



**INSTITUTE OF PUBLIC FINANCE
AND
DEVELOPMENT ACCOUNTANCY**

(IPFDA)

**Intensive Training Courses
for
Govt. Accountants
1991-1993**

Notes issued to Participants

Volume I

INSTITUTE OF PUBLIC FINANCE AND DEVELOPMENT ACCOUNTANCY

FOREWORD

This is a compendium (in two volumes) of the notes issued to participants of our Intensive Training Courses for Class I, Grade I and Class II, Grade II members of the Sri Lanka Accountants' Service from June 1991 to December, 1993, covering a total of 939 accountants.

The courses were conducted by this Institute in collaboration with the Ministry of Finance and funded by the United States Agency for International Development (USAID). We take this opportunity of thanking them for their patronage.

This publication has also been done with financial assistance from USAID which we acknowledge with gratitude.

S. X. Gnanasegaram
President
14th February, 1994

H. Anton P. Devagiri
Course Director

INSTITUTE OF PUBLIC FINANCE AND DEVELOPMENT ACCOUNTANCY

Members of the Council of Management 1993/94

Mr. S. X. Gnanasegaram	:-	President
Mr. T. M. Augustine	:-	Senior Vice President
Mr. G. D. Abensu	:-	Vice President
Dr. K. Kuhathasan	:-	Vice President
Mr. W. S. Fernando	:-	Secretary
Mr. K. A. D. S. Nanayakkara	:-	Education Officer
Mr. S. Amarakoon	:-	Assistant Secretary
Mr. A. Thamotherampillai	:-	Assistant Treasurer
Mr. Maitri Piyasena	:-	Immediate Past President
Mr. J. S. Bastiampillai		
Mr. H. A. P. Devagiri		
Mr. P. Nandisena		
Mr. W. R. A. Senaratne		
Mr. G. K. Ariyadasa Perera		
Mr. M. Sirisena		

STAFF

Mr. S. P. Rajah	:-	Admn. Secretary
Mrs. Y Wickramaarachchi	:-	Typist
Mr. B. Mahinda Perera	:-	Clerk
Mr. P. A. Nathan John	:-	Office Aide/Record Keepr

CONTENTS

Volume I

Accountants

1.	Perspectives of a Public Sector Accountant	Mr. W. Gamini Epa	05
2.	Role of the Public Sector Accountant Accountability	Mr. Maitri Piyasena	05
3.	The role of Government Accountant as an advisor	Mr. A. N. Fernando	06
4.	The role of the Accountant as an advisor	Mr. G. S. Pallewatte	08

Accounts

5.	Summary of Accounts	Mr. K. K. Dayaratne	10
6.	Reconciliation of Accounts	Mr. K. K. Dayaratne	22
7.	Reconciliation of Accounts with Treasury Books	Mr. G. Jinadasa	26
8.	The Differentiation of Capital and Recurrent Expenditure in Govt. Accounting in Sri Lanka	Mr. G. S. Pallewatte	33
9.	Committed Expenditure Statement and Appropriation Accounts	Mr. U. Samarasinghe	35
10.	Appropriation Accounts	Mr. K. K. Dayaratne	

Accountability

11.	Constitutional, Legal and Conventional Framework of Govt. Financial Management	Mr. H. L. Piyasena	40
12.	Parliamentary Control of Public Finance	Mr. J. S. Bastiampillai	43
13.	රජයේ වැයවිෂයයන්, ව්‍යවස්ථාපිත, ජනාධිකරණ සහ සම්ප්‍රදායික රාමුව	ඒ. එන්. ප්‍රනාන්දු මියා	51
14.	Public financial Control and Regulations	Mr. A. N. Fernando	54
15.	Accountability	Mr. V. Kandasamy	
16.	Responsibilities of Accounting Officers and Chief Accounting Officers	Mr. K. A. D. S. Nanayakkara	57
17.	Delegation of Financial Functions	Mr. K. A. D. S. Nanayakkara	58

Administrative Reforms Committee

18.	From the Report of the Administrative Reforms Committee	Mr. N. H. Perera	59
-----	---	------------------	----

Advance Accounts

19.	Advance Accounts	Mr. V. Kandasamy	67
20.	Advance Accounts - Principles and Practices	Mr. V. Kandasamy	73
21.	Advances to Public officers Account (Case Study)	Mr. J. S. Bastiampillai	82

Audit and Internal Audit

22.	General Audit in Govt. Department and Functions of the Public Accounts Committee	Mr. W. Nanayakkara	88
23.	Dealing with Audit Queries	Mr. J. S. Bastiampillai	
24.	The role of the State Auditor and the Public Accounts Committee and the Procedure in replying Audit queries	-----	95
25.	Deficiencies spotlighted in PAC reports in the past and avoiding of such deficiencies in the future	Mr. J. S. Bastiampillai	98
26.	Deficiencies in Financial Administration and poor control over assets.	Mr. T. M. Augustine	105
27.	Lapses/ errors/ omissions may occur once in a way but a full and timely explanation may clear much ground	Mr. W. Kanangama	108
28.	Value for Money Audit	Mr. S. C. Mayadunne	109
29.	Note on value for money auditing	Mr. K. L. Perera	110
30.	Fundamental issues relating to public expenditure	-	112
31.	Principles of Internal Audit and Internal Audit Organisation	Mr. T. M. Augustine	116
32.	අභ්‍යන්තර විගණන වැඩසටහන් සැකසීමේදී සැලකිල්ලට ගත යුතු කරුණු	-	121

Budgeting

33.	National Budgeting in Sri Lanka	Mr. D. Rajapura	122
34.	Modified Programme Budgeting System	Mr. D. Rajapura	128

35.	Resource Allocations	Mr. A. N. Fernando	13
36.	Preparation of Annual Estimates	Mr. Maitri Piyasena	130
37.	Why do you say 'no money' when there is room for flexibility	Mr. Maitri Piyasena	130
38.	Pasgoda Administration Block - case Study	Mr. A. N. Fernando	139
Costing			
39.	Cost Information for product costing - Traditional methods.	Mr. E. Arumugam	141
40.	Development of cost information for cost control, pricing, decision making and performance evaluation	Mr. E. Arumugam	144
Computers			
41.	Word Processing and Computer	Mr. P. M. P. Fernando	152
Divisional Secretariat			
42.	Integrated Divisional Secretariats	Mr. S. Amarakoon	160
43.	Functioning of the Divisional Secretariats Discussion on practical problems	Mr. S. Amarakoon	161
Evaluation			
44.	Performance Evaluation - Financial	Mr. A. N. Fernando	166
45.	Problem Solving and decision making	Mr. K. S. Perera	166
45A.	Benefit cost analysis	Mr. K. A. L. Premaratne	172
Foreign Aid Management			
46.	International Financing	Mr. T. M. Augustine	173
46A.	Foreign Aid Accounting	Mr. K. P. Indran	176
47.	Treasury Circular No. 826 Commodity or Programme Aid		183
48.	Treasury Circular No. 828 Foreign Aid Accounting		
49.	Integrated Rural Development Projects	Mr. J. S. Bastiampillai	193
50.	Foreign Aid Provisions - 1992	Mr. T. M. Augustine	195
General			
51.	Janasaviya Production Programme	Mr. I. H. K. Mahanama	196
Imprest Accounts			
52.	Imprest Accounts	Mr. G. R. Gunawardene	202
53.	Treasury Circular No. 742 Issue of petty cash Imprests 'C' Class Departments and of Sub-Imprests Within a Department		208
Inventories			
54.	Inventories	Mr. P. Kumarakurusingham	210
55.	Inventory Records	Mr. P. Kumarakurusingham	212
56.	Inventories and Documentation	Mr. P. Kumarakurusingham	213
57.	Inventory Control/ Stock Control or Materiel Control	Mr. H. P. W. Premadasa	221
58.	Care of Assets of Govt. and avoidance of waste and fruitless expenditure	Mr. Maitri Piyasena	227
59.	Losses and write-offs	Mr. K. A. D. S. Nanayakkara	224
60.	Boards of Survey FRR 756-759 & 507	Mr. H. L. Piyasena	227
61.	Boards of Survey	Mr. P. Kumarakurusingham	229
62.	Case Study - Stores Advance Accounts	Mr. J. S. Bastiampillai	231

"PERSPECTIVES OF A PUBLIC SECTOR ACCOUNTANT"

Mr. W. Gamini Epa Auditor-General

Objectives of Government accounting as laid down in a United Nation's Manual -

- (a) Accounting Systems have to be designed to comply with the constitutional, statutory and other legal requirements of the country;
- (b) Accounting Systems must be related to the budget classifications. The budgetary and accounting functions are complementary elements of financial management and must be closely integrated;
- (c) The accounts must be maintained in a manner that will clearly identify the objects and purposes for which funds have been received and expended and the executive authorities who are responsible for the custody and use of funds in programme executions;
- (d) Accounting Systems must be maintained in a way that will facilitate audit by external review authorities, and readily furnish the information needed for affective auditing
- (e) Accounting Systems must be developed in a manner that will permit effective administrative control of funds and operations, programme management and internal audit and appraisal;
- (f) The accounts should be developed so that they effectively disclose the economic and financial results of programme operations, including the measurement of revenues, identification of costs and determination of the operating results (the surplus or deficit position) of the government and its programmes and organisations;
- (g) Accounting Systems should be capable of serving the basic financial information needs of development planning and programming, and the review and appraisal of performance in physical and financial terms;
- (h) The accounts should be maintained in a manner that will provide financial data useful for economic analysis and reclassification of governmental transactions and assist in development of national accounts."

ROLE OF THE PUBLIC SECTOR ACCOUNTANT ACCOUNTABILITY

The meaning of "accountability", arising from the democratic concept "No one enjoys absolute power" should be well understood by all Accountants, The need for this accountability runs through all lines of delegated authority - from the people to parliament/ President/ Cabinet/ Ministers/ Secretaries/ Heads of Department/ specific officers and so on and vice versa.

What Is Your Role

Accountability generally applies to all spheres of activity - financial management in particular as the word itself signifies. The present Public Financial Management Structure Module in Sri Lanka utilizes mostly non - accounting personnel in key positions as Accounting Officers and Chief Accounting Officers. The responsibility cast on the public sector accounting Officers. The responsibility cast on the public sector accountant is therefore heavy. He has to assume the role of a "Financial Consultant." This requires high job competence, managerial skills, and an overall change of attitudes.

Commercial Accounting Vis-A-Vis Public Sector Accounting

The contrast between commercial and public sector accounting should be noted in this context, while commercial business activity aims at "Profit" from outputs that can be measured in financial terms, no concept of profit is aimed at in Government activity where output is not measurable in rupees and cents. Historically public sector accounting and budgeting has focused on input control.

Other Significant Differences

The following features are peculiar to Government accounting and budgeting.

1. Budgets have a legal significance and act as ceilings on expenditure
2. There is emphasis on compliance with the rules and regulations.
3. Broad fiscal objectives such as the effect on borrowing, and non-financial objectives, such as social equality should be considered.
4. There is multiple participation, with internal, external groups and donor agencies being involved.
5. Cash based accounting.

Duties Specified By Financial Regulations

1. The duty of organizing and supervising the details involved in accounting for the receipts, issues and payments.
2. The custody of cash, stores and other valuables.
3. The authority to operate official bank accounts.
4. The operation of a system of internal check.
5. Reporting of losses or misappropriations of cash, stamps, goods and stores.

BEST AVAILABLE COPY

6. Reporting any shortcomings in the system of accounting.
7. The task of making arrangements to ensure the uninterrupted performance of financial functions, even when officers are on leave or temporarily absent.

Ideal Duties and Responsibilities

- (a) Designing of accounting and financial systems for the entire organisation, whether such systems are to be operated by persons coming under the Accountant's supervision or not.
- (b) Advising the management on the financial and accounting implications of all proposals relating to finance.
- (c) Everluating the results of the management programmes and activities from a financial angle.
- (d) Direct control or control through responsible assistance, of recording, classification, analysis and interpretation of accounting data. Preparation of the basic financial statements required under statute and other financial statements that may, from time to time, be required to be submitted to various control agencies or other parties.
- (e) Reviewing and interpreting financial information for the benefit of management at various levels.

One has to earn respect and confidence to perform these functions.

Know your role thoroughly, live in it, and endeavor to perform well for the well - being of your self, others and the nation. Good luck!

THE ROLE OF GOVERNMENT ACCOUNTANT AS AN ADVISOR

General

In a private company the Accountant is the Finance man. Knowledgeable about finance, Accounting and Company practice. Apart from his being an executive his advice is sought regarding,

- The state of finance of the Company
- liquidity and Cash flow
- holding or disposal of stocks and shares / securities
- matters of company practice, etc. and even closure of business

but not so in Govt. Departments, by the nature of its public business, and its financial operations, the Dept., has little to worry about profitability, liquidity or stability of the Environment.

- 2 The Govt. raises its revenue from the people or if short, borrows locally or abroad. It does not need the Accountant's advice in the matter.

As such the Accountant has so far being employed

- to certify vouchers
- to make regularity accounts and render a monthly statement
- to manage the cash Imprest within the Dept.
- to effect payments and render an Appropriation A/c.

3. However Govt., Depts. have varied activities, to deploy funds among different projects, adhere to many rules, keep within many limits, adopt different procedures and finally act within the law and Parliamentary control.

- (a) There are financial relations with the Ministry and the Treasury.
- (b) A new activity may have to be organised and finances accounted.
 - Appropriation A/c's may have to be explained.
 - Supplementary provision may have to be obtained.
 - P. A. C. may have to be answered.
 - Audit queries have to be replied and steps for prevention taken.
 - Parliamentary procedure should be known.
 - Internal control system may have to be established.
 - Advance A/c activity may need to be opened, maintained or closed down.
 - Proper tender procedure to be followed.
 - A stores organisation to be set up.
 - A stock control system to be established, or supervised.
 - Losses, waivers and write-offs to be dealt with.
 - Banking operations to be organised or supervised.

BEST AVAILABLE COPY

Goods to be cleared from the port.

Letters of Credit to be established, etc.

These are matters where the Govt. Accountant advice may be sought.

4. To be advisor one must

- (a) be knowledgeable on the subject and be competent
- (b) be approachable and friendly
- (c) have good sense and judgment
- (d) have the interests of the total organisation
- (e) be unbiased and not self-seeking

5. To fill this role, when and where it arises it is well if the Govt. Accountant equips himself for the task.

He is knowledgeable in Accounting,

Cost Accounting,

Auditing

Economics,

Statistical methods,

figures (i. e. Business mathematics and Arithmetic of Accountancy) Financial Regulations etc.

He has been taken up that line, but he needs to improve and up date it.

He should learn of Business law.

Much more about departmental rules, procedures and Authorities and practices. He should know every thing about the Department. After all the Department grown over the last 50 to 60 years the least. He can acquire all this in a short time.

His vantage point

He is at a vantage point. Everything ends in finance. So Departmental activity is finally reflected somewhere in the Division. He sees the result of the activity. All transactions come his way.

Attitude

For advice to be sought from a man he must be considered a friend. Have good sense. Not considered as authoritarian. Seeking to have the last word. Have a friendly heart. Be eager to help. Is able to sort out matters in his own mind. Apply relevant criteria. Have fairly sound judgment. Be unbiased enough to come to the correct conclusions, and be able to give the **whole advice** in meaningful way.

The Accountant needs to cultivate this. **BE A GOOD TEAM MAN. INTERVENE ONLY WHERE NECESSARY AND WHEN HELP IS SOUGHT AND NOT BARGE IN** Knowledge and Skills to be acquired.

The Accountant should.

- gather little of the History of the Department
- know the different parts of the organisation
- know the Principal actors and their sphere of authority
- perhaps know a little of their inclination
- know much about his own subject
- maintain one's own discipline.

Relationships

Relationships with others matter to an Advisor most importantly. The Accountant should cultivate a Special relationship with the Head of Department.

He should always consider him to be the **HEAD OF THE WHOLE DEPARTMENT** and that he himself is only the Head of his own Dept. He should not inquire into the suitability of the present incumbent to be the Head over others nor ridicule his ignorance of Finance matters, Treasury Circulars or Financial regulations. That is not his field.

Head of Department has a mighty task before him. He has to deal with the outside environment, the Ministry, the Minister, changing policies, Organisation's problems, Personnel matters. This is no easy task.

He has confidential knowledge of many matters. He may have confidential instructions from the Ministry. He may have attended important conferences about which you are not aware.

Therefore you should not try to impose your **KNOWLEDGE ON HIM. BE PREPARED TO ASSIST HIM ALL THE TIME WITHOUT GETTING ANGERED. VERY SOON HE WILL CALL YOU BY THE FIRST NAME. DO NOT SEEK FAVOURS AT THIS POINT. HELP HIM WITH THE LITTLE KNOWLEDGE AND WHATEVER EXPERTISE YOU HAVE, AS A TEAM MAN, IN THE INTERESTS OF THE WHOLE ORGANISATION, AND OF COURSE THE COUNTRY.**

You Will Soon Be An Advisor much to your delight.

THE ROLE OF ACCOUNTANT AS AN ADVISOR

1. General:

Any entity which handles cash will have to systematically account for them. With this necessity there emerged the financial function. Therefore any organisation whether private or public will have to use the services of somebody with skill and expertise for this function and he is designated as accountant very often.

2. Accountant in Private Sector

In income generating trading organisations which have the profit motive financial management is a very vital function because any lapse or a wrong decision made would jeopardise the survival of the entity even. Therefore in a private company the Accountant is a key figure knowledgeable about finance and Accounting and also about legal matters relating to Company practice. Apart from his being an Executive he is an Advisor to the management. He can feel the pulse of the company. Thereby his advice is very often needed and therefore sought regarding

- profitability, Taxation, Etc.
- the state of finance of the Company
- liquidity and cash flow
- holding & disposal of stocks and shares/ securities
- matters of company practice, etc. amalgamation, take over - bids and even closure of business

So the Accountant here is a person with some professional qualification, in accountancy well versed with financial management and is involved in the business matters. In the long run, because of his involvement in the business affairs some times he becomes a director or a partner of the organisation. He is, therefore, performance - oriented. He is well rewarded for such results. At the other extreme, if his services are poor, that will lead to financial penalties like loss of bonus, etc. - not only for himself but also for others some times by loss of employment due to closure of unprofitable lines.

3. Accountants Role in the Public Service

In the public service the accountant is a member of a combined service and his role is rather different from his counterpart in the private sector because of the nature of the objectives of the Ministries/ Departments/ organisations where he is working. He is the custodian of public money.

He has to play the role of the Accountant /Finance Manager / Chief Accountant of the institution and be entrusted with the whole gamut of accounting & financial functions.

Government has from a long time taken a continuous attempt in training accountants. SLIDA and other organisations too are involved in undertaking this task. Recruitment to the service by a highly competitive examination and induction training at the start and later, career development are noteworthy features in regard to the attitude of government to develop a combined service composed of professionally skilled accounting personnel in public service. The purpose behind this attitude is to strengthen the input of professionally trained accountants to Government Service, because of a growing perception, that a wider, more effective role for accountants would help to improve accountability and financial management in government. This is very relevant and vital to-day than any other time because of the government's policy changes involving:

- (1) Regional Development Strategies
- (2) Poverty alleviation programmes
- (3) Establishment of provincial secretariats to deal with public needs at the lowest administrative level.

4. His role as advisor

His services, his expertise, his professional skill are required by the Head of the Institution. There, he should be the Advisor as well as the way-fairer. The Head of the institution is not much conversant with the aspects of financial management. Government Departments, Agencies have to respond to the society's needs. In some of them functions vary e.g., Security Sector, police & Army security services, Health and Education Sectors - Human Resource Development in the country in general. Accountants in Public service, attached to these departments, therefore have to respond to the demands of the society more widely than in some other sectors. Therefore his role as an advisor is of vital importance.

- (a) He will have to advise the Head of the department in -
 - Budget preparation and seeking monetary provision/ supplementary provision where necessary.
 - Control of finances - Revenue & Expenditure
 - Establishment of delegation of authorities so far as financial matter are concerned.
 - Arrangement for the systematic accounting for them & rendering of periodical statements.
 - Dealing with losses, write-offs etc.
 - Setting up of internal control systems within the organisation.
 - Importance of establishing an internal audit

BEST AVAILABLE COPY

- Arranging the payment procedure and internal check system
- Dealing with Tender Board Matters and Tender Procedures.
- Control of Stores, assets, vehicles etc.
- Matters arising out of audit of accounts - Replying Audit queries
- Establishment of board of surveys etc.
- Assisting the Head of the institution to attend P A C/COPE, etc.

