters arising from the Accounts of the Auditor General Report. The Chief Accounting Officers and Accounting Officers, who sign the Appropriation Accounts, are the persons answerable for the accounts. Yet for reasons of administrative convenience, the Public Accounts Committee will usually examine in the first instance those officers holding the posts at the time the accounts were examined. A Chief Accounting Officer or Accounting Officer has the right, however, to consult the person who signed the Appropriation Account that is being discussed.

F.R. 153. Treasury Minutes. After the receipt of the Report of the Public Accounts Committee, the Treasury will issue, under the hand of the Secretary to the Treasury, on the instructions of the Minister of Finance, the Minutes relating to the various matters dealt with in the Auditor General Report. It is the duty of all Chief Accounting Officers and Accounting Officers to study the Report and the Treasury Minutes thereon and be guided by them with regard to future financial operations.