
Government Accounting System of Sri Lanka

Democratic Socialist Republic of Sri Lanka has a land area of 65,610-square km and is located in the Indian Ocean, just off India's southern tip. Its population is now about 19 million and population growth rate is 1.2%. 74% of the population are Sinhalese, 18% Tamils and 7% Muslims. It was a British Colony and gained independence in 1948.

Sri Lanka is a parliamentary democracy; with an executive president. The central Government constitutes of about 50 Ministries and 125 Departments. Secretaries of Ministries are Chief Accounting Officers and the Heads of Department are Accounting Officers of the Government. Their accounts are co-ordinated through the General Treasury, in Colombo.

As an effort to remedy the demand of a separate state by a group in the North of the country, Sri Lanka has created nine Provincial Governments (Councils) and two of them in the north are now merged making their number into eight. They have separate Provincial Treasuries, and Provincial Ministries mimicking the Central Government. The Provincial Councils constitute with Municipal Councils and other smaller local Government institutions, which again have their own Treasuries, Departments etc. Apart from these there are Public Corporations for providing electricity, water etc., and for some other commercial activities.

Central Government and Provincial Governments keep their accounts in Cash Basis while the Local Authorities and Public Corporations follow the Accrual Accounting System. A single Auditor General sometimes helped by the private firms of Chartered Accountants audits all accounts. Provincial Ministries and Departments report accounts to their Provincial Councils and all others account to the Parliament of Sri Lanka

Legal Structure

The basic legal structure of the Government accounts in Sri Lanka is contained in the Chapter XVII of the constitution of 1978. In addition special law expenditures are governed by specific acts (E.g. Widows and Orphans Pension Act, Public Service Provident Fund Act etc). The Finance Act of 1978 governs accounting of the Public Corporations. The Fiscal Responsibility Act governs fiscal policy and control. Financial Guidelines of Sri Lanka and various Treasury circulars provide the legal structure for accounting procedures.

The Consolidated Fund

Articles 149 and 150 of the constitution of Sri Lanka, 1978 deal with the Consolidated Fund. The funds of the Island, not allocated by law to specific purposes including taxes and revenue, shall form this fund, costs of collection and management of the fund and other expenses approved by

Paper Presented by the delegation of Government of Sri Lanka

the parliament can be charged to this fund. Such expenditure falls into two basic groups:

- ❖ Supply Services- expenditure approved by the parliament by Appropriation Act or by Resolution of Parliament such as Supplementary Provision
- ❖ Special Law Services – Specific services authorized by other acts. Such as repayments and interest on public debt, Salary of the president etc.

The Contingencies Fund

Article 151 of the constitution empowers the parliament to create a contingencies fund for provide for urgent and unforeseen expenditure. The cabinet determines the maximum limit of this fund. The amounts paid out of this fund are treated as advances and has to be paid back utilizing funds made by supplementary provision of the parliament.

The role of the Treasury

The Treasury acts as the custodian and controller of the Government Finance and is directly responsible and accountable to the Minister of Finance and through him to the parliament. In order to discharge these functions effectively it formulates regulations and guidelines.

The Role of the Auditor General

The Auditor General carries out the audit of accounts and performance of all the public sector institutions according to article 154 of the constitution.

Annual Appropriation Act

This act provides for the services of a financial year, authorise financial provision out of consolidated fund, authorises borrowings in or outside Sri Lanka.

Annual Budget

Annual budget of the Government contains revenue estimates, expenditure ceilings of a financial year. It has to be approved by the parliament before the commencement of the financial year.

Imprest Authority

Treasury will authorise the limit of aggregate amount of cash required during the year for all accounting offices according the appropriation of funds and monitors such limits continuously in management of cash.

Cash Management

The annual, monthly, weekly and daily cash flows are prepared by the Treasury inclusive of borrowings and payments relating to the servicing of public debt. These cash flows are carefully monitored in issuing imprests to the accounting officers.

Official Bank Accounts

Accounting Officers can open bank accounts on the approval of the Treasury. They cannot be overdrawn without Treasury approval, and have to be reconciled monthly and reported to Treasury.

Deposits

Accounting Officers can open deposit accounts at the Treasury with its authority and accept deposits into them for specified purposes and utilize them for the same purpose.

Expenditure

Expenditure function constitutes with authorisation, approval, certification and payment functions. They are performed by different officials as far as possible for internal control on delegation by the Accounting Officer.

Accounting and reporting

Accounting Officers will have to prepare annual accounts according to prescribed standards and monthly accounts on prescribed formats by the Treasury. Annual accounts have to be submitted to the Auditor General within three months after the close of the financial year, and to the parliament within five months after the close of the financial year.

Formation of the consolidated annual financial statement of the Central Government

Annual Financial Statement of the Government constitute with:

- ❖ Statement of financial position of the Government
- ❖ Operating statement reflecting revenue and expenditure and the budget outturn
- ❖ Cash flow statement
- ❖ Statement of burrowing
- ❖ Statement of commitments
- ❖ Statement of contingent liabilities
- ❖ Statement of accounting policies
- ❖ Any other necessary statements - all above together with comparative figures for the previous year where applicable.

Practical Implementation of the Accounting System

Government accounting system in the entire country is computerised using a legacy system called CIGAS (Computerized Integrated Government Accounting System), which functions very successfully on Personal Computers. About 2000 accounting units use copies of this package and

render their accounts timely to their superior accounting offices amounting to about 180, using e-mail. They are then consolidated using the same software package and forwarded to the Treasury. Monthly accounts from the entire country are collected within an average of two weeks by the Department of State Accounts of the Treasury and electronically read by the Treasury accounting package, which runs on a AS/400 computer. The Department of State Accounts of the Treasury duly prepares annual accounts without any delay within three months after the year. They are founded on Cash Based International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants (IFAS) of USA.

Same CIGAS accounting software package is used in all Provincial Councils and their ministries and departments just like in the central Government. However these accounts are not integrated into the central Government accounts with the exception that the grants given to them are accounted under the Ministry of Provincial Councils of the Central Government.

Some local Government institutions and Public Corporations use different accounting software and while many of them still keep accounts manually. Compared to them it is generally observed that the Central Government Accounting is very much ahead in the timeliness, format, and accuracy of the accounts kept and submitted.