These are functions the Accounting Officer has to carryout sometimes with the assistance of the Accountant also.

- (b) To function in the capacity of an advisor he must be qualitatively equipped with some personal features. He must be-
- (a) conversant with the Government financial procedure with an up-to-date knowledge of all aspects of changes to the regulations.
 - (b) able to present facts with relevant data when problems arise for decision making.
 - (c) tolerant, friendly & co-operative.
 - (d) well-versed with the activities of the organisation responding to its needs.
 - (e) unbiased and fair in decision-making
 - (f) able to build his image in the organisation.
 - (g) It is for him to advise the Head of the institution in -
 - solving problems regarding financial matters in a fair and correct manner.
 - leading him in an optimistic manner. Very often it is found that negative replies are given to questions arising in situations where regulations cannot be strictly applied.
 - showing him unsound practices in the Organisation where financial matters are concerned.
 - spotlighting wastage's, robberies, misuse of assets, lack of supervisory control etc. which lead to mal-practices etc.

BEST AVAILABLE COPY

19..... මාසයේ ගිණුම් සාරාංශය
Summary of Accounts for the Month ofJuly.....1992.

.....වෙත දිනය යටතේ , පහත දැක්වෙන මාරු කිරීම අනුමත කරනු ලැබේ.
 The Following transfer is authorised under date.....

නිවැරදි බවට සහතික කරමි
 Certified correct.

.....
 දෙපාර්තමේන්තුවේ ප්‍රධානියා.
 Head of Department.
 දිනය/Date

.....
 ගිණුම් හා ගෙවීම් අධ්‍යක්ෂ - මහා භාණ්ඩාගාරය.
 Director, Accounts & Payments - General Treasury.
 දිනය/Date

ගිණුම් / Accounts	සංකේත අංක Code No.		නර/Dr. රු/Rs. ග./c.	
වැය ගිණුම් Expenditure Account	1000	(1 වන උපලේඛනය බලන්න) (Vide Schedule 1)	461 00	
ආපසු ගෙවීම් ගිණුම් Refund Account	5000	(1 වන උපලේඛනය බලන්න) (Vide Schedule 2)	5	00
මහා භාණ්ඩාගාරයේ පොදු තැන්පත් ගිණුම් General Deposit Treasury Account	6000	(1 වන උපලේඛනය බලන්න) (Vide Schedule 3)	20	00
මහා භාණ්ඩාගාරයේ අනුමත අත්තිකාරම් ගිණුම් Authorised Advances Treasury Account	7000	(1 වන උපලේඛනය බලන්න) (Vide Schedule 4)		
අනුමත අග්‍රිම ගිණුම් Authorised Imprest Account	7002/0/0.....		85	00
අනුමත අග්‍රිම ගිණුම් (ප්‍රති. විදේශාධාර) Authorised Imprest Account (R. F. A.)	7003/0/0.....			
ලංකා දුම්රිය දෙපාර්තමේන්තුවේ සාමාන්‍යාධිකාරී ගිණුම් General Manager, Ceylon Government Railway Account	8003			
මහා ගබඩා General Stores Account	8009			
රාධ්‍ය සේවා අර්ථසාධක අරමුදල් ගිණුම් Public Service Provident Fund Account	8009			
රජයේ ව්‍යාපාර ආරක්ෂණ අරමුදල් ගිණුම් Insurance Fund for Government Undertakings Account	8135			
රජයේ නිලධාරීන්ට දුන් අත්තිකාරම් ගිණුම් 'බ' Advances to Public Officers Account "B" A/c	8493/0/0		15	00
රජයේ නිලධාරීන්ට දුන් අත්තිකාරම් ගිණුම් 'ඒ' Advances to Public Officers Account "A" A/c	8493/0/0			
එකතුව/Total				

සකස් කළේ }
 Prepared by }

පරීක්ෂා කළේ }
 Checked by }

4 වන උපලේඛනය
SCHEDULE 4

මහා භාණ්ඩාගාර අනුමත අත්තිකාරම් ගිණුම් (භර)
Authorised Advances Treasury Account (Dr)

ශීර්ෂය Head No.	දෙපාර්තමේන්තුව Department	ගිණුමේ නම Name of Activity	සංගණ අංකය Code No.	රු. Rs.	ශත cts.
460	M. I. S. & T.	Misc. DEP. A/c	7000/0/0	00	00
			7000/0/0		
			7000/0/0		
			7000/0/0		
			7000/0/0		
			7000/0/0		
			7000/0/0		
			7000/0/0		
			7000/0/0		
			000/0/0		
එකතුව/Total				00	00

5 වන උපලේඛනය
SCHEDULE 5

අධිකර ගිණුම් (බැර)
Surcharge Account (Cr)

සංගණ අංකය Code No.	ශීර්ෂය Head No.	වැඩ සටහන Programme	ව්‍යාපෘතිය Project	වැය විෂය Object	පුද්ගල සෘජුව *ව. අ./ව. අ. Financing CF/FA	රු. Rs.	ශත cts.
2000	460	1	1	01	C. F.	10	00

6 වන උපලේඛනය
SCHEDULE 6

ආදායම් ගිණුම් (බැර)
Revenue Account (Cr)

සංගණ අංකය Code No.	ආ. ශීර්ෂ අංකය R. Head No.	උප ශීර්ෂය Sub-Head	විෂය Item	උප විෂය Sub-Item	රු. Rs.	ශත cts.	
4000	6	00	3	1	5	40	00

BEST AVAILABLE COPY

ගිණුම / Accounts	සංඛ්‍යා අංක Code No		රුපු/රු	
			රු./Rs.	ශ/ස.
අධිකාර ගිණුම Surcharge Account	2000	(5 වන උප-ලේඛනය) (Wide Schedule)	10	-
ආදායම් ගිණුම Revenue Account	4000	(6 වන උප-ලේඛනය බලන්න) (Wide Schedule 6)	40	-
මහා භාණ්ඩාගාර පොදු තැන්පත් ගිණුම General Deposit Treasury Account	6000	(7 වන උප-ලේඛනය බලන්න) (Wide Schedule 7)	60	-
මහා භාණ්ඩාගාර අනුමත අත්තිකාරම් ගිණුම Authorised Imprest Account	7000	(8 වන උප-ලේඛනය බලන්න) (Wide Schedule 8)	-	-
අනුමත අග්‍රිම ගිණුම Authorised Imprest Account	7002/0/0		471	-
අනුමත අග්‍රිම ගිණුම (ප්‍රති. විදේශාධාර) Authorised Imprest Account (R.F.A)	7003/0/0			
ලංකා දුම්රිය දෙපාර්තමේන්තුවේ සාමාන්‍යාධිකාරී ගිණුම General Manager, Ceylon Government Railway Account	8003			
මහා ගබඩා ගිණුම General Stores Account	8009			
ජාතික සේවා අරමුදාගත පුද්ගල ගිණුම Public Service Provident fund Account	8098			
රජයේ ව්‍යාපාර ආරක්ෂණ අරමුදල් ගිණුම Insurance Fund for Government Undertakings Account	8135			
රජයේ නිලධාරීන්ට දුන් අත්තිකාරම් ගිණුම 'බී' Advances to Public Officers Account 'B' A/c.	8493/0/0			
රජයේ නිලධාරීන්ට දුන් අත්තිකාරම් ගිණුම 'ඒ' Advances to Public Officers Account 'A' A/c.	8232/0/0			
එකතුව / Total			586	-

කර්මාන්ත විද්‍යා හා ගාස්තුවන් අමාත්‍යාංශය
මාසික ගිණුම් සටහන්

1 කොටස 199.....මස උප අත්වැල් ගෙවීම් හා අය කිරීම් පිළිබඳ ප්‍රකාශය.

විස්තරය	අත්වැල්	ගමන් අත්තිකාරම	එකතුව
1.1 ආරම්භක ශේෂය එකතු කළා:
1.2 මාසය තුළ ගෙවූ මුදල්
එවූ කළා: මාසය තුළ අයකළ මුදල්

(අ) ජරනල් සටහන් මගින්
(ඇ) තරස් සටහන් මගින්
(ඈ) මුදලින්

1.4 අවසාන ශේෂය

(15)

BEST AVAILABLE COPY

2 ශාඛය

19..... මස මුදල් ගෙවීම් විග්‍රහය

2.1	මුදල් පොත පරිදි මුළු ගෙවීම්	736
2.2	(හර විග්‍රහ එකතුවට සමාන විය යුතුය)	
	අඩු කළා:	
	(අ) හරස් සටහන් මගින් කළ ගෙවීම්	154
	(ආ) භාණ්ඩාගාරයට ආපසු ගෙවීම්	---
	(ඇ) අත් මුදල් ගෙවීම්	235
		389
		347
	එකතු කළා:	
2.3	හරස් සටහන් මගින් අත් මුදල් අය කිරීම (1.3 ආ)	124
2.4	භාණ්ඩාගාර අග්‍රිම ගිණුමට බැර	471
		895

3 ශාඛය

19..... මස මුදල් ගෙවීම් විග්‍රහය

3.1	මුදල් පොත අනුව මුළු ලැබීම් (බැර විග්‍රහ එකතුවට සමාන විය යුතුය.)	1267
	අඩු කළා:	
3.2	හරස් සටහන් මගින් ලැබීම් (2.2 ආ)	154
3.3	මුදලින් ලැබීම්	1113
	අඩු කළා :	
3.4	භාණ්ඩාගාර අග්‍රිම ලැබීම්	10000
		113
	අඩු කළා:	
3.5	මුදලින් අයකර ගත් අත් මුදල් (2.3 ආ)	28
3.6	භාණ්ඩාගාර අග්‍රිම ගිණුමට හර	85
		113

BEST AVAILABLE COPY

19..... මස මුදල් පොත් විග්‍රහය

4.1	19.....01 ව ශේෂය	
4.2	19.....01 ව උප ශේෂය	
4.3	මාසය තුළ ලැබුණු භාණ්ඩාගාර අග්‍රිම (3.4)		1000
4.4	මාසය තුළ එකතු කළ මුදල් (3.6)		85
			<hr/>
			1085
4.5	මාසය තුළ ගෙවූ වවුචර (2.4)		471
4.6	භාණ්ඩාගාරයට ආපසු ගෙවූ අග්‍රිම (2.2 ආ)		---
4.7	මාසය අතදී උප අග්‍රිම ශේෂය (1.4)	83	
4.8	මාසය අග මුදල් පොත් ශේෂය	531	
		<hr/>	
			614
			<hr/>
			1085

සකස් කළේ :
 පරීක්ෂා කළේ :

නිවැරදි බවට සහතික කරමි.

ගණකාධිකාරී ගෙවීම්

19.....දින.

5 වන කොටස

19.....මස ගිණුම් සාරාංශ සටහන්

හර කිරීම්:

5.1	මාසය තුළ හර (2.1)		736
	අඩු කළා:		
5.2	භාණ්ඩාගාරයට ආපසු ගෙවීම් (2.2 ආ)		---
5.3	අඩු කළා:		<hr/>
	(අ) අත් මුදල් (1.2)	736
	(ආ) ගමන් වියදම් අත්තිකාරම් (1.2)	
		<hr/>	
			235
			<hr/>
			501
5.4	එකතු කළා:		
	මුදලින් එකතු කළ මුදල් (3.5)		85
			<hr/>
			586
			<hr/>

5.5	ඒර්නල් සටහන් මගින් හර කිරීම් (6.5)		
5.6	මාසික ගෙවීම් සාරාංශ හර එකතුව (6.6)		586
			<hr/>
			586

6 කොටස

බැර කිරීම:

6.1 මාසය තුළ බැර (3.1) 1267

අඩු කළා:

	<u>මුදල් පොත</u>	<u>ජරනල්</u>	<u>එකතුව</u>
(අ) ජරනල් සටහන් (1.3)
(ආ) අන් මුදල් (1.3)
(ඇ) ගමන් අත්ති. (1.3)

152

1115

අඩු කළා:

6.3 භාණ්ඩාගාර අග්‍රිම (4.3) 1000

115

එකතු කළා:

6.4 මුදල් පොත අනුව මුදලින් ගෙවීම් (2.4) 471

586

එකතු කළා:

6.5 ජරනල් සටහන් මගින් බැහ කිරීම් (5.5) ---

6.5 මාසික ගෙවීම් සාරාංශ බැර එකතුව (5.6) 586

586

පිළියෙල කළේ.....

නිවැරදි බවට සහතික කරමි.

19.....මස.....දින

ගණකාධිකාරී (මුද්‍රා)

.....

CASH BOOK

Date	Ref. No	Description	Cash	XE	Total	Classification Details	Date	Ref. No.	Description	Cash	XE	Total	Vote Particulars
01.07.92	PIV 1	Treasury Imprest	1000	—	1000		01.07.92	Vr 1	Salaries	70	30	100	460-1-1-01
01.07.92	Vr 1	Salary Recoveries	----	10	10	Surcharge A/c	01.07.92	2	Festival Adv.	15	—	15	Adv. to P.O.O
		- do -	—	10	10	Rev. "							
		- do -	—	5	5	W & O. P.							
		- do -	—	5	5	Adv. to P.O.O.							
							02.07.92	3	Travelling Adv.	60	—	60	Trav. Adv.
							03.07.92	4	Adv. for Purchase	75	—	75	Purch. Adv.
							04.07.92	5	M.V. Repairs	40	—	40	460-1-1-04
							"	6	E. Bill	20	—	20	460-1-1-05
							"	7	Tra. Adv.	35	—	35	Tra. Adv.
							"	8	Purchase	15	—	15	Purch Adv.
							"	9	Purchase Adv.	50	—	50	- do -
05.07.92	11	Subsistance	—	44	44	Tra. Adv.	05.07.92	10	Subsistance	52	—	52	460-1-1-02
"	12	Stationary	—	65	65	Purch. Adv.	"	11	"	—	44	44	- do -
06.07.92	PIV 2	Cash	16	—	16	Tra. Adv.	"	12	Stationary	—	65	65	460-1-1-03
"	3	"	25	—	25	Rev. 6-3-1-5	06.07.92	13	Fuel	25	—	125	460-1-1-03
06.07.92	4	Tender Deposit	20	—	20	Deposit	07.07.92	14	Refund from Rev.	5	—	5	Refund from Rev.
07.07.92	5	Cash	12	—	12	Purch Adv.	10.07.92	15	Deposit Refund	20	—	20	Deposit A/c
10.07.92	6	Tender Deposit	40	—	40	Deposit	10.07.92	16	Stationary	—	15	15	460-1-1-03
10.07.92	16	Stationary	—	15	15	Purch Adv.				582	154	736	
		Total	1113	154	1267				Balance	531	—	531	
									Total	1113	154	1267	

107
BEST AVAILABLE COPY

Date	Vr. No.	Treasury Imprest	Surcharge A/c	W & O.P.	Other Rev. 6-3-1-5	Deposit A/c	Adv. to POO	Tra. Adv.	Purch Adv.			Total
1-7-92	PIV 1	1000										100
1-7-92	Vr 1		10	5	10		5					30
5-7-92	11							44				44
5-7-92	12								65			65
6-7-92	PIV 2							16				16
6-7-92	PIV 3				25							25
6-7-92	PIV 4					20						20
7-7-92	PIV 5								12			12
10-7-92	PIV 6					40						40
10-7-92	16								15			15
Total		1000	10	5	35	60	5	60	92			1267

Date	Vr. No.	Expenditure A/c					Adv. to POO	Tra. Adv.	Purch Adv.	Refund A/c	Deposit A/c	Total
		1-1-01	1-1-02	1-1-03	1-1-04	1-1-05						
1-7-92	1	100										100
1-7-92	2						15					15
2-7-92	3							60				60
3-7-92	4								75			75
4-7-92	5				40							40
4-7-92	6					20						20
4-7-92	7							35				35
4-7-92	8								15			15
4-7-92	9								50			50
5-7-92	10		52									52
5-7-92	11		44									44
5-7-92	12			65								65
6-7-92	13			125								125
7-7-92	14										5	5
10-7-92	15								20			20
10-7-92	16			15								15
Total		100	96	205	40	20	15	95	140	20	5	736

GUIDE FOR PREPARATION OF SUMMARY OF ACCOUNTS

	Ex. P. A/c Surcharge		Rev. A/c Refund A/c		Adv. to P.O. A/c		Deposit A/c		Treasury Imprest A/c		Advances	
	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR
01.07.92 Received Imprest Rs. 1000/=												
01.07.92 Paid Sal. Rs. 100/= (Recoveries)	100	10	10							70		
W & O.P. Rs. 5/=, F. Adv. Rs. 5/= no pay la. year Rs. 10/= Current year Rs. 10/=				5		5						
01.07.92 Paid FES. ADV. Rs. 15/=					15					15		
02.07.92 Paid Tra. Adv. Rs. 60/=											60	
" Paid an Adv. 75/= for purchases											75	
04.07.92 Bills settled Rs. 40/= (M. V. Rep)	40									40		
" Bills settled Rs. 20/= (E. Bill)	20									20		
" Paid Tra. Adv. Rs. 35/=											35	
" Paid an Adv. for purchase Rs. 50/=											50	
" - do - Rs. 15/=											15	
05.07.92 Settled Tra. Claim Rs. 52/=	52									52		
" Settled Rs. 44/= (XE on Adv.)	44									XE44		44
" Stationary Rs. 65/= (XE on Adv.)	65									XE65		65
06.07.92 Settled fuel Bills Rs. 125/=	125									125		
" Cash received (on Adv.) Rs. 16/=												16
" Deposit received Rs. 20/=								20	20			
" Deposit received Rs. 25/=				25					25			
07.07.92 Purchase Adv. settled Rs. 12/=												12
" Refunded Rev. Rs. 5/=			5							5		
10.07.92 Refunded deposit Rs. 20/=							20			20		
10.07.92 Tender deposit Rs. 40/=								40	40			
10.07.92 Stationary XE Rs. 15/=	15									XE15		15
	461	10	5	40	15	5	20	60	85	471	235	152

RECONCILIATION OF ACCOUNTS

The following matters will be discussed under the above headings.

- (1) Monthly Accounts (Revenue & Expenditure)
- (2) Public Officers
- (3) Imprest Account.

By reconciliation of the above accounts we make sure that revenue and expenditure, whether in a regional office or in the Head Office, have been properly accounted for. If there are decentralised regional offices action may be taken to reconcile records with accounts maintained at the Head Office and in turn Treasury accounts can be reconciled with that of the department. The following records will be necessary under each type of account.

- i. Reconciliation of monthly accounts with office records
Cash book.
Appropriation votes ledger.
Classification (receipt and payment).
Monthly summary of accounts.
Bank statement.
Cash cheque and Money order register (GAM 83)
cheque and cash deposit counterfoils.
- ii. Reconciliation of monthly accounts with Treasury accounts.
Certificates of Treasury balance.
Main appropriation votes ledger.
Main monthly summary of accounts.
- iii. Reconciliation of Public officers Advance account with office records.
Advance ledger.
Recovery register.
Salary summary.
Cash Book.
- iv. Reconciliation with Treasury books.
Treasury Balances.
Monthly debits and credits.
Individual balances.
- v. Reconciliation of Imprest account with office records.
Imprest ledger.
Cash book.
Monthly summary of accounts.
- vi. Reconciliation with Treasury books.
Treasury Imprest - balances.
Monthly summaries (Debits & Credits)

If there are decentralised regional offices, accounts should be reconciled with ledger maintained in such offices and also such accounts should be reconciled with that of Head office. In that event accounts in the regional offices could be verified with that in the Head Office and necessary adjustments made.

A) Reconciliation of Income/Expenditure & advance accounts with ledger in own office

All receipts are channeled through Cash cheque and M.O. register, G. 172 receipts issued and entered in the C. B. and balanced. Immediate staff officer will supervise this procedure and he will sign these documents in authenticity. In payments vouchers are noted in the votes ledger and cash book and cheques are issued.

Accountant will sign the Voucher, votes ledger, Cash book and cheques to see that payments are correctly made and accounted properly. If a petty cash Imprest is available renewals too will be entered in the C/B. Thus it is clear that all receipts and payments are noted in the C/B. Payments are noted in the votes ledger according to vote particulars. In this process monthly summary of accounts can be built from classification C/B. But as it would be necessary to ascertain whether the accounts are correct, data in the Votes ledger can be obtained for verification.

It is thus clear that reconciliation would reveal whether monthly accounts are correct. All records in the Account Division are required for reconciliation only if necessary records at the proper time are not entered. Otherwise reconciliation at last would reveal that there are no defects in accounts.

(B) Public Officers Advance accounts

In reconciliation of the above account receipts and payments and individual balances are verified. In terms of F.R. end of the year balances should be certified and sent to Aud. General. Since individual balances should be reconciled, it is necessary that payments and recoveries are daily recorded properly. Therefore at the time of payment it should be noted in the payments register and at the same time in the P.E. register and abatement register. At the end of the month amount paid and recovered should be obtained. Now it should be reconciled to see whether the payments and recoveries are correct in terms of the monthly salary summary. There can exist a difference because transfer out and transfers in are not reflected in the data. Monthly reconciliation would reveal such difference and corrections can be made. If such a monthly reconciliation is done end of the year balances of individuals would normally be correct. Taking into consideration the complications advance accounts should be reconciled monthly even though there may not be regulations to that effect.

In reconciliation of this account final figures of pay clerk should be reconciled with pay unit record, and later reconciliation with records in the Head Office as necessary.

(C) Imprest Account

If imprest released by the department from the Treasury is released to decentralised regional offices, imprest balance at the end of a month is ascertained as follows.

Monthly imprest

Account according to the monthly summary of Imprest balance. Such balance may not tally with the balance in C/B, because what is not accounted is in the C/B such as traveling advance. Therefore it is necessary to reconcile the balance in C/B with balance in Imprest register and next in the H. O.

(D) Reconciliation with Treasury books

When we consider the above categories of accounts, Treasury sends extracts of monthly accounts to Departments. Such extracts should be reconciled with own Department income and expenditure and debits and credits raised by other Department on behalf the own Department. This would facilitate to see that accounts are correct.

With regard to advance accounts Treasury ledger will show the balance carried forward at the end of the month. Such balance should be reconciled with the Department balance. Sometimes although such balance may reconcile, individual balances may not tally in Departments. Therefore it would be better to reconcile accounts monthly and individual balances quarterly.

Imprest balance should be settled at the end of the year. Departmental imprest balance should be reconciled monthly with the Treasury balance which would facilitate annual settlement. When there are several regional office, such balances are first reconciled with the Departmental balance and this with the Treasury. This procedure will eliminate complications.

ගිණුම් සැසඳීම

මෙම මාතෘකාව යටතේ පහත සඳහන් කරුණු ගැන සාකච්ඡා කෙරේ.

- (1) මාසික ආදායම / වියදම ගිණුම
- (2) රජයේ නිලධාරීන්ගේ අත්තිකාරම් ගිණුම
- (3) අත් මුදල් (අග්‍රිම) ගිණුම

ඉහත සඳහන් ගිණුම් සංසන්දනය කිරීමෙන් අපේක්ෂා කෙරෙනුයේ ප්‍රාදේශීය කාර්යාලයේ වේවා ප්‍රධාන කාර්යාලයේ හෝ වේවා ආදායම් වියදම් නිවැරදිව ගිණුම් ගත වී ඇද්දැයි තහවුරු කර ගැනීමයි. මෙහිදී විමධානන ප්‍රාදේශීය කාර්යාල ඇත්නම් කාර්යාල ලේඛන සමග සංසන්දනය කිරීමත් කාර්යාල ලේඛන සහ ප්‍රධාන කාර්යාලයේ ලේඛන සමග සංසන්දනය කිරීමත් ප්‍රධාන කාර්යාලයේ ලේඛන සමග භාණ්ඩාගාරයේ ලේඛන සංසන්දනය කිරීමත් අදාළ වේ. එක් එක් ගිණුම් යටතේ සංසන්දනය කිරීම සඳහා අවශ්‍ය වන ලියවිලි පහත දැක්වේ.

- i. මාසික ශීර්ෂගත වියදම් කාර්යාලීය ලෙජර / පොත් සමග සැසඳීම
 - මුදල් පොත
 - වැය සම්මත (විසර්ජන ලේඛණ)
 - වැය හෝ අය වර්ග කරන ලේඛන
 - මාසික ගිණුම් සාරාංශය
 - බැංකු ප්‍රකාශය
 - වෙක්සන් මුදල් හා මුදල් ඇණවුම් ලේඛන (ඒ ඊ එම් 83)
 - බැංකුගත කළ කුට්තාන්ති පත්
- ii. මාසික ශීර්ෂගත ආදායම් වියදම් භාණ්ඩාගාර පොත් සමග සැසඳීම
 - භාණ්ඩාගාර ශේෂ සහතික
 - ප්‍රධාන වැය සම්මත ලේඛණ
 - ප්‍රධාන මාසික ගිණුම් සාරාංශය
- iii. රජයේ නිලධාරීන්ගේ අත්තිකාරම් ගිණුම
 - කාර්යාල ලෙජර සහ පොත් සමග සැසඳීම
 - අත්තිකාරම් ලෙජරය
 - අවතරණ ලේඛනය
 - මාසික වැටුප් සාරාංශය
 - මුදල් පොත
- iv. භාණ්ඩාගාර පොත් සමග සැසඳීම
 - භාණ්ඩාගාර ශේෂ
 - මාසික හර සහ බැර කිරීම්
 - පුද්ගල ශේෂ
- v. අත් මුදල් ගිණුම
 - කාර්යාලීය ලෙජර පොත් සමග සැසඳීම
 - අත් මුදල් ලෙජරය
 - මුදල් පොත
 - මාසික ගිණුම් සාරාංශය
 - භාණ්ඩාගාර පොත් සමග සැසඳීම
 - අත් මුදල් ලෙජර භාණ්ඩාගාර ශේෂ වාර්තා
 - මාසික ගිණුම් වාර්තා (හර, බැර)

විමධානන කර ඇති ප්‍රාදේශීය කාර්යාල ඇත්නම් කාර්යාලීය ලෙජර පොත් සමග සැසඳීමට අමතරව සිය ප්‍රධාන කාර්යාලයේ ලෙජර සහ පොත් සමග සැසඳීම අවශ්‍ය වේ. එවිට ප්‍රධාන කාර්යාලයේ ගිණුම් හා ශේෂයන්ට සම්බන්ධ කටයුතු කරමින් තම ලෙජර වල ශේෂයන් හා ගිණුම් නිවැරදි දැයි තහවුරු කර ගැනීම සිදු කළ යුතුය.

කාර්යාලීය ලෙජර සමග සිය ආදායම/ වියදම් ගිණුම් සැසඳීම

සියළුම ලැබීම් වෙක්සන් සහ මුදල් ඇණවුම් ලේඛන හරහා මුදල් පොතට ලැබීමත් පොදු 172 කුවිතාන්සි නිකුත් කිරීමත් එ සමග අදාළ බැංකු ගත කිරීම් සිදු කිරීමත් වේ. මේවා සිදුවීමේදී ආසන්නතම මාණ්ඩලික නිලධාරියාගේ අත්සන යටතේ සිදු වන අතර එය තහවුරු කර ගැනීම සඳහා එකී ලේඛන වල ඔහුගේ කෙටි අත්සන් තැබෙනු ඇත. වියදම් දැරීමේදී ගෙවීම් වටුවට මගින් වැය විෂය විස්තර යටතේ වැය ලෙජරයේ සටහන් කෙරෙමින් මුදල් පොත හරහා වෙක්සන් නිකුත්කරනු ලැබේ. එම අවස්ථා වලදී ද ගණකාධිකාරී වරයා විසින් වැය ලෙජරය මුදල් පොත සහ වෙක්සන් වල සිය කෙටි අත්සන හෝ අත්සන් තැබීමෙන් එම

ගෙවීම් නිවැරදි බවත් ගිණුම් ගත කර ඇති බවත් තහවුරු කර ගනී. සුදු මුදල් අමුණක් ඇති කාර්යාලවල එම වියදම්ද අලුත් කර ගැනීම මගින් මුදල් පොතට ඇතුළු වේ. මේ අනුව සියලුම ලැබීම් සහ ගෙවීම් මුදල් පොතට ඇතුළු වන බව තැහැරීලිය. එසේම සියළුම ගිණුම් ගත වියදම් ඒ ඒ වැය වීම්කර යටතේ වැය ලෙජරයේ සටහන් කෙරෙන බවද පැහැරීලිය. මේ අනුව මාසය අවසානයේ සිය ප්‍රධාන කාර්යාලයට හෝ භාණ්ඩාගාරයට යැවීම සඳහා මාසික ගිණුම් සාරාංශ පිළියෙල කිරීමේදී මුදල් පොතේ හෝ මුදල් පොතේ ගෙවීම් සහ ලැබීම් වර්ගීකරණ කර ගැනීම සඳහා ඇති ලෙජරයෙන් හෝ දත්ත ලබාගෙන ගිණුම් සාරාංශ සකස් කොට ඉදිරිපත් කළ හැකිය. එහෙත් එම සංඛ්‍යා නිවැරදිදැයි සනාථ කර ගැනීම සඳහා සැසඳීමක් කිරීම අවශ්‍ය වේ. එහිදී වැය ලෙජරය ලපයෝගී කරගෙන වැය ලෙජරයේ දක්වා ඇති වැය විස්තර යටතේ වූ වියදම් ලබාගෙන එම වියදම් වැය විෂයයන් යටතේ සමාන වන්නේදැයි සැසඳීමක් කිරීමෙන් මෙය සනාථ කර ගත හැකිය. මේ අනුව මාසිකව ගිණුම් ගත වෙන වියදම් නිවැරදි බව එකී සැසඳීමෙන් පසු තහවුරු කරගත හැකිය. ඉහත 1:1 ඡේදයෙහි දක්වා ඇති සියළුම ලේඛන සැසඳීම කිරීමට අවශ්‍ය වන්නේ නිසි පරිදි නිසි අවස්ථාවේ එම ලේඛන වල තොරතුරු ඇතුළු කොකරන ලද අවස්ථා වලදී ඇති වන වෙනස්කම් සොයා ගැනීමටය. තොරස් තම් අවසාන සැසඳීමේදී කිසිම වෙනස් කමක් දක්නට නොලැබේ.

රජයේ නිලධාරීන්ගේ අත්තිකාරම් ගිණුම

මෙම ගිණුම සැසඳීමේදී ගෙවීම් සහ ලැබීම් නිවැරදි වනවා පමණක් නොව එක් එක් පුද්ගලයාගේ ශේෂයන් නිවැරදි බව තහවුරු කර ගැනීම අවශ්‍ය වේ. මුදල් රෙගුලාසි වල නියමයන් අනුව මෙම ගිණුමේ වාර්ෂික අවසාන ශේෂයන් විගණනාධිපති වෙත යැවිය යුතුව ඇත. පුද්ගල ශේෂයන් සමග සංසන්දනය කිරීම වර්ෂය අවසානයේදී සිදු කරන බැවින් දෛනිකවම සිදු කරනු ලබන ගෙවීම් සහ අඩුකිරීම් නිසි පරිදි ලේඛන ගත වන බවට සැහිල්කම පත් නොවන විට කටයුතු සංකීර්ණ තත්ත්වයකට පත්වේ. එබැවින් මෙම ගිණුමින් මුදල් ගෙවීමේදී අදාළ ගෙවීම් ලෙජරයේ සටහන් කිරීමත් එම සටහන් මගින් අත්තිකාරම් අයකර ගැනීම සඳහා අදාළ වැටුප් ලේඛනයේ සහ අවකරන ලේඛනයේ සටහන් කිරීමත් අවශ්‍ය වේ. මේ අනුව මෙම සැසඳීම මාසිකව පහත සඳහන් පරිදි සිදු කළ යුතුය. මේ සඳහා පවත්වාගනු ලබන අවකරන ලේඛනයේ මාසය අවසානයේදී අළුතෙන් ගොඩ ඇති අත්තිකාරම් මුදල සහ මාසය තුළ අයකර ඇති මුළු ගණන ලබා ගත යුතුය. මේ වැනි අවකරණ ලේඛන කාර්යාලයක කිහිපයක් තිබිය හැකිය. එක් එක් ලේඛනයේ ඉහත කී ශේෂයන් සටහන් කරමින් සාරාංශ ගත ලේඛනයක් සකස් කිරීමෙන් එම කාර්යාල ෫ මගින් අදාළ මාසය තුළ ගෙවන ලද මුළු අත්තිකාරමක් අදාළ මාසය තුළ අය කරගත් මුදලක් දැක්වේ. එවැනි අවස්ථාවකදී වෙනස්කම් පිළිබිඹු වීමට ඉඩ ඇත. එනම් අදාළ කාර්යාලයේ පිට තවත් මාරුවී ගිය නිලධාරීන්ගේ සහ වෙනත් දෙපාර්තමේන්තු වලින් එම කාර්යාල වලට පැමිණි නිලධාරීන්ගේ අය කිරීම් සඳහන් නොවීම වැනි කාරණාය. මාසිකව මේ වැනි සැසඳීමක් කිරීමෙන් එම තොරතුරු තීරවුල් වන අතර එක් එක් මාස වල ගිණුම් නිවැරදි බව තහවුරු වේ. මේ අනුව මාසිකව කටයුතු සිදු වන්නේ නම් වර්ෂය අවසානයේදී අවකරණ ලේඛනය මගින් ගනු ලබන පුද්ගල ශේෂයන් සමග ගිණුමේ ඇති සංකීර්ණ ස්වභාවය සැලකිල්ලට ගෙන ත්‍රෛමාසිකව පුද්ගල ශේෂයන් සමග සැසඳීම සිදුකිරීම අවශ්‍ය කරුණු බව පෙනී ගොස් තිබේ. මෙම ගිණුම සංසන්දනය කිරීමේදී එක් එක් වැටුප් ලිපිකරුවාගේ ලේඛන සමග සංසන්දනය කිරීම වැටුප් කාර්යාලය තුළ ලේඛන සමග සංසන්දනය කිරීම ප්‍රධාන කාර්යාලයන් ඇත්නම් එම කාර්යාලයේ ශේෂයන් සමග සංසන්දනය කිරීම අදාළ පරිදි විය යුතුය.

අත් මුදල් ගිණුම

භාණ්ඩාගාරය මගින් දෙපාර්තමේන්තුවට ලැබෙන මුදල් විමධ්‍යගත කාර්යාල වලට වෙන් කරන්නේ නම් ප්‍රාදේශීය කාර්යාල වල මාසය තුළ ලැබූ මුදල සහ මාසය තුළ ගිණුම් ගත කළ මුදල (ගිණුම් සාරාංශ මගින්) අතර වෙනස අත් මුදලේ ශේෂය වශයෙන් සලකනු ලැබේ. එම ශේෂය මුදල් පොතේ ශේෂයට සමාන නොවනු ඇත. මන්දයත් ගිණුම ගත නොවන වියදම් මුදල් පොතේ ඇතුළත් වන්නේ නම් (උදා :- අත්තිකාරම්) අත් මුදල් ශේෂයට මුදල් පොතේ ශේෂය නොගැලපේ. එබැවින් මුදල් පොතේ ශේෂය සහ අත් මුදල් පොතේ ශේෂය සමග සංසන්දනය කිරීමත් ප්‍රාදේශීය කාර්යාල විසින් සිදු කළ යුතුය. එම ශේෂය නිවැරදිදැයි ප්‍රධාන කාර්යාලයේ අත් මුදල් ලෙජර ගිණුම සමග සැසඳීමක් සිදු කළ යුතුය.

භාණ්ඩාගාර පොත් සමග සැසඳීම

ඉහත කී ගිණුම් වර්ග තුන යටතේ සලකන කළ මාසික වියදම් ගිණුම් සම්බන්ධයෙන් භාණ්ඩාගාරය විසින් ආසිකව වියදම් වාර්තා දෙපාර්තමේන්තුවට සපයනු ලැබේ. එම වියදම් සමග සිය ගිණුම් සාරාංශ ගත වියදම්ද වෙනත් දෙපාර්තමේන්තු වලින් කරනු ලබන හර බැර කිරීම්ද සංසන්දනය කරමින් ඒවා නිවැරදි බව සනාථකර ගත යුතු ය.

අත්තිකාරම් ගිණුම සම්බන්ධයෙන් භාණ්ඩාගාරයේ මාසික ලෙජර ගිණුමේ මාසික ඉදිරියට ගෙන යන ශේෂය දැක්වේ. එම ශේෂය සමග දෙපාර්තමේන්තුවේ ලෙජර ශේෂය ගැලපෙන්නේදැයි සංසන්දනය කර ගැනීම අවශ්‍ය වේ. බොහෝ විට එම ශේෂ ගැලපෙන්නේවූ නමුදු එම ශේෂය පුද්ගල ශේෂය සමග ගලපා ගැනීම අසීරුම්ම සෑම දෙපාර්තමේන්තුවකම මෙන්ම දකින්නට ලැබෙන්නකි. එබැවින් ඉහත සඳහන් කළ ක්‍රමය අනුව මාසිකව ගිණුම් සැසඳීමක් කරමින් ත්‍රෛමාසිකව පුද්ගල ශේෂයන් සමග සැසඳීමක් කරන්නේ නම් මෙය සංකීර්ණ නොවනු ඇත.

අත් මුදල් ශේෂය වර්ෂය අවසානයේදී පියවිය යුතුය. මාසිකව භාණ්ඩාගාරයේ අත් මුදල් ශේෂ සමග සිය ලේඛන සංසන්දනය කරමින් යාවකාලීනව පවත්වා ගැනීමෙන් මෙය තීරවුල් කර ගත හැකිය. ප්‍රාදේශීය කාර්යාල කිහිපයක් ඇති අවස්ථා වල මාසිකව එම ප්‍රාදේශීය කාර්යාල වල අත් මුදල් සංසන්දනය කර නිවැරදි බව තහවුරු කර ගැනීමේදී වර්ෂය අවසානයේදී භාණ්ඩාගාර ශේෂයන් නිවැරදි බව තහවුරු වන අතර එය තීරවුල් කිරීමේ ගැටළුවක්ද පැන නොගනී.

RECONCILIATION OF ACCOUNTS WITH TREASURY BOOKS

Requirement under FR 427

Treasury Circulars so far issued are :-

4/87 of 09.07.1987
6/88 of 24.08.1988
2/89 of 15.11.1989
10/90 of 25.10.1990
11/90 of 10.12.1990
13/91 of 26.11.1991

Main Documents involved in reconciliation

1. Expenditure Accounts Print out table 33
2. -do- -do- table 31
3. P.O.O. Advance/ Accounts -do- table 55
4. Authorised Advanced Accounts -do- table 58A
5. Deposit Accounts -do- table 57
6. Revenue Accounts -do- table 40
7. Imprest Accounts -do- table 54
8. Monthly Summaries of Accounts - 'A' Class Dept
9. Renewal Documents of - 'B' Class Dept.
10. Receipts / Payments Abstracts of Divisional Secretaries
11. Treasury Vouchers / Transfer Orders
12. Transfer Sheets of Foreign Accounts
13. Documents of 'C' Class Depts.

Accounts Involved in reconciliation

1. Expenditure Account } Votes
Surcharge Account }
2. Revenue Account } Revenue
Refund Account }
3. Public officers Advance Account Debits / Credits / Debit - Balance
4. Treasury Main ledger Accounts (some of them) Misc. Advance Accounts of Treasury / Advance Accounts of Civil Medical Stores / Railway Advance Account/ Govt. Stores Advance Account.
5. Deposit Accounts (some of them)
Fund Accounts/ Misc., Deposit Accounts / Tender Deposit Accounts
Depreciation Fund Account / Advances to Corporations
6. Authorised Advance Accounts

Sources of Accounting documents indicated in Computer Print outs.

- T - Treasury - With Treasury Voucher No./ Transfer sheet No.
- K - Divisional Secretaries - with Divisional Secretaries No.
- S - Departmental Summaries of Accounts - with Head No.
- C - Crown Agents - by the Treasury

Sources of Financing indicated in the Print outs and Printed Estimates.

- (1) Consolidated Fund
- (2) Foreign Aid Loan
- (3) Foreign Aid Grants
- (4) Reimbursable Foreign Aid Loans
- (5) -do- Grants

By reconciling with Treasury Books the following major objectives can be achieved.

1. Check Accuracy of Treasury Accounting & recording. Treasury books are taken as correct by the Auditor general.
2. Check Debits / Credits raised by other Depts. & Kacheheries to your votes.
3. Detect all unauthorised Debits / Credits raised by other Depts/ Divisional Secretariats.

4. Detect - erroneous Debits / Credits
5. Check the Expenditure pattern and Revenue collection pattern
6. Timely action for savings and over expenditure
7. Submit - supplementary estimate / ER 66 application to avoid excess on votes
8. Correct - erroneous and unauthorised Debits / Credits Promptly
9. Check financing to ascertain Foreign Aid is properly accounted.
10. Examine whether expected revenue is collected
11. Check limits of Advance Accounts activities. Timely action to vary limits of Advance Accounts activities, in situations of excess
12. Avoid Auditor General reporting to Public Accounts Committee

Final request Please pay attention not only for making payments but also for accounting recording and reconciliation.

Circular No. 1391 of 26.11.1991 giving reconciliation procedure is annexed.

ඇමුණුම

ප්‍රකාශන අංකය	විස්තර	පිටුව
1...	1984 දෙසැම්බර් 31 වන දිනට පැවැති ලැබීම් හා ගෙවීම් වලට එක එල්ලේම සම්බන්ධ රජයේ වත්කම් හා බැරකම් ප්‍රකාශය	5
	(අ) 1984.12.31 දිනට පැවැති රාජ්‍ය ණය පිළිබඳ ප්‍රකාශය	8
	(ආ) (1) ශ්‍රී ලංකා මහ බැංකුව පහින් ලබාගන්නා ලද විදේශ සම්පාලන ණය පිළිබඳ ප්‍රකාශය	44
	(ඇ) (2) ජාත්‍යන්තර මූල්‍ය අරමුදලේ භාරකාර අරමුදලේ ණය පිළිබඳ 1984.12.31 දිනට ප්‍රකාශය	44
	(ඈ) පාලන ණය ගැනීම පිළිබඳ ප්‍රකාශය	45
	(ඉ) (i) එකාබද්ධ අරමුදල පිළිබඳ ප්‍රකාශය	46
	(ඊ) (ii) 1984 මුදල් වර්ෂයේ වැය සංඛ්‍යා අනුව කරන ලද වියදම් හර කරන ලද ආකාරය	47
	(උ) නැන්සන් මුදල් හා ගෙවීම් බැරකම් පිළිබඳ ප්‍රකාශය	48
	(ඌ) විවිධ අරමුදල පිළිබඳ ප්‍රකාශය	51
	(ව) ශ්‍රී ලංකා මහ බැංකුවේ විදේශීය ආධාර ප්‍රතිරූපිත අරමුදල (සමූහාගිරාදිය)	52
	(ඊ) මුදල් සහ බැංකු ණය පිළිබඳ ප්‍රකාශය	52
	(උ) බඩු බාහිරාදිය සහ ගබඩා ද්‍රව්‍ය මිලදී ගැනීම සඳහා දුන් අත්තිකාරම් පිළිබඳ ප්‍රකාශය	52
	(ඌ) ආණ්ඩුවේ දෙපාර්තමේන්තුවලට දී ඇති අත්තිකාරම් පිළිබඳ ප්‍රකාශය	53
	(ඍ) අත්තිකාරම් ගිණුම්වලින් හා අතිරික්ත ණයයන්ගෙන් දෙන ලද ණය පිළිබඳ ප්‍රකාශය	54
	(ඎ) (දේශීය) ආයෝජනයන් පිළිබඳ ප්‍රකාශය	54
	(ඏ) විදේශීය ණය වියදම් වැය ගිරිපවලට අයවීමේ සඳහා	55
2	කොළඹ ක්‍රමය යටතේ මුදලින් හෝ බඩු බාහිරාදියෙන් අනිකුත් ආණ්ඩු දුන් මුදල් ආධාර (මූලික භාණ්ඩාදියෙහි වටිනාකම හැර)	56
	(අ) එක්සත් ජනපද රාජ්‍යයේ ක්‍රියාකාරී දූත පිරිස මගින් ඇමෙරිකා එක්සත් රාජ්‍ය දුන් මුදල් ආධාර	64
	(ආ) 2 සහ 3 (අ) ප්‍රකාශවල සඳහන් ආධාරවලට අමතර වශයෙන් ලැබී ඇති විදේශ ආධාර ප්‍රදාන	67
	(ඇ) වැඩ සටහන් ආධාර ප්‍රදාන	70
	(ඈ) ආහාර ආධාර ප්‍රදාන	73
	(ඉ) ඇස්තමේන්තුවල ප්‍රතිපාදන සලසා නොමැති අතීයම් නාගල පිළිබඳ ප්‍රකාශය	75
	(ඊ) (1) ශ්‍රී ලංකාවේ පැවැත්වූ මුදලින් ජාතින්ගේ සමුළුව සඳහා ලැබූ විදේශාධාර පිළිබඳ ප්‍රකාශය	76
	(උ) (2) සංවර්ධන යෝජනා ක්‍රම සඳහා භාණ්ඩවලින් සහ මුදල් වශයෙන් ලැබූ විදේශ ආධාර	78
	1984 මුදල් වර්ෂය තුළ හි මුදල් ගෙවීම් සහ වැය සහතික ප්‍රකාශය	92
	1984 මුදල් වර්ෂයේ (ඇස්තමේන්තු කළ) සහ ඇත්ත වශයෙන් (ත්) ආදායම් පිළිබඳ සංසන්ධිත වාර්ෂික ප්‍රකාශය	96
5.	1984 මුදල් වර්ෂයේ වියදම් පිළිබඳ සංසන්ධිත වාර්ෂික ප්‍රකාශය	120

6.	1983 සහ 1984 වර්ෂ තනි වාර්ෂික වාර්තාවල සහ දෙසැන විදේශ විලිබද සංසන්දන ප්‍රකාශය	209
7.	1984 දෙසැනවර් 31 වැනිදිනින් අවසන් වූ අප්‍රේල් 10 සම්බන්ධ කොටස, විදේශ සහ ණය පුද්ගල වූයේ පිලිබද ප්‍රකාශය	218
8.	බද්ධ වගාමාර සමාගමල ආයෝජනය ඇතුළුව, වර්ෂ සභාගල දායක සංසන්දන මණ්ඩල හා ආයතන වලටදී ඇති ණය පුද්ගල, අත්තිකාරම හා ආයෝජන පිලිබද ප්‍රකාශය	220
8.	(අ) ප්‍රාග්ධන බද්ධ වගාසන පවරා දෙන ලද්දේ 1984.12.31 වනදි දිනට භාණ්ඩාගාර ලේකම් සතුව තිබුණු සමාගම කොටස	252
9.	ජාත්‍යන්තර පුද්ගල ආයතනසමට දෙන ලද දායක පුද්ගල පිලිබද ප්‍රකාශය	257
10.	1937 වර්ෂයේ 5 වැනි ආචාරනන සමයේ ණය පුද්ගලට අය කළ පුද්ගල වූ ආණ්ඩුවේ වැඩ වෙනුවෙන් වී ඇති වියදම පිලිබද ප්‍රකාශය	258
11.	1954 වර්ෂයේ අංක 6 දරණ පනත යටතේ ලංකා සංවර්ධන ණය පිලිබද ප්‍රකාශය - දේශීය ණය	261
12.	විදේශීය ණය පිලිබද ප්‍රකාශය	262
13.	රජර් තැවන වගා කිරීම පිණිස 1957.09.19 වන දින හා 1962.10.03 වන දින දරණ ලංකා දින ගිවිසුම යටතේ ආරම්භ ආධාර (දීමනා) වගාසන් ලබාගන්නා ලද බද්දල වටිනාකම දක්වන ප්‍රකාශය	311
14.	1984 පුද්ගල වර්ෂය තුළ පනතකට විසින් දෙන ලද කාගය හා පවිතරාග පිලිබද ප්‍රකාශය	313
15.	1984 පුද්ගල වර්ෂය සඳහා ලංකාණ්ඩුව විසින් ඇප වී ඇති අධිරා අණකාරයන් පිලිබද ප්‍රකාශය	313
16.	අවිනිශ්චිත බැරකම පිලිබද ප්‍රකාශය	313
17.	තදිසි අවස්ථා අර්පුදල පිලිබද ප්‍රකාශය	314
18.	විසර්ජන පනතින් පනවන ලද සීමාව ඇතුලත 1984 වර්ෂයේදී ණය ගැනීම පිලිබද ප්‍රකාශය	315
	(අ) විදේශාධාර ප්‍රතිපූරණ - 1984 වර්ෂය තුළ රජයේ ආදායමට බැර කර ලද ප්‍රතිපූරණ පිලිබද ප්‍රකාශය	319
	(ආ) ප්‍රතිපූරණ වගාසන් ලැබී ආ. සං. බැ. තැන්පත් ගිණුමට බැර කරන ලද පුද්ගල	221
සරිගිජය		
(i)	1984 දෙසැනවර් 31 වැනි දිනට ඉතිරිව තිබුණු රාජ්‍ය ණය පිලිබද ප්‍රකාශය	323
(ii)	රුපියල් ණය බේරුම් කිරීම සඳහා නිදන් අර්පුදලවල භාරකරුවන් වන පුද්ගල මණ්ඩලය වෙත ඇති ආයෝජන	422
(iii)	රාජ්‍ය ගිණුම් කාරක සභාව විසින් විභාග කරන ලද්දේ වියවා ගැනීමට ඇති අත්තිකාරම ගිණුම් ව්‍යාපාරවල අලාභ පිලිබද ප්‍රකාශය	426

THE DIFFERENTIATION OF CAPITAL AND RECURRENT EXPENDITURE IN GOVT. ACCOUNTING IN SRI LANKA

I. General Principles.

1.01 In accountancy the term **Capital Expenditure** is generally used to denote all expenditure meant to be incurred on long lasting items such as, Motor vehicles, Equipment, Cost of construction of buildings, Acquisition of Land (where necessary) etc. All these are classified as fixed assets. When such new fixed assets are bought or money is spent to add to the value of an existing fixed asset - that is to say, to enhance the value of the asset - the expenditure so incurred is called Capital Expenditure. This includes also the ancillary costs such as delivery costs, installation charges, inspection and testing costs (before the asset is put to use), legal costs, (e.g., in purchasing property and land etc.) architects fees, demolition & removal cost of some thing before the work on new building can begin. Basically such expenditure have an enduring influence and lasting effectiveness.

1.02 Intangible Assets

All the above items are tangible assets. However, expenses on items like Research and Development too are classified under capital expenditure.

1.03 Revenue Expenditure

In contrast to this we come across other types of expenditure which are incurred for various services, supplies etc. which can be clearly identified as costs of running the organisation or business on a day to day basis. These are termed as Revenue Expenditure. They are short term expenses which have temporary influence on profit making and do not have any enduring effect.

1.04 **Apportionment** is necessary in some instances. Expenditure items include both capital and revenue expenditure, e. g. Rs. 30,000/- spent on some works on premises - 1/3 can be identified as for repairs and 2/3 for improvements. Therefore cost is to be apportioned to take Rs.10,000/- for Revenue Expenditure and the balance for Capital Expenditure.

1.05 **Long term effect** It should also be noted that this *distinction between Capital and Revenue Expenditure has no relevance at all in the long run* if the business entity can match its total revenue after disposal of all assets against total expenditure and arrive at the results. However for various reasons the entity has to accede to short term necessities to show the results of the business for a shorter period called "an accounting period" and therefore the distinction between Capital Expenditure and Revenue Expenditure has gained recognition.

1.06 Historical Cost

In all accounting records the actual expenditure on capital items is recorded and this sets out to be the historic cost (unless any other method - revaluation method etc. is adopted) which appears in final accounts of later Years.

1.07 Depreciation

Another feature associated with capital expenditure is its apportionment to accounting periods. This is effected by the mechanism of writing off of a portion of the diminution of value called "depreciation." Depreciation is a measure of the wearing out, consumption or other loss of value of a fixed asset whether arising from use or effluxion of time or obsolescence. It is charged to the income directly or indirectly.

1.08 Disclosure

In accounting, provision for depreciation is made during the accounting period and the sum total of such provision is shown as a deduction from the value of the asset on the Balance Sheet.

1.09 Capitalisation of finance charges in long-term contracts/projects

Sometimes the above principles have to be varied in certain specific instances where economic reality is to be shown. When companies borrow finance, the **interest** which has accrued on the borrowings during the period of the accounts is normally taken to be a short - term **cost of running** the business and is consequently treated as an expense. This is taken to be the normal accounting practice, because of the impossibility of distinguishing how particular sources of finance are used.

There are occasions when debt is issued to finance a discrete project - such as a long term contract. Under circumstances like these, it is often argued that the **cost of financing** the project is really a part of the **cost of the project** just as much as, say, the materials which have gone into it.

Therefore, in order to portray economic reality, the **interest cost** of the finance should be **added to the other costs of the project** and thus appear on the balance sheet.

In these ways it is possible to have two different approaches to the treatment of interest payments. It would be possible for a company to have some of its interest costs in the profit and loss accounts, and the other interest costs in the balance sheet.

In view of these factors, companies should clearly state the methods of dealing with borrowing costs where some of the interest has been capital. Such a statement must also indicate the time from which the interest cost is capitalised and the time at which it stops being capitalised.

An additional point in respect of interest is that it is deductible for taxation. If any interest has been capitalised but has also been deducted in computing the company's liability to tax, then it should be included on the balance sheet capitalised net of taxation. It would appear that gross interest should only be capitalised in cases where the interest can never be set off for taxation purposes.

2. Govt. Accounting

2.01. Nature

There exists no divergence from the principles in identifying capital items of expenditure. However, because of certain special features applicable to Govt. Departments - Viz, nature of the entity, their objective organisational set-up, methods of imprest system, adherence to financial regulations, "cash basis" accounting as against "accrual basis" etc. there appears particular ways of treatment of capital expenditure, as distinct from those practised in private sector entities.

2.02 Govt. Expenditure is Categorised into - (a) Recurrent Expenditure and (b) Capital Expenditure.

All current expenditure is categorised as **Recurrent** Expenditure. All expenditure on long lasting asset items - i. e. acquisition of Buildings, machinery, etc. Rehabilitation and improvements of assets, and development of resources are classified as **Capital** Expenditure. This distinction is maintained at every level of budgetary classification and appropriations.

2.03 The term Revenue Expenditure is not used in Govt. accounting. However we come across the term Recurrent Expenditure. **Recurrent Expenditure** is meant all items of expenditure on various services and also supplies required for the upkeep of the Dept. during a period of one year. That is to say that these items are of a consumable nature or in other words services limited to the accounting period. For example, salaries and remuneration of staff, C. L. A & S. L. A, other allowances, traveling expenses of staff, transportation expenses, cost of electricity, stationery and office requisites for day to day use. All consumable items, incidental expenses, fuel, repair charges of motor cars etc. can be shown under this category. The other important feature is that this type of expenditure recurs year after year.

2.04 Importance

The distinction between those two types of expenditure is very important in Govt. accounting because of the fact that monetary provision should be correctly classified and shown in the budget of the ensuing year. Again the distinction should be properly understood and dealt with when incurring expenditure on supplies and services, so that the correct item of expenditure under which the monetary provision has been made is charged and accounted for. The expenditure should fall into the ambit of the vote. Any erroneous classification would lead to distortion of expenditure figures thereby creating problems like insufficient provision in the correct item and unnecessary savings in the wrong item etc.

2.05 Budget structure -

The General Estimates of expenditure are prepared to show the total expenditure of each department and also of the whole Ministry under which the department is grouped, under different Heads of Expenditure, indicating separately the Recurrent and Capital outlays distinctly. Programme - wise total monetary provision is indicated depicting the main activity under the institution's main objectives, sub division of Programme Expenditure is denoted by Recurrent and Capital Expenditure is adopted by distinctive numbering.

Recurrent Expenditure

Projects are numbered 1, 2, 3, 4, 5 etc. while **Capital Expenditure** Projects are numbered beginning from 101.....

First three capital Projects are numbered as :-

- 101 Rehabilitation & improvements to Capital Assets
- 102 Acquisition of Equipment
- 103 Construction of Buildings

Similarly the objects (Sub-division of the project expenditure) are also numbered 01-12

(01 Personal Emoluments, 02 Traveling, 03 Supplies & Requisites 04 Repairs & Main: of Cap. Assets, 05 Transportation, 06 Interests; Dividends etc. 07 Grants, subscriptions, 08 Pensions & gratuities, 09 Implements, Land Land improvement & Building, 10 Repayment of loans 11 Investments 12 Loans (Study the structure of the General Estimates carefully)

2.06 Rehabilitation and Improvement of Capital Assets

The requirement of monetary provisions should be shown under Capital project No. 101 Object code 09, Object Detail (9), and should be broken down to 5 categories as follows:

- (i) Buildings
- (ii) Plant & Machinery
- (iii) Structures (Roads, Dams, Canals, Bridges)
- (iv) Vehicles (Other than cars, jeeps, vans)
- (v) Others

2.07 Change of the Standardized object codes.

Paras 2.05 and 2.06 give a brief description of the pattern of budget structure up to 1992. However the standardized object codes have now been changed as follows to take effect in 1993 Estimates.

Recurrent Expenditure

Category	Code No.	Object Legend
1. Personal Emoluments	1101	Salaries and Wages
	1102	Overtime and Holiday Pay
	1103	Cost of Living Allowance
	1104	Uniform Allowance
	1109	Other Allowances
2. Travelling Expenses	1201	Travelling Expenses - Local
	1202	Travelling Expenses - Foreign
3. Supplies	1301	Stationery and Office Requisites
	1302	Fuel and Lubricants
	1303	Uniforms
	1304	Mechanical & Electrical goods
	1305	Medical Supplies
	1306	Diets
	1309	Other Supplies
4. Contractual Services	1401	Minor Repairs and Maintenance - Light Vehicles and Machinery and Equipment
	1402	Minor Repairs & Maintenance - Buildings and Structures
	1403	Transport
	1404	Communication
	1405	Utilities +
	1406	Rental and Hire Charges
	1407	Rates and Taxes
	1409	Other Contractual Services
5. Current Transfers	1501	Transfers to Households (Welfare Payments)
	1502	Pensions, Retirement Benefits and Gratuities
	1503	Transfers to Non - Profit Oriented Public Institutions +
	1504	Transfers to Public Enterprises +
	1505	Transfers to other levels of Government
	1506	Subscriptions Contributions and Membership Local +
	1507	Subscriptions, Contributions, and Membership Foreign +
	1508	Consumer Subsidies
1509	Other Current Transfers and Subsidies +	
6. Current Grants	1601	Recurrent Grants to Non - Public Institutions Private Individuals
	1609	Other Recurrent Grants +
7. Other Recurrent Expenses	1701	Interest Payments - Domestic +
	1702	Interest Payments - Foreign +
	1703	Awards and Indemnities +
	1704	Losses and Write - offs
	1709	Other Recurrent Expenses

2.07 contd.

Objects of Capital Expenditure are also standardised, classed into following categories and are coded and described as follows:

Category	Code No	Object Legend
1. Equipment Outlay and Improvements and Structures Outlay	2101	Furniture, office and Household Equipment
	2102	Plant and Machinery
	2103	Implements, Tools, Instruments and Apparatus
	2104	Vehicles +
	2105	Purchase of Lands and Buildings
	2106	Land Improvements and Structures Outlay
	2107	Communication +
	2109	Others
2. Capital Transfers and Subsidies	2201	Transfers to Public Enterprises +
	2202	Transfers to Non-Profit Oriented Public Institutions +
	2203	Transfers to Other Levels of Government
	2204	Transfers to Financial Institutions and Organisations Abroad +

		2205	Development and Production Subsidies +
		2209	Other Capital Transfers and Subsidies +
3.	Capital Grants	2301	Capital Grants to Non Public Institutions/Individuals for Development Expenditure
		2309	Other Capital Grants + i.e. Intangible Assets
4.	Financial Assets	2401	Equity Contributions +
		2402	Loans Outlay +
		2409	Other Financial Assets +
5.	Repayments	2501	Loan Repayment - Domestic +
		2502	Loan Repayment - Foreign +
		2509	Other Repayments +
6.	Maintenance of Capital Assets	2601	Rehabilitation, Improvement and Major repairs to Buildings
		2602	Rehabilitation, Improvement and Major Repairs to Plant and Machinery
		2603	Rehabilitation, Improvement and Major Repairs to Structures
		2604	Rehabilitation, Improvement and Major Repairs to Heavy Vehicles
		2609	Rehabilitation, Improvement and Major Repairs to Other Capital Assets
7.	Other Capital Expenses	2709	

2.08 Total Cost Estimates

This term is associated with capital expenditure items and is used to denote the estimated total cost of the entire capital item of work - i.e. New Building for Agriculture Department. When monetary provision is to be asked for, for a particular year, the details such as the T. E. C. the expected date of completion, the amount of expenditure incurred up to the end of the last year and the amount of monetary provisions required in the ensuing year are to be shown. (Read FR 26) If there is no T. E. C. then the assumption is that the work is to be completed within one year. All direct labour cost, salaries of direct staff etc. should be included in the Total Cost estimate but not those staff paid from object No. 01 - Salaries. Where T. E. C. is to be increased then requirements under FR 77 are to be followed.

2.09 Advance Account Activities

Capital Expenditure meant to be incurred on Advance Account Activities should be provided under Voted Funds. (Read FR 500 (4). However, if a Depreciation Reserve Fund (DRF) has been created, that fund can be entirely used for the replacement of the capital expenditure item. The replacement cost will in addition be shown under the Cap. Project in the Estimates, but without any monetary provision. A Footnote to say that the cost could be met from D. R. F. will be shown.

2.10 Where there are large numbers of items of work of a **similar nature** and those services or works fall under the category of **Capital Expenditure**, but cannot be shown as different items in the Estimates, then they can be shown as a "Block Provision" - Read FRR. 27, 34, 39)

However if the total cost is over Rs. 5 Million then a T. E. C. is to be prepared and shown as a separate item.

2.11 Foreign Aid

Where Foreign Aid is obtained for the implementation of Capital Projects the financing arrangements should be shown in the Estimates under the following five standardized items.

- (i) Consolidated Fund
- (ii) Foreign Aid - Loans
- (iii) Foreign Aid - Grants
- (iv) Re-imbursable Foreign Aid - Loans
- (v) Re - imbursable Foreign Aid - Grants

For reimbursable Foreign Aid a separate imprest is released which will have to be accounted for separately.

2.12 Appropriation Account

The year's expenditure is shown in the appropriation account. Depreciation of assets are not taken into account in Govt. Departments when dealing with voted expenditure.

Maintenance of assets registers, inventories etc. is necessary in respect of tangible capital expenditure items. However, capital expenditure incurred on items like Bridges/Roads etc. are recorded in appropriation ledgers or any other similar subsidiary ledgers only and do not get into any asset accounts found in the accounting procedures in business or commercialized ventures.

2.13 Loss procedure

Losses dealt with according to Financial regulations include

- (a) Loss of cash, stamps, goods, livestock, tickets etc. belonging to Govt.
- (b) Loss or damage to property not belonging to Govt. but kept in the charge of the Govt.

- (c) Damage to Govt. Property
- (d) Expenditure incurred by way of payment of compensation for damages caused due to negligence or lapse etc. of Govt. officials.
- (e) Losses arising out of misuse of counterfoil books

However, following are not included:

- (a) Losses of Advance Account/Trading Activities etc.
- (b) Depreciation or wear & tear of Fixed Assets.
- (c) Losses/damages to Buildings, roads, culverts, bridges, bunds, Railways etc. due to floods.
- (d) Irrecoverable income, taxes, bad debts etc.

(Ref: FR 101-110) After the procedure regarding fixing responsibility recovery, etc. is over, the items lost are written off from the inventory/stock book.

It should be noted that these lost items are replenished by using the financial provision in the Votes as the need arises.

Note also the peculiar treatment of losses/damages to capital assets due to floods and also irrecoverable income / bad debts and also depreciation comparing with the normal accountancy principles

3. An overview

While the commercial accounts present the formal trading results of the entity taking into consideration very precisely the distinction of Capital and Revenue Expenditure, the Govt. depts. / Ministries present an Appropriation Account showing how the funds voted have been utilized. These Govt. agencies are self contained units which carry out particular operational tasks as determined by Policy Makers. Moreover these agencies are publicly accountable for performance against a range of financial and service targets, also taking into consideration the distinction between Capital and Recurrent Expenditures. Note also the requirements in adopting Virement procedure in this context.

3.1 Planning Process

It is essential to record here that the public sector has always used Planning and Budgetary Control as the main effective tool of financial management. The Treasury which is vested with this function, among other things, stressed the need to differentiate between Capital and Recurrent Expenditures, at the time of budgeting spending, accounting & recording, reporting and auditing. It is also evident that the planning and budgeting system in the Public sector is highly developed and systematised than in many private sector companies, with particular reference to Capital and Recurrent outlays.

3.2 Financial Management - In the past few years the financial management of Govt. sector organisations was subject to a major revolution. The agent of this change was a series of policy decisions aimed at -

- Decentralisation of financial resources - Provincial council System
- Unproved accountability of the executive
- Financial decision making with the objective of providing - higher quality/cost effective public service.
- Closing down / change of management of uneconomic public sector commercialized activities.
- Poverty - alleviation programmes -

So the traditional cash - based accounting demarcating Capital and Recurrent nature will not suffice for most decisions and a more widely based Resource Accounting Framework will be needed. AR types of Assets - stock - Cash - people - are resources so physical measures of output and performance indicators have to be developed and incorporated into the budget. In resource accounting the distinction between - or regulation of - capital and recurrent expenses - their behaviour, their treatment will be more useful and more important.

COMMITTED EXPENDITURE STATEMENTS AND APPROPRIATION ACCOUNTS

1. According to the Oxford Dictionary the adjective COMMITTED means "declared or pledged to a particular action, cause etc.". Accordingly COMMITTED EXPENDITURE means the expenditure declared or pledged to a particular action, cause or a purpose. For our purpose the STATEMENT OF COMMITTED EXPENDITURE contains the expenditure pledged for the various purposes approved annually by the Parliament in the Appropriation Act.

2. The Financial Regulation 450 reads thus:

"STATEMENT OF EXPENDITURE COMMITMENTS. Every Accounting Officer should, before the 10th of each month, submit to his Chief Accounting Officer, on Form Try. 170, a monthly Statement of Expenditure Commitments for the previous month in respect of each Vote (Programme) under his control.

"This statement will enable the Chief Accounting Officer to watch the progress of expenditure of the Department".

3. The F. R. envisages a monthly statement, supplied as Management Information, to the Chief Accounting Officer, prepared under different Programmes of Expenditure under a Head of Estimates. However, the Accounting Officer and the other Managers in the departmental hierarchy need such information in a more detailed form for effective management in their own areas of responsibility.

The Accounting Officer would like to know the progress of expenditure under each of the Projects under the Programmes. The Finance Manager, his deputies and the assistants would require further details under Objects and Object details under the different projects. Monthly Statements of Committed Expenditure should, therefore, be prepared in such a manner to supply the required management information to different levels of the hierarchy.

- 3.1 Separate statements prepared for each of the Projects under different programmes in a Head of Estimates can show the Position under Object Details with Sub-totals under Objects. The grand total will show the position under the Project. Similarly statements may be prepared for each of the Programmes showing Object expenditure with sub - totals under Projects and the grand total for the Programme.

The position under the Head of Estimates could be given to the Highest level of Management showing the expenditure under the Projects with sub-totals under each of the Programmes. The grand total will give the position regarding Financial Performance as at end of the month.

- 3.2 Information such as -

- The Total net provision available
- The Expenditure as at the end of the month
- Commitments awaiting maturity at end of the month
- Anticipated expenditure for the rest of the Financial Year
- Total anticipated expenditure for the Financial Year and
- Anticipated savings / excess and reasons therefor

as at end of a given month under Object Details, Objects, Projects, Programmes and the Head of Estimates, can be supplied to the different levels of management through the statements.

4. The Committed Expenditure Statement is made use of for the following purpose.

- 4.1 Monitor programme through Financial Performance. Where expenditure is not keeping to a set pattern inquiries are made, reasons ascertained and the required corrective measures taken in time. If the first or the second statement for a Financial Year does not show commitments in respect of recurrent requirements e. g. stationery - prompt inquiries will show that the orders have not been placed due to some delay or negligence on the part of those responsible or because sufficient stocks are available in hand. In the case of Capital provision such inquiries may show that timely action has not been taken to offer the work on contract in spite of the fact provision has been obtained.
- 4.2 Make adjustments of provision between Object details, Objects, Projects or Programmes. When it is Obvious that some of the Object details etc. require additional provision than that allowed for the year while there will be under expenditure in other areas at end of year, virement procedure can be applied promptly, in accordance with the provisions of law in the Annual Appropriation Act, to make necessary adjustments within Objects, Projects or Programmes. This will ensure that objectives of the department, within the ambit of the Programmes are achieved without delay by making use of monies voted for the year.
- 4.3 Keep watch on Commitments and ensure they mature without delay. Wherever, the Commitments continue to appear in the statements without payments arising against them the Managers can inquire into the delays and eliminate the reasons contributing to such delays. On the other hand the inquiries will show that the work, services or supplies against the Commitments have been completed but they continue to appear as such in the statements as payments have been delayed. It may even be that the provision is blocked as commitments whereas they will never mature for payment for some valid reason.
- 4.4 Take timely action to move for Supplementary Estimates where it is absolutely necessary.
- 4.5 The Policy of Executives in their ambition to serve the people in the maximum possible manner often request the Chief Accounting Officers and the Accounting Officers to release funds for works, services or supplies for which provision may not be available in the Financial Year in question. If management information re financial performance is promptly available to the Chief Accounting officer, or A. O. and if the request falls within the ambit of the Programme, correct and helpful advice can be provided without delay.
- 4.6 Makes Comparison of physical performance with financial performance possibly by making use of predetermined indicators.
- 4.7 Preparation of Annual Appropriation Accounts is made easy.

5. Commitment

- 5.1 Liabilities arising out of contracts signed, Orders Placed for supplies etc. form the commitments. These commitments entered into during a previous year may, sometimes have to be brought forward to the current year. Brought forward commitments should appear in the Committed Expenditure statements from the first month of the financial year.
- 5.2 Allocations given to other departments etc. under F. R. 449 should be treated as commitments. These should be regularly followed up and where there is no performance they should be withdrawn and commitments reduced.

6. The Committed Expenditure Statements have to be prepared from the information available in the Appropriation Votes Ledger. This Book of Account has, therefore, to be maintained very carefully and up to - date. A shortcoming often observed in the maintenance of Votes Ledgers is that commitments entered into are not posted. The Managers who authorise work, supplies or services do not intimate the commitments, revisions of commitments or cancellations promptly to the Accounts Branch. The available provision is, therefore, not reserved to meet commitments. Control of Votes, in the circumstance is brought to jeopardy.
7. A question may arise as to why a monthly statement of Committed Expenditure is required by the Departmental Managers when the same information is available in a well maintained appropriation votes ledger. The answer is simple. The overall position of an object/ Project/ Programme is not seen at a glance from the Votes Ledger, the Management decisions can only be taken being fully aware of the overall position. e. g. An Urgent repairs to a building has to be effected when all the provision voted for that purpose is exhausted. The Head of the Department cannot therefore, authorise the work. The Finance Manager, in such a situation may be able to come to the help of the Head of Department by suggesting virement procedure, if a carefully prepared monthly statement of Expenditure is available to him without which he may have to turn pages of several volumes of the Votes ledger to find savings and thus preventing prompt decision making.
8. The preparation of accurate Monthly Statements of Committed Expenditure, is, therefore, an absolute necessity, which will provide a remedy to most of the problem faced in the Management of Finance in Govt. Departments and Ministries.

APPROPRIATION ACCOUNT

The provision for submission of appropriation Account is given under F. R. 150 as follows :

Part I - General Estimates. As soon as possible after the end of each financial year, Accounting Officers will arrange for an Appropriation Account to be prepared for each of their Votes, or Apportionment's, the Appropriation Account will follow the general details of the Estimates and will compare Sub-head by Sub-head the provision made in the Estimates (as altered subsequently by supplementary provision or Virement, if any) and the actual expenditure. It will contain the Accounting Officer's explanations of the causes of any significant variations, as well as notes of any unusual payments.

However, in respect of Sub-heads partly or fully financed from Foreign Aid, the explanation for any variations will appear in a schedule annexed to the Appropriation Accounts, and not in the main Appropriation Accounts.

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 Vote or Apportionment will sign the Account in that capacity. He will then submit the Account to the Chief Accounting Officer who will satisfy himself 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 either sign the Account in that capacity, or in the case of Apportionment's will compile and sign a composite Account applicable to the whole Vote. Each Appropriation Account should be forwarded as soon as possible to the Auditor-General for examination and certification, and then to the Treasury for publication.

NOTE:

1. A Statement of losses should be given under the Appropriation Account of the relevant Vote, in terms of F.R., 110 (2).
2. A Statement of the unsettled liabilities due to the Government Stores Department, as at the end of the Financial Year, should also be placed below the statement referred to in Note I above. The statement should indicate the liabilities under each Sub-head of the Vote.
3. Missing Vouchers
A Statement of all missing vouchers reported to the Treasury, regarding which no finality has been reached. (Particulars of missing vouchers which appeared in the statement attached to the previous year's Appropriation Account, regarding which finality has since been reached, should be excluded).

The Appropriation Account gives a Summary of Figures and information in connection with the funds allocated through the Appropriation Act and by the Parliament for a particular year, In preparation of the Account in a more comprehensive manner the guide lines have been given by the following Treasury Circulars in addition to the provisions in the F.R.

- i. Votes Branch Circular No. 1/73 - Treasury No. 260/99/1/20 (V) dated 04th January, 1973.
- ii. Votes Branch Circular No. 1/74 - Treasury No. 260/99/1/21 (V) dated 04th April, 1974.
- iii. Votes Branch Circular No. 5/83 - Treasury No. PA24/260/99/1/16 (V) dated 01th June, 1983.
- iv. Book-keeping Branch Circular No. 90/7 - Treasury No. PA24/260/99/1/16 (V) dated 22nd June, 1990.

The salient points given in the above circulars could be Summarised as follows;

- i. The Account should be prepared on the Form "Treasury 169"
- ii. The Original in Sinhala with an English translation should be forwarded to the Auditor General with copies to Treasury. Tamil Translation should be sent to the Treasury.
- iii. The liabilities to the Government supplies Department, Other Departments and State Corporations should be shown separately and those should be reported by confirmation certificates.
- iv. The Figures in the Account should tally with the Treasury Print outs and a certificate of reconciliation should be given.

All Secretaries & Heads of Departments.

Presentation of Appropriation Accounts.

Observations of Auditor General on errors and omissions in the Appropriation Accounts rendered for Audit in terms of FR - 150 necessitate review of the procedure hitherto followed by all Accounting Units in the reconciliation of all accounts maintained in the various Books in the Treasury. An extract of Auditor General's letter No. 29,11,73 pointing out a series of errors and omissions is annexed hereto for the information of all Accounting Units and for suitable action necessary to be taken to prevent a repetition of such errors or omissions.

2. Reference is also requested to the relevant Treasury Circular relating to the presentation of Appropriation Accounts and in particular, the requirements of FR - 427 which require errors detected by Departments to be promptly investigated by them and expeditious action taken to see errors so detected are adjusted in Treasury Books without any delay whatsoever in respect of the fact that parties other than the Accounting Units concerned are responsible for the errors. Chief Accounting Officers and Accounting Officers are aware of the important need to create administrative machinery in their departments with measures necessary to attain the objectives of Programme Budgeting.
3. Chief Accounting officers and Accounting Officers will ensure the procedure laid down below is followed in order to help Treasury to maintain its records accurately :-
 - (i) All Accounting Unit should comply strictly with FR-427 and forward the certificates to the Auditor General confirming that departmental accounting records are in agreement with the Treasury Books.
 - (ii) Where errors and differences are detected in comparing the departmental records with the Treasury Books, they should be recorded in writing and action followed up till errors are rectified and differences adjusted.
 - (iii) A report should be made by each Accounting Unit to the Director of Accounts & Payments in the annexed form showing all discrepancies of departmental accounts with Treasury records which remain to be rectified or adjusted on the following dates:-
 - (a) To end of June - return due by 25th Sept.
 - (b) to end of Sept - - do - 31st Dec.
 - (c) to end of Nov. - - do - Feb = 1st

This return is in addition to the immediate report required in FR - 427. If no discrepancies remain to be reported a 'Nil Return' should be forwarded.

4. In order to ensure that all Accounting Units comply with the requirements of this circular, Chief Accounting Officers are requested to intimate the Treasury Accounts and Payments Division within 10 days of the receipt of this Circular a list of all Accounting Units Operating under the purview of each Ministry. Accounting Officers who do not function under the purview of Ministries will render list of Accounting Units under their purview similarly on the required date. The Treasury Accounts and Payments Division will report to the Chief Accounting Officers and Accounting Officers all bad cases who fail to comply with this circular for suitable action.
5. Chief Accounting Officers and Accounting Officers will appreciate the importance of strict compliance of this circular to help Treasury Accounts and Payments Division to maintain accurate records of the Treasury before the preparation of State Accounts. The fact that the Auditor General will not in future go through Accounts rendered to Appropriation Accounts amended by Departments but he will certify the accounts and comment on the errors and omissions to the National State Assembly has now created an important need for departments to follow the requirements of this circular very carefully.
6. Treasury Accounts and Payments Division could be consulted as regards any difficulties confronted in compliance of requirements of this circular.
7. Please be so good as to acknowledge receipt of this circular.

Sgd : *A. E. Weerasinghe*
Director of Accounts and Payments

Sgd. *L. B. Abeyaratne*
Deputy Secretary to the Treasury

Extract from Auditor General's letter.

"APPROPRIATION ACCOUNTS"

I have to bring to your notice that the annual Appropriation Accounts rendered for audit in terms of FR-150 contained a number of omissions and errors, and those omissions and errors had to be pointed out to the Departments concerned, and rectified before the accounts were certified in audit. following were the types of omissions and errors observed.

- (1) Differences between the expenditure figures as appearing in the Treasury sub-votes ledgers and those shown in the Appropriation Accounts.
- (2) Certificates that the departmental Vote Ledgers had been reconciled with the Treasury Books had not been furnished by Accounting Officers.
- (3) Not excesses or savings under Votes had not been shown in the Appropriation Accounts.
- (4) Figures had not been rounded off to the nearest Rupee.
- (5) Incorrect references had been made to authorities obtained under FR-66 (e.g. where the DST had authorised the transfer of funds, the authority quoted was the Secretary of the Ministry).
- (6) Where transfer of funds had been made between Votes, the from/ to which these transfers had been made and not been indicated.
- (7) Provision made in the Estimates for Foreign Aid Expenditure had not been separately indicated in the Appropriation Accounts.

Treasury Circular Letter
Votes Branch 5/83

Treasury . PA24/ 260/ 99/ 1/ 16(V)
GENERAL TREASURY,
Colombo - 1,
1st June 1983.

To: All Secretaries and Boards of Departments.

APPROPRIATION ACCOUNTS 1982

Computer print out (Special) for 1982 is being finalised incorporating all FR-66 variations received at the Treasury up to 18.04.83 for purpose of Appropriation Accounts for 1982 and will be posted to reach the Ministries / Departments by 10. 06. 1983. Departmental Appropriation Accounts should be finalised immediately thereafter and forwarded to the Auditor- General through the Chief Accounting Officers. A copy of the covering letter forwarding the Appropriation Accounts should be sent to the Treasury at the same time.

2 You are requested to forward the Appropriation Accounts in the Official Language to the Auditor-General by 30.06.1983 the latest. The English translation should be forwarded at the same time. The Tamil translation of the Account need not be sent direct to the Auditor-General but they should be sent to reach the Treasury before 11.07.1983.

3 In this connection, reference is requested to FR-150 and relevant Treasury Circulars with particular reference to Votes Brands, Circular No. 1/73 of 04.01.73 and 1/74 of 04.04.74 for the presentation of Appropriation Accounts which needs strict compliance by all parties concerned.

4 As the Auditor-General desires independent confirmation of the outstanding liabilities of Government Departments to the Department of Government Supplies and State Sponsored Corporations, Departments are requested to obtain such confirmation from their respective creditor and send same direct to the Auditor-General before 11.07.1983.

5 The Auditor-General had pointed out in para 274(iv) of Parliamentary Series No. 30 that the Departments fail to comply with the above instructions and that there are delays in sending the Appropriation Accounts to the Auditor-General before the specified date. As the Auditor-General is requested to submit his report to the National State Assembly within ten months after the end of the Financial Year, it is very important that the Accounts should be rendered on or before the due date i.e. 30/06/1983.

6 It has been brought to the notice of the Public Accounts Committee that adequate reasons are not being furnished by Departments in their Appropriation Accounts in respect of the savings / excesses and as a result of which observations are made by the public Accounts Committee. Ministries / Departments are, therefore, requested to furnish detailed explanations regarding savings / excesses in their Appropriation Accounts and if adequate space is not available to attach an annexure.

7 The Auditor-General has also pointed out that the explanation furnished to him on the Audit Reports are quite different to those indicated in the Appropriation Accounts. In order to avoid, adverse audit comments, the Ministries / Departments are requested to give their explanations carefully and as explicitly as possible.

Sgds *W.C. Perera*
Director of Accounts and Payments.

8. Erroneous debits had not been shown by way of foot-notes.
9. New sub-heads created during the year had not been indicated as 'new' in the Appropriation Accounts.
10. Where outstanding liabilities had been shown in the Appropriation Accounts, the sub-head (object in the case of Programme i.e. Budget) under which the liability had been incurred had not been indicated.
11. Liability to other Government Departments had not been shown correctly in the liability shown as due to other departments differed from the amount of debts due according to the books of these departments.
12. Losses in respect of previous years which remained unsettled had not been carried forward to the subsequent years. Appropriation Accounts.

13. Losses over Rs. 1,000 had not been individually listed.
14. Explanations furnished for savings / excesses had been incorrect or inadequate. In some cases no explanation had been furnished. There were also differences in the explanations furnished in the Sinhala and English versions of the Appropriation Accounts.
15. Errors in spelling.

(Tamil version of this circular will follow)

Book-Keeping Branch Circular
Letter No. 90/7

Treasury No. PA 24 / 260 / 99 / 1 / 16(v)
General Treasury,
Colombo - 1.
June, 1990

To : All secretaries, Heads of Departments
and Governments Agents.

Appropriation Accounts 1989

Treasury Computer print outs table 33 final for 1989 have now been posted to all the Government Departments / Ministries. You are kindly requested to prepare your Departmental Appropriation Account for 1989 immediately and have it forwarded to the Auditor General through your Chief Accounting Officer on or before 31st July 1990 so as to enable the Auditor General to render his report letter forwarding Appropriation Accounts to Auditor General should be sent to Accounts and payments division, General Treasury, Colombo.

02. Your attention is invited to the following financial regulation and the Treasury circular instructions relating to the preparation of the Annual Appropriation Accounts

1. FR-150

2. Treasury Votes Branch Circular Letter No. 1/73 of 4.1.73

3. - do No. 1/74 of 4.1.74

4. - do No. 5/83 of 1.6.83

} Copies
attached

03. Treasury further reminds you briefly of the following requirements in the preparation of your Appropriation Accounts :-

1. The Original in Sinhala with an English Translation should be forwarded to the Auditor General.
2. The Tamil Translation should be sent to the Treasury.
3. (a) The liabilities to the Government Departments and State Corporations should be supported by independent confirmation of the creditors.
- (b) Secretaries to Ministries must ensure that Departments / Boards/ Corporations under this confirm the balances due to that at the end of the year in respect of supplies/ services rendered to all other Government Departments to enable the latter to include the correct liabilities in the Appropriation Accounts.
4. There should be no difference between the figures appearing in the Computer Print Out and your Appropriation Accounts.
5. There should be a Certificate of Reconciliation of the figures in the Treasury Books and your Appropriation Accounts.
6. No excesses or savings under each Programme, Project and Object should be shown.
7. Figures should be rounded off to the nearest rupee.
8. Correct references should be given to the FR-66 variations and Special Warrants.
9. Foreign Aid Expenditure should be separated from Consolidated Fund Expenditure.
10. New Project or Objects should be indicated as "New"
11. Unsettled losses in the previous year should be shown.
12. Losses over Rs. 25000/= should be separately listed.
13. Explanation given for Excesses of Savings should be adequate and be clear. They should not be different from earlier explanation given to Audit queries.
14. There should be no errors in spelling and the typing should be legible.
15. Any other particulars relevant to the Appropriation Account which needs special attention should also, be given by way of foot-note to the Appropriation Account.

04. In regard to the Reimbursable Foreign Aid Expenditure for which provision has been made under Consolidated Fund, the following details should be indicated in Appropriation Accounts immediately after the note in missing vouchers.

1. Total Reimbursable Foreign Aid Expenditure during 1989.
2. Total amount claimed up to 31.03.90 in respect of the expenditure during 1989.
3. Reason for not claiming the balance.
4. Total amount reimbursed up to 31.03.90 in respect of expenditure during 1989.

05. The treasury has to publish the Appropriation Accounts within the course of this year (1990) and all concerned are responsible to that Appropriation Accounts are made available to Auditor General without errors so that the Accounts and Payments Division of the Treasury could receive all the Appropriation Accounts from the Auditor General duly certified before 31st of August 1990.

Director Accounts and Payments

- Copies to:
1. Auditor General
 2. Director, Budget Division

CONSTITUTIONAL, LEGAL AND CONVENTIONAL FRAMEWORK OF GOVT. FINANCIAL MANAGEMENT

Part I

1. Introduction

The Financial management of Govt. of Sri Lanka is established and operated on the basis of :-

- i. Constitutional provisions
 - ii. Laws enacted for specific purposes e. g. Annual Appropriation Act.
 - iii. Special legal provisions, such as revenue protection Act 19 of 1962 and Inland Revenue Act 28 of 1979.
 - iv. Govt. Institutions, officials, procedures, practices, and
 - v. The Financial regulations, and other administrative circular instructions.
2. Provisions pertaining to Finance have been included in chapter XVII of the Constitution of the / Socialist, Democratic Republic of Sri Lanka (1978) and are set out in articles 148 to 152 which are reproduced as an annexure to this note. (Annexure I)

2.1 Constitutional Provisions

- i. Article 148 provides that Parliament shall have full control over Public Finance, and
- ii. that no local authority or other Govt. body shall raise taxes, rates or other levy except by laws already in force or new laws passed by the Parliament.
viz: by passing an act of parliament or by passing a resolution in Parliament in respect of laws already in force.

2.2 Article 149 provides that all revenue not allocated by law to specific purposes shall form one consolidated Fund.

This section establishes a point of control is not allowing any Dept/ Ministry to collect revenue and spend money on their own. (Examples of revenue allocated by law to specific purposes are cess collected at the point of export of tea and rubber which are utilised to pay subsidies to the respective plantation industries)

2.3 Article. 149 (2) details the expenditure that may be charged on the Consolidated Fund, viz:-

- i. Interest on Public debt,
- ii. Sinking Fund payments (for the amortisation of loans)
- iii. Costs, charges and expenses incidental to the collection, management, and receipt of the Consolidated Fund, and
- iv. Any other expenditure that Parliament may from time to time sanction by law, shall be charged on the Fund.

2.4 Withdrawal from the Consolidated Fund

- i. Article 150 (i) provides that no money may be withdrawn except under the authority of a warrant under the hand of the Minister of Finance in charge of the Portfolio of Finance, and
- ii. Article 150 (2) provides that no such warrant shall be issued unless the sum has been approved,
 - (a) by a resolution of the Parliament, or
 - (b) been granted by any law for specified public services or
 - (c) otherwise lawfully charged on the Consolidated Fund.

These warrants are (i) General Warrant for General services
(ii) Advance warrant for advance account Activities
(iii) Special warrant for supplementary provision

- iii. Where President dissolves the Parliament and fixes a date for elections and no provision has been made or the Parliament is dissolved before passing the appropriation bill, Article 150 (3) provides for the President to authorise expenditure from the Consolidated Fund for expenditure necessary for public services, for 3 months from the date the New Parliament is expected to meet.

2.5 Contingencies Fund

Article 151 provides for the establishment of a contingencies Fund to cater to the needs of an urgent and unforeseen expenditure by making an advance from the Consolidated Fund, which should be replaced by obtaining supplementary provisions.

2.6 Finance Bills

Article 152 provides that no bill or motion authorising disposal of or imposition of charges on the Consolidated Fund, or other Funds or imposition of any tax, repeal, increase or reduction of any existing tax in force shall be introduced except by a Minister, and unless such Bill or notice has been approved by the Cabinet before being so introduced.

3. **Legal Provisions**

Let us now see how the Ministries and Departments are geared to satisfy provisions of articles 148-150 of the constitution viz. Parliament to have full authority over public Finance.

3.1 **Annual Estimates of Revenue and Expenditure.**

Preparation of estimates of Govt. revenue and expenditure for the ensuing year is finalised with the involvement of Ministries and Departments and the General Treasury. Estimates of Revenue and Expenditure are then printed for circulation among members of the Parliament, and an appropriation bill is drafted with two schedules annexed to it.

- Schedule
- i. Comprises of summary of estimated expenditure under each expenditure Head; and
 - ii. Comprises of advance account activities operating under each Ministry/ Department.

Estimates of Revenue and Expenditure together with fiscal proposals to raise additional funds required to finance the envisaged activities for the year is called the Budget, which will initially be placed before the Cabinet for approval. If you have access to minutes of the/ meetings of the Cabinet, you will observe that the draft bill has been approved by the Cabinet. The next stage is for the Minister of Finance to introduce the appropriation bill in the Parliament. The bill will go through the stages of

- i. 1st reading
- ii. 2nd reading and
- iii. Voting

Once it is passed by the Parliament and has/ received the assent of HE the President it becomes law and will be described as appropriation Act No..... of 199. It will be interesting for accountants to observe how each of the legal provisions in the Constitution is Complied, and how the estimates of revenue and expenditure get legal validity.

3.2 **Provisions of the Appropriation Act**

3.2.1 Section 2 of the appropriation Act 1992 provide for expenditure of the Govt. estimated at Rs. 112, 403 mIn. be met from the Consolidated Fund or any other fund or moneys of or at the disposal of the Govt. (Schedule I) and

3.2.2 From the proceeds of loans authorised to be raised for and on behalf of the Govt. not exceeding Rs. 66,000 mIn.

You will observe that the total of anticipated expenditure given in schedule I is incorporated into section (2) of the Act and has become law, thus setting a limitation of the expenditure to the amount stated in the section. Similarly the borrowings during the year should not exceed Rs. 66,000 mIn. Legal of effect is that these limits should not be exceeded without obtaining the approval of the Parliament.

3.2.3 Section 3 provides for the necessary authority

- (i.) to credit receipts to advance account activities in accordance with the limits given in Column iii of Schedule II
- (ii.) for payment of net surplus to the Consol.ated Fund, and allows the working expenses and depreciation be set off in determining the surplus to be paid to the Consolidated Fund.
- (iii.) to limit the expenditure on such activities to the maximum limits given in Column II of schedule II
- (iv.) to limit debit balance outstanding at the end of the year as given in Column IV of schedule II and the total liabilities as given in Column V of schedule II.

Thus you will note that 4 limits given against each activity has got legal effect by being incorporated into subsections 3 (1) to 3 (4)

3.3 Section 4 provides for advances to be paid from the Consolidated Fund whenever it is found that receipts of an activity are inadequate to meet with the expenditure incurred by such activity and such advances are not to exceed this limit of expenditure set out in Column II of schedule II, and for the refund of such advances to the Consolidated Fund.

3.4 **Virement Procedure**

Section 5 provides for the transfer of

- i. Unused funds from provisions for recurrent expenditure under any programme to Capital expenditure under the same programme, or transfer
- ii. to the/ of recurrent expenditure or Capital expenditure under any other programme within that Head by the order of the S/T or other delegated authority.

3.5 Section 5 (2) prohibits transfer of unutilised funds from money allocated to Capital Expenditure.

You will observe that transfer of funds in terms of FR 66 procedure has been enacted by this section and action pursued accordingly amounts to compliance with the legal provisions of this section.

3.6 Section 6 provides authority for the Minister, with the approval of the Govt. to withdraw amounts previously released but considered no longer necessary.

3.7 Section 7 provides authority for the Minister with the approval of the Govt. to vary the limits of expenditure, debit balance and liabilities outstanding at the end of the year and minimum limits of credits as given in schedule II relating to advance account activities.

Authorities exercised as above have to be approved by the parliament by resolution.

- 3.8 Section 8 provides for the Parliament to add any advance account activity with the limits relating to such activity.
- 3.9 You will note that provision has been made under schedule I for 268 Divisional Secretariats. Under these provisions each Divisional Secretariat is a separate accounting Head and the Divisional Secretary a Head of Department with supporting staff including an Accountant. Line Ministries will determine national policy exercise control on monetary provision, capital expenditure and staffing. Provincial Councils will retain their powers but would entrust implementation responsibilities to the Divisional Secretariats.

Part III

4. Conventional Framework

4.1 Introduction

With the expansion of activities of Ministries and Departments, there arose the subdivisions, regional offices and branches etc. of such large organisations. Such wide-spread offices and custodians in charge had to be provided with the necessary equipment, staff, finances and regulations and circulars governing the use of such resources. The regional set up had to implement work/services entrusted to them by the Head office and render statements of expenditure. For example a department which has 17 divisional offices had to obtain 17 monthly expenditure statements from divisional offices to finalise its own monthly summary.

Departments had to obtain their requirements of:

- i. Combined service staff from the Ministry of Public Administration
- ii. Supply of general items from Procurement & Advisory services Unit of the Ministry of Finance (former G.S.D.)
- iii. Provision of funds from the General Treasury
- iv. Printed forms and books from the Govt. Printing Department.

Ministries had to set out the policies and programmes for implementation by the Departments and progress reports on the implementation of such programmes had to be reported back.

The General Treasury with its specialised Depts. of:-

- i. Budget Dept. responsible for estimates and supplementaries
- ii. Payments Dept. responsible for
 - (a) receipt of monthly cash forecast
 - (b) release of cash imprest
 - (c) receipt of monthly Statement of Expenditure
 - (d) finalisation of annual accounts
- iii. Finance Depts. responsible for regulatory work such as
 - (a) preparation of manual of instructions
 - (b) interpretation of FR and revisions
 - (c) write off of losses
- iv. Fiscal Policy Dept. responsible for revenue proposals.
- v. Public Enterprises Dept. dealing with Corporations and Statutory Boards, and
- vi. External Resources Dept. handling all foreign loans/ aid/ grants.

These are the broad frame work of Govt. Institutions, one must be familiar if one is to get his work done in time. You are also aware that the Auditor-General appointed under Article 153 is empowered to Audit Accounts of the Govt. and State Corporations. Since your imprest are released by cheque and you are to operate Bank accounts knowledge of the banking practices is a much.

4.2 Govt. Procedures

Some of the important procedures one should be thorough with are given below:-

- i. Annual estimates, formats for capital, recurrent, and foreign aid estimates, supplementary estimates and FR 66 transfers.
- ii. Votes ledger and Statement of Committed Expenditure
- iii. Monthly cash forecast and the flash report
- iv. Cash book, bank reconciliation, pay sheets and other disbursement records such as Vouchers, with supporting documents certificates and Valid receipts.
- v. Monthly Summary of Revenue/ expenditure to the Treasury and the need to reconcile accounts monthly.
- vi. Annual appropriation account and audit thereof,
- vii. Stores matters such as Tender Board Procedure, Accounting for fixed assets, stores advance accounts, stores records, annual verifications of stores, reporting of losses, write off of losses with requisite authority.

Knowledge of the existence of a relevant institution and the particular division/branch with which one has to get a service, will prove useful in instances when such need arises.

Similarly in the application of procedures, unless the relevant form is used to make a request, and is sent through the proper channels of communication, together with the required endorsements, applications may be returned for lack of compliance, (e.g., FR 66 transfer applications)

Now you will observe the need to have a thorough working knowledge of your own department, general knowledge of different sections of the Treasury and other connected sister departments and a fair knowledge of the business and environment in which your department is set.

Extract from Ch. xvii of the Constitution of the Democratic Socialist Republic of Sri Lanka

CHAPTER XVII

FINANCE

Control of Parliament
per public finance

148. Parliament shall have full control over public finance. No tax, rate or any other levy shall be imposed by any local authority or any other public authority except by or under the authority of a law passed by Parliament or of any existing law.

Consolidated
fund

149. (1) The funds of the Republic not allocated by law to specific purposes shall form one Consolidated Fund into which shall be paid the produce of all taxes, imposts, rates and duties and all other revenues and receipts of the republic not allocated to specific purposes.

(2) The interest on the public debt, sinking fund payments, the costs, charges and expenses incidental to the collection management and receipt of the Consolidated fund and such other expenditure as Parliament may determine shall be charged on the Consolidated Fund.

Withdrawal of
funds from
Consolidated
fund.

150. (1) Save as otherwise expressly provided in paragraphs (3) and (4) of this Article, no sum shall be withdrawn from the Consolidated Fund except under the authority of a warrant under the hand of the Minister in charge of the subject of Finance.

(2) No such warrant shall be issued unless the sum has by resolution of Parliament or by any law been granted for specified public services for the financial year during which the withdrawal is to take place or is otherwise lawfully charged on the Consolidated Fund.

(3) Where the President dissolves Parliament before the Appropriation Bill for the Financial year has passed into law, he may unless Parliament shall have already made provision authorize the issue from the Consolidated Fund and the expenditure of such sums as he may consider necessary for the public services until the expiry of a period of three months from the date on which the new Parliament is summoned to meet.

4.3 Finality of accounts

You have to be aware of the need to have annual appropriation account prepared and rendered in time for the Treasury to finalise annual accounts. A statement of losses written off during the year should be annexed to the appropriation account. All excesses and surpluses on provisions should be well explained. These accounts will be audited by the Auditor-General, who will make his reports to the Parliament.

Public Accounts Committee of the Parliament will examine the Auditor-General's report on voted expenditure and advance account activities, where the Head of the Department and the Chief Accountant have to present themselves to explain matters.

Committee on Public Enterprises of the Parliament will examine the Auditor - General's report on State Corporations where Chairman and Finance Manager have to be present themselves to explain matters.

Thus you will see that an accountant is involved from the point of estimating for services to rendering of annual appropriation accounts for voted expenditure, and balance sheets for advance account activities, settling audit queries and finally acceptance of replies by the Parliament.

Extract from the Constitution of the Democratic Socialist Republic of Sri Lanka regarding Creation of a Contingencies fund

(1) Where the President dissolves Parliament and fixes a date or dates for a General Election the President may unless Parliament has already made Provision in that behalf, authorize the issue from the Consolidated Fund and the expenditure of such sums as he may after consultation with the Commissioner of Elections, consider necessary for such election.

Dr. G. G. P. ARJUNARATNE

151 (1) Notwithstanding any of the Provisions of Article 149, Parliament may by law create a Contingencies Fund for the Purpose of Providing for urgent and unforeseen expenditure.

Contingencies
Fund

(2) The Minister in charge of the subject of Finance if satisfied,

(a) that there is need for any such expenditure, and

(b) that no provision for such expenditure exists, may with the consent of the President, authorize provision to be made therefor by an advance from the Contingencies Fund.

(3) As soon as possible after every such advance, a Supplementary Estimate shall be presented to Parliament for the purpose of replacing the amount so advanced.

152. No Bill or motion, authorizing the disposal of or the imposition charges upon, the Consolidated Fund or other funds of the Republic, or the imposition of any tax or the repeal, augmentation or reduction of any tax for the time being in force shall be introduced in Parliament except by a Minister, unless such Bill or motion has been approved by the Cabinet of Ministers or in such manner as the Cabinet of Ministers may authorize.

Special provisions as
to Bills affecting
public revenue

Several instances requiring resolution of Parliament

1. Revenue Protection Act 19 of 1962

Act provides for the Minister of Finance to make Fiscal amendments which are to be Gazetted e.g., levy of customs duties under the Customs Ordinance (ch. 235) of the legislative enactments.

2. Turnover Tax Act 69 of 1981

To amend the rate of turnover tax payable for a particular service for the Fiscal year.

3. Income Tax Act 28 of 1979

Surcharge on I. T. 7 of 1989

Surcharge on W. T. 8 of 1989

} to give effect to changes in rate of taxes
fro the year.

4. Finance Act 38 of 1971

Provides special funds to receive Voluntary Contributions in money made to the Govt. for charitable purposes and gives tax relief for specified investments/ donations. Vide annexures 3

5. Treasury Certificates Deposit Act 9 of 1989

Borrowing money through certificates of deposits issued on behalf of the Government.

EXTRACT FROM THE FINANCE ACT 38 OF 1971

PART IV

ESTABLISHMENT OF SPECIAL FUNDS TO RECEIVE VOLUNTARY CONTRIBUTIONS IN MONEY MADE TO THE GOVERNMENT FOR CHARITABLE PURPOSES

25. (1) Any voluntary contribution made to the Government for any specified charitable purpose may be held in deposit in one or more accounts in the General Treasury or in any such Kacheheri in the Island as may be determined by the Minister of Finance.

(2) The expression "charitable purpose" in sub section (1) means

(a) the relief of poverty or distress,

(b) medical relief

(c) the advance amount of education or knowledge; or

(d) any other purpose beneficial to the Public or a section of the Public.

BEST AVAILABLE COPY

PARLIAMENTARY CONTROL OF PUBLIC FINANCE

Parliamentary Control of Public Finance arises from the concept that "power of public purse resides in Parliament and the Constitution states that" Parliament shall have full control over public finance. This means that the levy of all taxes and other dues and expenditure therefrom are subject to Parliamentary control. A system of control has been evolved which is common to all the Parliamentary systems of Government which ensures certain checks and balances to avoid infringement of Parliament's power over public purse and for the definite detection of all excesses. The system basically comprises of three stages - viz.

- (1) Control before the event - Prior approval of Parliament for all financial proposals whether revenue or expenditure. An important feature is that 'blank' approval as such is not granted for financial proposals; instead approval is granted specifying funding, period, maximum amount that can be levied or expended and purpose.
- (2) Control during the event - Current checks on activities. Parliament makes use of executive agencies such as Treasury for this purpose. It is this convention that has placed Treasury control in a very important position over financial activities of Government Departments.
- (3) Control after the events - Comprises the following:
Submission of Accounts Audit of Accounts by Auditor General and Examination of the Audit Report by PAC and COPE.

2. Provisions in the Standing Orders of the House.

(i) Standing Order No. 125

- (1) There shall be a Committee on Public Accounts consisting of 10 members.
- (2) It shall be the duty of the Committee to examine the accounts showing the appropriation of the sums granted by Parliament to meet public expenditure and such other accounts laid before Parliament, along with reports of the Auditor General thereon and the reports of the Auditor General on Local Authorities.
- (3) The Committee shall, from time to time, report to Parliament on the accounts examined, the finances, financial procedures, performance and management generally of any Department, Local Authority and on any matter arising therefrom.
- (4) The Committee may when it considers necessary appoint sub-committees of its own members to examine and report on all accounts and the finances and management of such Departments and Local Authorities as the Committee may direct.

(ii) Standing Order No. 132 - Excesses

- (1) No motion in respect of a grant of money for the services of a financial year already ended (hereinafter called Excess) will be entertained except in the circumstances set out in paragraph (5) of this Order.
- (2) It shall be an instruction to the Committee on Public Accounts that they do examine any Excesses on any Project of a Programme and State in their report whether the Excesses is on the Programme or only one or more Projects of that Programme.
- (3) If the Excess is on one or more Projects only, the Committee shall inquire whether the Excesses was incurred within proper authority and with due regard to economy and if satisfied shall report accordingly and no further sanction for that Excess shall be required."

3. The above represent "statutory" requirements. It would be seen that these are not comprehensive from the point of view of complete control. Therefore the "missing links" have been tied up by certain Administrative measures.

- (i) One of the principle administrative measures is the promulgation of the Government Financial Regulations. Concurrent control over the financial activities is achieved by the operation of these regulations.
- (ii) Two other important institutions are the Chief Accounting officers and Accounting officers. Concurrent control is achieved through these officials as well
- (iii) Finally the most important institution is the Treasury. It exercises before the event control by the examination of financial proposals, concurrent control by giving directives, rulings etc. on financial matters specifically or generally through Treasury Circulars granting various authorities and approvals such as write offs, additional cadre etc., and supervision over accounts. It also exercises after the event control by compiling the annual accounts.

4. EXCESSES ON VOTED FUNDS

"Excess" is defined in the Standing Orders as the granting of money for the service of a financial year already ended. Where a department has exceeded the moneys sanctioned without proper authority, it should be reflected in the Appropriation Accounts as an Unauthorised Excess for purposes of Audit. The Public accounts Committee has to examine the excess and report on it to Parliament. Such excess has to be made good by a supplementary grant by Parliament.

In terms of Standing Order 132, the Public Accounts Committee has to examine any Excess on any Project or a Programme and state in its report whether the Excess is on the Programme or only one or more Projects of that Programme. If the latter is the case the

Committee must inquire whether the Excess was incurred with proper authority and with due regard to economy. If satisfied, the Committee reports accordingly and no further action for that Excess is required. If it is not so satisfied, the Committee has to report that it has disallowed the Excess or so much of it as it thinks fit.

Whenever the Public Accounts Committee has reported either that an Excess has been incurred on a Programme or that it has disallowed certain items of expenditure, a motion to resolve Parliament into a Committee to consider a grant to make good such an Excess or such items as have been disallowed may be put on the Order Paper by the Minister of Finance for consideration by Parliament. This motion is known as the Supplementary Appropriation Bill. No such motion can however be entertained after two years from 31st December of the year to which the Excess relates.

5. POSITION OF PUBLIC CORPORATIONS

The scope, extent and stages of control over Public Corporations are statutory laid down in Part II of the Finance Act, No.38 of 1971. The Secretary to the Ministry exercises supervision and control over the Corporation in his capacity as the Chief Accounting Officer, the Chairman of the Corporation being the Accounting Officer.

The stages of Parliamentary control in regard to loans and grants to Public Corporations are very similar to those of Government Departments. Firstly, requests for money are included under the Programmes of the relevant Ministry in the Draft Estimates of the Government. When the Appropriation Bill is passed by Parliament moneys are released to the Corporation by the relevant Ministry.

For the purpose of discharging its accountability to Parliament the Corporation has to prepare its accounts after the end of each financial year and renders them to audit within the time allotted for the purpose. The Auditor General thereafter examines the accounts in accordance with the provisions in the constitution and in the Finance Act. He submits his reports to Parliament which are referred by it to the Committee on Public Enterprises for its examination this is a Select Committee of Parliament parallel to the Public Accounts Committee entrusted with the task of examining accounts and Auditor General's Reports thereon of Public Corporations and undertakings vested in the Government. The Standing Order 126 requires this Committee to examine their budgets and annual estimates, the finances, financial procedures, performance and management generally in addition to the accounts and the Auditor General's reports thereon.

As with the Public Accounts Committee, examination by this Committee too is by interrogation of Chief Accounting Officer and Accounting Officers who in this case are the Secretary to the Ministry and the Chairman of the Corporation. On conclusion of the examination, a report on the more important issues that arose in the course of the evidence is prepared by the Committee and Submitted to Parliament along with its observations and recommendations. Section 15 of the Finance Act requires each Public Corporation to give effect to such recommendation of this Committee as may be determined by the respective Minister, thereby completing the process of financial control as instituted by the Legislature.

රජයේ ගිණුම්කරුගේ ව්‍යවස්ථාපිත, ජෛනික සහ සම්ප්‍රදායික රාමුව

ශ්‍රී ලංකා රජයේ ගිණුම් ක්‍රමය රට පවත්වන්නේ, ක්‍රියාත්මක වන්නේත්,

- * 1978 ආණ්ඩුක්‍රම ව්‍යවස්ථාවේ ප්‍රතිපාදන
- * නිශ්චිත කාර්යයන් සඳහා පැනවුණු නීති
- උදා :- වාර්ෂික විසර්ජන පනත්
- 1971 අංක 8 දරන මුදල් පනත
- * රජයේ මුදල් රෙගුලාසි සහ
- * සම්ප්‍රදායික සහ පිලිබඳ කියමයන් මතය.

රටේ මූලික නීතිය වශයෙන්, ආණ්ඩුක්‍රම ව්‍යවස්ථාව

- පාර්ලිමේන්තුව විසින් රාජ්‍ය මූල්‍ය කෙරෙහි පූර්ණපාලන බලය
- ඒකාබද්ධ අරමුදල පිහිටුවීම හා ක්‍රියාත්මක කිරීම
- අවිනිශ්චිත අවස්ථා අරමුදලක් පවැවීම
- (රජයේ සේවාවන් සඳහා) - ඒකාබද්ධ අරමුදලෙන් මුදල් නිකුත් කරන ආකාරය
- විගණකාධිපති මූරය සහ කාර්ය පටය

පිලිබඳ විධිවිධාන ප්‍රතිපාදන කර ඇත.

2. (i) එළඹෙන්නාවූ ඉදිරි මුදල් වර්ෂයට වියදම් සඳහා ප්‍රතිපාදන විසර්ජන පනතින් අනුමත වීමට පෙර පාර්ලිමේන්තුව ජනාධිපති තුමා විසින් විසුරුවා හැරී අවස්ථාවක හා

(ii) මහා මැතිවරණයක් ප්‍රකාශයට පත් කර ඇති මුත්, ඉදිරි වර්ෂයේ ඒ සඳහා ප්‍රමාණවත් මුදල් ප්‍රතිපාදන නොමැති අවස්ථාවකදී ද,

නිශ්චිත කාර්ය වෙනුවෙන් රජයේ සේවාවන් සඳහා ජනාධිපති වරයා විසින් ඒකාබද්ධ අරමුදලෙන් මුදල් හැරීම පිණිස ද ආණ්ඩුක්‍රම ව්‍යවස්ථාව විධි විධාන සලසා ඇත්තේය.

3. ඉහත සඳහන් විධි විධානයන් රාජ්‍ය මූල්‍ය, පාර්ලිමේන්තුව විසින් පාලනය කිරීම පිණිස ඉහත දළ වශයෙන් නීතිමය රාමුවක් පිහිටුවයි. විශේෂයෙන්ම පොදු වියදම් කෙරේ පාලන ක්‍රමයක් සලස්වයි.

- * රජයේ දෙපාර්තමේන්තු හෝ අමාත්‍යාංශ විසින් ආදායම් එක්කාසු කිරීම සහ මහජන මුදල් වියදම් කිරීම වශයෙන් රාජ්‍ය මූල්‍ය කළමනාකරණය හෝ රාජ්‍ය මූල්‍ය පරිපාලනය හෝ අඩංගු
- * ප්‍රධාන ගණන් දීමේ නිලධාරීන් හෝ ගණන් දීමේ නිලධාරීන් පත් කිරීම හෝ
- * මුදල් රෙගුලාසි පිලිබඳව හෝ

විධිවිධාන සලස්වන වෙනම නීතියක් ශ්‍රී ලංකාවේ මෙතෙක් පනවා නැත.

4. ව්‍යවස්ථාපිත විධිවිධාන (විස්තරාත්මකව)

ආණ්ඩුක්‍රම ව්‍යවස්ථාවේ රාජ්‍ය මූල්‍ය පිලිබඳ xvii පරිච්ඡේදය (වගන්ති 148) ආරම්භ වන්නේ "රාජ්‍ය මූල්‍ය කෙරෙහි පූර්ණ පාලන බලය පාර්ලිමේන්තුව සතු වන්නේය" යනුවෙනි. එහි "පාර්ලිමේන්තුව විසින් සම්මත වූ පනතක් යටතේ පවරනු ලැබූ අධිකාරියකින් විනා පළාත් පාලන ආයතනයක හෝ වෙනත්..... බලධාරියෙකු විසින් කිසිදු බද්දක්, රේඛි ප්‍රමාණයක් හෝ වෙනත් අයකිරීමකින් සිදු කිරීම වලංගු නොවන්නේය" යනුවෙන්ද සඳහන් කරවයි.

එහෙයින් පාර්ලිමේන්තු අනුමැතිය නොමැතිව කිසිදු ආදායම් ව්‍යයෝජනවලට හෝ කිසිදු වියදමක් දැරීමට නොහැක.

පාර්ලිමේන්තු අනුමැතිය දෙයාකාරයකින් ලබා ගත හැක.

එනම් :- පාර්ලිමේන්තු යෝජනාවක් සම්මත කර ගැනීමෙනි. හෝ එසේනම් පාර්ලිමේන්තු පනතක් සම්මත කර ගැනීමෙනි.

4. ඒකාබද්ධ අරමුදල - මූල්‍ය පාලනයේ පළමු පියවර

(අ) ආණ්ඩුක්‍රම ව්‍යවස්ථාවේ 145 වැනි වගන්තිය "රාජ්‍ය මූල්‍ය පිලිබඳ සම්පූර්ණ පාලන බලය පාර්ලිමේන්තුව සතු වන්නේය.

යනාදී වශයෙන් සඳහන් කරයි.

එමගින් කිසිම අමාත්‍යාංශයකට, දෙපාර්තමේන්තුවකට හෝ රජයේ කාර්යාලයකට එක්කාසු කරන කිසිදු විෂයක් හෝ මුදලක් තම ආයතනවලට අයත් ආදායමක් ලෙස ගිණිස නොකී වන්නේය.

ආදායමෙන් අවකරන වශයෙන් ගොඩ නැගුණු අරමුදල්වල උද්‍යෝගී සොයනොත් රබර් නැවත කරන අවස්ථාවේ අය කරනු ලබන රබර් අපනයන, නිරු ගාස්තු හෙවත් සෙස් මුදල් වලින් ගොඩ නැගුණු රබර් පාලන අරමුදල හෝ ඒ අයුරින්ම

- හේ නැවත කරන විට අය කරනු ලබන සෙස් ගාස්තුවෙන් ගොඩනැගුණු හේ පාලන අරමුදල සඳහන් කල හැක.

කැබිනට් අනුමැතිය සහ ඇමති සහභාගිත්වය

රාජ්‍ය මූල්‍යයට බලපාන කිසිදු යෝජනාවක් ඇමති වරයකු විසින් කැබිනට් වශයෙන් පූර්ව අනුමැතිය ඇතිව ඉදිරිපත් වුවහොත් විනා පාර්ලිමේන්තුව විසින් සලකා නොබලනු ඇතැයි ද එම වගන්තියේම සඳහන් වේ.

මෙයින් ආදායම් යෝජනා සහ වැය යෝජනාවක් ආරම්භ කිරීමට විධායකයට (හෙවත් ආණ්ඩුවට) හිමි වියහොත්ම බලය මින් ප්‍රකාශ වන්නේය.

1972 ආණ්ඩුක්‍රම ව්‍යවස්ථාව

1972 ආණ්ඩුක්‍රම ව්‍යවස්ථාවේ "ආගන්තුක වශයෙන් පූර්ව අනුමැතිය" සඳහන් නොකිරීම ද සම්බන්ධ කළ යුතුය. සාමූහික වගකීමන්, පාර්ලිමේන්තු සම්පත වීම සඳහා ආගන්තුක වශයෙන් පූර්ව අනුමැතිය සහ සහාය විකල්පයක් නොමැතිවම ලබා ගතයුතු බවත් තේරුම් ගනිමින් එම උපතා කොට ගත එසේ සඳහන් කළා විය හැක.

(ආ) ඒකාබද්ධ අරමුදලින් දැවීය යුතු ගාස්තු හා වියදම් වෙවා යයිද - 149 වගන්තිය සඳහන් කරයි.

- i වැය කිරීමට (රාජ්‍ය ණය) වන කොට්ඨාසයක්
- ii වැය කිරීමට අරමුදල ගෙවීම (ණය සඳහා)
- iii වැය කිරීමට අරමුදල සඳහා සේවා සැපයීම වෙනුවෙන් පලන නවීන වියදම් සහ
- iv ආගන්තුක වශයෙන් පාර්ලිමේන්තුව විසින් කලින් කලට ඒකාබද්ධ අරමුදලට වැයගාර වශයෙන් නිගමනය කරන වියදම්

එහෙයින් මෙම වියදම් විසර්ජන පනතක අනුමැතියක නොමැතිව ද ඒකාබද්ධ අරමුදලින් දැවීය හැක්කේය.

(ඇ) ඒකාබද්ධ අරමුදලින් - මුද්‍ර හැරීම

පුද්ගල ඇමතිවරයා විසින් අත්සන් කළු චෙක්වලට බලපත්‍රයක අධිකාරිය සපයා විනා ඒකාබද්ධ අරමුදලින් කිසිදු මුදල් ප්‍රමාණයක් එවැනි ඉඩම් නොකරනු හෝ පුද්ගල නොහවුනු ඇතැයි ආ. ක්‍ර. ව්‍යවස්ථාවේ 152 වගන්තියේ සඳහන් වේ.

එ අතරම එවැනි කිසිව පවත්නුවත්, අදාළ පුද්ගල ප්‍රමාණයන් වැය කිරීම පාර්ලිමේන්තුවේ සම්පත නීතියක් මගින් සලකා නොමැති අවස්ථාවක අත්සන් නොකරනු ඇතැයි ද එම වගන්තියේම සඳහන් වේ.

මෙම පවත්නු කිහිප ආකාරයක හා ආකෘති වන ද සකස් වේ.

4.2 පරිපූරක ඇස්තමේන්තු

වර්ෂයක් පාසා කියලා වියදම් සඳහා විසර්ජන පනතකින් සම්පත කරගනු ලබන අතර, පරිපූරක ඇස්තමේන්තු පාර්ලිමේන්තුවට සම්පත කරවා ගනු ලබන්නේ පාර්ලිමේන්තු යෝජනාවක් මගින් බව ද සැලකිල්ලට ගත යුතුය.

4.3 අවිනිශ්චිත අවස්ථා අරමුදල

ඒකාබද්ධ අරමුදලින් ලබා ගන්නා අත්තිකාරම් පදනම් මගින් අවිනිශ්චිත අවස්ථා අරමුදලක් පිහිටුවීමට ද 152 වගන්තියේ ඉඩකඩ සැලසේ. මෙය මෙය "හදිසි" සහ "කල්තබා නොදැම" වියදම් සඳහා වන්නේය. "හදිසි" සහ "කල්තබා නොදැම" යන අවශ්‍යතා දෙකම එකවර සපුරා ලිය යුතුය. එනම් මෙම වගන්තියේ පැහැදිලි අර්ථ නිරූපණයකදී සාමාන්‍යයෙන් හෝ අවුරුදු පනා රටේ ඇතිවන ජලලැලි නිමා සමයක් සනාඳිත ගිණිම නොහැක්කේය. එවැනි අවස්ථා සඳහා අදාළ රජයේ දෙපාර්තමේන්තු (උදා : සමාජ සේවා දෙපාර්තමේන්තුව) සටහන් වාර්ෂිකව මුදල් ප්‍රතිපාදනය කරනු ලබන හෙයිනි.

මෙම අරමුදල අදාළ වන්නේ දීප්පාපන හෝ බැරෑරුම් සුළිසුලා හෝ කුණාටු හෝ වෙනත් බරපතල උපද්‍රව සිදු වූ අවස්ථාවන්හිදීය.

අවිනිශ්චිත අවස්ථා අරමුදලින් ද දෙනු ලබන්නේ අත්තිකාරමකි. එම අත්තිකාරම මුදල පසුව අදාළ වැය ගීර්භ යටතේ ප්‍රතිපාදන ඇතුළත් කිරීමෙන් ඒකාබද්ධ අරමුදලින් ලබාගෙන පලමු සඳහන් අරමුදලට ප්‍රතිපූරණය කළ යුතුය.

5.1 විගණකාධිපති

ආණ්ඩුක්‍රම ව්‍යවස්ථාවේ 153 වගන්තියේ (1) වන ඡේදයෙහි

.....විගණකාධිපති වරයෙක් වන්නේය යනුවෙන් සඳහන් වේ. "යනුවෙන් වැඩුණු පාර්ලිමේන්තුව විසින් නිගමනය කරනු ඇත. එය ඒකාබද්ධ අරමුදලට වැය භාරයක් වන අතර, සහයෝ නිල කාර්ය කාලය තුළ එය අඩු නොකරනු ඇතැයි" යනුවෙන් 153 වගන්තියේ (2) උප ඡේදයේ විධිවිධාන සැලසීමෙන් යනුයා ස්ථායීතාවය ආණ්ඩුක්‍රම ව්‍යවස්ථාව සලකා ඇත්තේය.

විගණකාධිපති දෙපාර්තමේන්තුව කිසිදු අගන්වැයකට පවරා නැති අතර, ආ. ක්‍ර. ව්‍යවස්ථාවේ 52 වන වගන්තිය අනුව කිසිදු අගන්වැයකට අධිකාරියක් ලබන්නාක් ද නැත. තවද සහ ජිලයෙන් පනතල හැක්කේ, අසහනක් සොබා හෙතු කායික උපලවා වන හෝ පාර්ලිමේන්තුව විසින් සම්පත කරනු ලැබූ යෝජනාවක් වන ජනාධිපතිවරයා විසින් පමණකි.

5.2 ගිණුම් විගණනය

154 වැනි වගන්තියේ (5) වන උපඡේදය ප්‍රකාර කියලා රජයේ දෙපාර්තමේන්තුවල සහ වෙනත් රජයේ කාර්යාලවල..... පලාත් පාලන ආයතන, රජයේ සංස්ථා හා රජයේ සංවිධාන වෙනත් පරාපාරයන්හි "ගිණුම්" විගණකාධිපතිවරයා විසින් විගණනය කරනු ඇත. යනුවෙන් සඳහන් වේ.

මේ අනුව ලිඛිත නීතියක් යටතේ දැනට පවත්නා හෝ මතුවීම පිහිටුවන ඕනෑම රජයේ ආයතනයක් හෝ ව්‍යාපාරයක් විගණාධිපතිවරයා විසින් විගණනය කිරීම අවශ්‍ය කළ හැක.

5.3 ගිණුම් පොත්, වාර්තා ලියවිලි ආදිය ප්‍රවේශය

තම විගණනය සඳහා අවශ්‍ය යයි ඔහු සලකන සියලු පොත්, සටහන්, වාර්තා, ගබඩා හා දේපල වෙත ප්‍රවේශ වීමට ඔහුට හෝ ඔහුගේ නියෝජිතයන්ට එම වගන්තියේ (5) වන ඡේදයෙන් ඉඩකඩ සැලසේ.

ආණ්ඩුක්‍රම ව්‍යවස්ථාව 'ගිණුම්' හෝ 'විගණකාධි' යන වදන් නිර්ණය නොකරන අතර, විගණකාධිපති විසින් ඉදිරිපත් කළ යුතු වාර්තාවන්හි අන්තර්ගත යුතු දෑ පිලිබඳව ද නියමයක් නොකරයි.

මේ නිසා එම කටයුතු වලදී විගණකාධිපතිවරයාට වූවල් අභිමතයක් ඇත. ගිණුම් යන වදනට ඉතා සුළු අර්ථ නිරූපනයක් දී ඇත. වෘත්තීය පොදු අවබෝධය සහ ජාත්‍යන්තර වශයෙන් විගණාධිපතිවරුන්ගේ පරිචය ද අනුව පිරිසුන් විගණකාධිපතිවරුන්ගේ ශ්‍රී ලංකාවේ විගණාධිපතිවරුන්ගේ භූමිකාවයි.

5.4 විගණකාධිපතිවරුන් කාර්යයේ යෙදවීම

154 වන වගන්තිය 'සුදුසුකම් ලත් විගණකවරුන්' ගේ සේවා තම කාර්යය සඳහා විගණකාධිපති වරයාගේ සාමාන්‍ය වෙනසවීම සහ පාලනය යටතේ ඒම කාර්යයන් ඉටුකරවීමටත් පිටිවිධාන සලසයි.

රජයේ නිලධාරීන් කෙරෙහි අධිකාර කිරීමට ආණ්ඩුක්‍රම ව්‍යවස්ථාවේ පිටිවිධාන නොමැති අතර, වෙනත් නීතියක් යටතේ ද එවැනි බලයක් නොමැත. නමුත් විශ්ව විද්‍යාල සහ වළාන් පාලන ආයතන පිලිබඳ විගණකවරයා වශයෙන් අධිකාර කිරීමේ බලය ඔහු වෙත ඇත්තේය.

6. විසර්ජන පනත

පාර්ලිමේන්තුවෙන් පාර්ලිමේන්තු විසර්ජන පනතක් සම්මත කරනු ලබන්නේය. මෙය පොදු ව්‍යවහාරයේදී අසවුය පනත හෝ අවස්ථාව යයි හඳුන්වනු ලබයි. එම පනතට උප ලේඛන 2 ක්ද යාකර ඇත. එහෙයින් එම උපලේඛන ද නීතියේ කොටසක් වන්නේය.

6.1 උපලේඛන

- i ශිෂ්‍ය සහ ව්‍යාපෘති (ප්‍රධාන කාර්යයන් වෙනුවෙන්) වැය සීමා මුදලින් දැක්වේ.
- උපලේඛන ii එක් එක් අනුක්‍රමික වැය ගිණුම යටතේ පිලිවෙලින් අංක දී නම් කරන අන්තිකාරම් ගිණුම් ලැයිස්තුවක් වෙති අඩංගු වේ. එම අන්තිකාරම් ගිණුම් යටතේ
 - i උපරිම වියදම් සීමාව
 - ii උපරිම හර සීමාව
 - iii අවම ලද සීමාව
 - iv හිත හිටි බැරකම උපරිම සීමාව ද මෙහි අඩංගු වේ.

මේ හේතුවෙන් 'පාර්ලිමේන්තු විසර්ජනය' ව්‍යාපෘතිගත අනුව යැයි කියමනක් වේ.

6.2 2 වන වගන්තිය

1 උපලේඛනයේ සඳහන් මූල්‍ය සීමා තුළ වැයගිණුම සහ වැඩසටහන් යටතේ ශ්‍රී ලංකා අරමුදල් වලින් වැය කිරීමට පනත් අනුමැතිය දෙයි.

පනතින් මෙම වගන්තියේ සඳහන් සීමා තුළ ලංකාව ඇතුළත හා පිටත ණය මුදල් ලබා ගැනීමට මුදල් ඇමති වරයා බලය ලැබෙයි

6.3 3 වන වගන්තිය

ii උපලේඛනයේ සඳහන් අන්තිකාරම් ගිණුම් සීමා අනුමතවන අතර අන්තිකාරම් ගිණුමට වැයහාර කළ හැකි වියදම් ගණනය (ස්වභාවය) නියම කරන අතර ගිණුමේ විෂයකරණ මූල්‍ය අතිරික්තයක් වෙනොත් මුදල් වර්ෂය අවසන් වී සයමසක් ඇතුළත රජයේ ආදායමට බැර කළ යුතු වගද සඳහන් කරයි.

6.4 4 වන වගන්තිය

අන්තිකාරම් ගිණුම් කටයුත්තක් ඇරඹීම සඳහා ඒකාබද්ධ අරමුදලින් අන්තිකාරමක් ගෙවීමටත්, එම කටයුත්තේ ලැබීම් එම කටයුත්තේ ගෙවීම් සඳහා ප්‍රමාණවත් තොරතුරු නැති එම කටයුත්තේ වියදම් සඳහා අන්තිකාරමක් ගෙවීමටත් අවකාශ සලස්වයි.

6.5 5 වන වගන්තිය

ආණ්ඩාගාර ලේකම් හෝ ඔහු විසින් බලය පවරනු ලැබූ නිලධාරියෙකු විසින් වරදාං ක්‍රියා පටිපාටියේ යෙදීම අනුමත කරයි. එනම් පුනරාවර්තන වැය වෙන් කිරීමක බලාපොරොත්තු හෝ විෂයකරණ කිරීමට එම වැය සටහනෙන් වෙනත් ප්‍රාග්ධන වැය වෙන් කිරීමකට මාරු කිරීම හෝ එම වැය ගිණුමේ වෙනත් පුනරාවර්තන හෝ ප්‍රාග්ධන වැය වෙන් කිරීමකට මාරු කිරීම.

6.6 6 වන වගන්තිය

- (i) අපේක්ෂිත ආදායම් ඉලක්ක කළ ප්‍රමාණයට වඩා අඩුවේ යයි ද

(ii) කිසියම් කාරණයක් සඳහා පළමුව විසර්ජනය කරන ලද මුදල් ප්‍රමාණය පසුව අනවශ්‍ය යයිද මුදල් ඇමති වරයා සෑහීමට පත්වූ අවස්ථාවන්හි දැනටමත් මුදා ඇති මුදල් ප්‍රතිපාදන වුව ආපසු කැඳවීමට මුදල් ඇමති වරයාට බලය දෙයි.

6.7 7 වන වගන්තිය

මෙම වගන්තිය යටතේ කිසියම් අත්තිකාරම් ගිණුමක සීමාවන් පසුව වෙනස් කිරීමට මුදල් ඇමතිවරයාට බලය පවරයි. මෙය කළ හැක්කේ අදාළ මුදල් වර්ෂය ඉකුත් වී මැයි මැයි මස 31 දින පෙර, පෙර මෙන් තොරව 1983 සිට මේ සඳහා පාර්ලිමේන්තුක යෝජනාවක් ද සම්මත විය යුතුය.

6.8 8 වන වගන්තිය

අළුත් අත්තිකාරම් ගිණුමක් ඇති කරමින් II උප ලේඛණය සංශෝධනය කිරීමටත්, එම කටයුත්තේ උපරිම සහ අවම සීමාවන් නිගමනය කිරීමටත් පාර්ලිමේන්තුවට ඉඩ කඩ සලස්වයි.

7. සම්මතයන් සහ සම්ප්‍රදයන්

ව්‍යවස්ථාවේ සහ නීතිමය විධිවිධානයන්ට අමතරව පාර්ලිමේන්තු ප්‍රජාතන්ත්‍රයක් වශයෙන් ශ්‍රී ලංකාව එක්සත් රාජධානියේ පවත්නා සම්ප්‍රදයන් සහ සම්මතයන්ද, මීට පෙර ව්‍යවස්ථාව පරිචය යටතේ ලංකාවේම අනුගමනය කරනු ලැබූ සම්මතයන් සහ සම්ප්‍රදයන්ද පිළිපදියි.

මේ අතර ප්‍රධාන තැනක් ගන්නේ -

- (i) ව්‍යවස්ථාව යටතේ එම විෂය ඔහුට හැර මුදල් කටයුතු වලදී මුදල් ඇමති වරයා ප්‍රමුඛ කොට සැලකීම
 උදා :- * සියලුම මූල්‍ය පනත් ඔහු විසින් ඉදිරිපත් කිරීම
 * ටෙන්ඩර් සම්බන්ධ කටයුතු වලදී මුදල් ඇමතිවරයා අවසන් බලධාරියා වීම
 * ඇයවැය කතාව මුදල් ඇමති වරයා විසින් පැවැත්වීම
- (ii) පාර්ලිමේන්තු ස්ථාවර නියෝග යටතේ රාජ්‍ය ගිණුම් කාරක සභාව කටයුතු කිරීම
- (iii) මූල්‍ය ප්‍රකාශ සහ පරිපාලනවාරණ පාර්ලිමේන්තුවේ සභාගත කිරීම
- (iv) පාර්ලිමේන්තුව පත් කරන කමිටු වාර්තා ආදිය පාර්ලිමේන්තු සැසිවාර ප්‍රකාශන ලෙස ප්‍රසිද්ධ කිරීම
- (v) මුදල් කටයුතු ක්ෂේත්‍රයේ භාණ්ඩාගාරයේ කාර්යභාරය යතාර්ථය

8. අතුරු සම්මත ගිණුම

අතුරු සම්මතයන් පාර්ලිමේන්තුව අනුමත කරනු ලැබ, ඊට පසු වර්ෂයේ විසර්ජන පනත ඉදිරිපත් කරන විට, පළමු කී අතුරු සම්මතයේ කාල පරිච්ඡේදය තුළ එම සම්මතය මත වියදම් කලා වූ මුදල් ද එම සම්මතය යටතේ සීමාව පසුව සම්මත කිරීමට යෙදෙන විසර්ජන පනතේ අඩංගු වූවාසේ වලංගු වන ඡේදයන් ද අඩංගු කෙරේ.

9. 1971 අංක 38 දරන මුදල් පනත

රාජ්‍ය මූල්‍යයට බලපාන ඊළඟම වැදගත් නීති වන්නේ 1971 අංක : 38 දරන මුදල් පනතයි. මෙහි II කාණ්ඩය පමණක් රාජ්‍ය සංස්ථාවලට අදාළ වේ. මෙහි රාජ්‍ය සංස්ථාවන් සඳහන් පරිදි තීරණය කර ඇත.

'ආණ්ඩුව විසින් ප්‍රදානයක්, ණයක් හෝ වෙනත් ආකාරයකින් ප්‍රාග්ධනයට දායක වීමෙන් සමාගම් ආදාපනත හැර වෙන ඕනෑම නීතියක් යටතේ ස්ථාපිත කරනු ලැබූ හෝ පිහිටුවනු ලබන්නාවූ ඕනෑම සංස්ථාවක්, මණ්ඩලයක් හෝ වෙනත් සංවිධානයක් යනුවෙනි.

රජයේ දෙපාර්තමේන්තු සහ අමතනාංග වලට අදාළ නොවන හෙයින් මෙම පනතේ විධිවිධාන මෙහි ලා විස්තරාත්මකව සාකච්ඡා නොකෙරේ.

BEST AVAILABLE COPY

PUBLIC FINANCIAL CONTROL AND REGULATIONS

Public Financial Control too stems from the Constitutional provisions. Article. 148 vests Parliament with power of full control over public finance. However, it is the Executive who upholds the Constitution and runs Government business. The latter seeks Parliamentary sanction in all matters of Public Finance.

1.1 *The Cabinet of Ministers*

Art. 152 which requires any proposal affecting Public finance to be proposed by a minister if it is to receive the consideration of Parliament also requires it to have approval of Cabinet. Clearly the Cabinet has the highest say in matters of Public finance. It is the highest level Tender Board too.

1.2 *The Minister of Finance*

As in many Parliamentary democracies, in Sri Lanka too, the Minister of Finance has primacy in matters of Public finance.

He delivers the Budget speech

- presents the Budget speech
- presents the Appropriation Bill
- moves Supplementary Estimates resolution in Parliament
- Signs warrants for withdrawal of Govt. funds.

The appropriation Bill empowers him to borrow money for expenditure on public Services.

In the discharge of his functions the Finance Minister is assisted by the General Treasury as the Principal Department under him.

1.3 *Control over Govt. Departments and Ministries*

While the Appropriation Law and Budgetary procedure controls a large part of financial activity in Govt. Departments, the financial regulations spell out the procedural control.

Control is also brought about by the appointment of Secretaries to Ministries and Heads of Departments to the role of duty as Chief Accounting Officers and Accounting Officers respectively.

1.4 *Control over State corporations and Statutory Bodies*

Corporations and Statutory Bodies function ultimately under Ministerial Control. The Secretary to the particular Ministry is deemed the Chief Accounting Officer in respect of the State Corporation, and any Govt. Contributions to capital is voted under the Head of the Ministry.

Generally the Corporation adopt the Govt. Financial Regulations pro tanto or adopt their own regulations which recognise the broad principles of the Govt. Financial Regulations. The Minister can prescribe financial rules for the corporation or require compliance with Treasury instructions.

1.5 *The Finance Act*

The Finance Act No. 38 of 1971 spells out broad guidelines for Financial management of the Public Corporations. Principal among them are -

- management of finance with a view to ensure that there is no net deficit over a period of five years.
- preparation of an annual budget three months prior the commencement of the Financial Year.
- Approval of Minister-in-charge with concurrence of Minister of Finance, for capital expenditure over Rs. 500,000
- approval of Minister-in-charge with concurrence of Finance Minister for investments outside the Corporation.
- approval of Minister-in-charge, with concurrence of Finance Minister for Overdrafts and borrowings.
- Maintenance of accounts on accrual principle.
- Audit of accounts by the Auditor General or by qualified auditor under the Auditor general or by qualified auditor under the Auditor General's control.
- Appointment where deemed fit, of other qualified Auditor by the Minister in consultation with the Auditor General.
- Necessity to finish accounts 4 months from end of Financial Year.
- Furnishing of Chairman's reply to Auditor's comments on steps he proposes to take within 10 months from the end of Financial Year.

1.6 *Other Statutory Controls*

Apart from these provisions of the Finance Act any provisions concerning Finance, Accounting or Audit of accounts contained in the Legislation under which the Corporation is established have to be complied with.

The Legislation can be - the Umbrella Acts -

- (i) State Agricultural Corporations Act

BEST AVAILABLE COPY

(ii) State Industrial Corporations Act

(iii) State Trading Corporations Act - or the separate Acts establishing the Corporations, e. g.

The Ceylon Transport Board Act, Ceylon Cement Corporation Act, Export Credit Insurance Act, are examples.

102 FINANCIAL ACCOUNTABILITY

As spelt out in FR 124 (i) the Minister of Finance is charged with the raising of revenue and collection of other Government monies and the general oversight of all the financial operation of Government.

2.1 Treasury's role according to FR

The Chief function of the Treasury is to maintain control and exercise supervision over Government finance. It has also the duty to set up a satisfactory system of financial administration with regard to -

Accountancy
Security, and
Responsibility

The responsibility of the Treasury is not curtailed by the Statutory assignment of financial functions to particular officers.

The above functions include

- (i) providing for appointment of Chief Acct. Officers and Accounting Officer and determining their responsibilities.
- (ii) Communicating and interpreting decisions of Finance Minister to Chief Acct. Officers.
- (iii) Exercising supervision over the Consolidated Funds and other Govt. funds and Accounts.
- (iv) Satisfying that Departments comply with Financial Regulations.

2.2 Treasury Control Stages

Treasury control over other Govt. Departments clearly manifest at the following stages and instances.

- i. At Estimates Stages
- ii. Imprest control
- iii. Cash Balance Control
- iv. Accounting systems Control
- v. Account Title control (in the Chart of Accounts)
- vi. Control over Bank operations.
- vii. Procedural Control - Imposition and Supervision of Financial Regulations and issue of Circular instructions.

2.3 Chief Accounting Officers

F. R. 124 (2) designates all Permanent Secretaries (now Secretary) to the Ministry as chief Accounting Officers of the Ministry and delegates to him the responsibility for Supervising departmental financial transactions subject to directions of the Treasury.

Thus though the Treasury retains general control over Government Financial matters a Secretary is enabled to discharge his constitutional responsibility of supervision over financial transactions of the departments under Ministry.

2.4 Accounting Officers

F. R. 125 (a) designates the Head of the Department as the Accounting Officer in respect of all financial transactions of his department except where Treasury has made other arrangements, and as such he is immediately responsible to his chief Accounting Officer.

- (b) Also each Chief Accounting Officer is also designated the Accounting Officer for the Ministry Office.
- (c) Treasury, also from time to time designates officer responsible for preparation of Estimates of Revenue who are also ultimately responsible for any variations between estimates and actual collections.

2.5 General Responsibilities of Chief Accounting Officers

A Chief Accounting Officer is responsible for -

- i. the adequacy of financial administration in all departments under the Ministry.
- ii. close examination of proposals for new or increased expenditure.
- iii. Seeing that all Heads of Departments under the Minister render their Appropriation Accounts.
- iv. maintaining a close watch over Revenue collection.

FREE AVAILABLE COPY

2.6 Duties and Responsibilities of Revenue Accounting Officers

He is responsible for seeing that -

- i. Revenue estimates are prepared as completely and accurately as possible.
- ii. The Revenue Account is prepared at end of each financial year.
- iii. Half yearly returns showing state of progress are furnished to the Auditor General.
- iv. Special arrangement are made for collection of Revenue and coordinating activity within the Department.
- v. Rates and taxes are revised when necessary.

03. PUBLIC FINANCIAL ADMINISTRATION.

3.1 *Legal Aspect*

In Sri Lanka there is no separate law providing for Financial administration of Govt. Departments and Ministries.

Though they have no legal back up, Govt. Financial Regulations have been issued under the Authority of the Finance Minister and are stated to have had the approval of Government.

Traditionally Departments have recognised the principal role of the Treasury in the sphere of Government finance and adhered to Financial Regulations.

Non-compliance with financial regulations by Public Officers cannot attract legal consequences but they are enforced through employer-employee relationship. Serious and willful violation can have disciplinary consequences. Public officers accept appointment subject to their observance and are reminded of their appropriate on occasions.

3.2 *The Regulations in force at present broadly cover the following*

- i. Authorities for Expenditure, Refunds Write offs etc.
- ii. Financial management and Accountability.
- iii. Receipts.
- iv. Payments
- v. Custody of Public money etc. Imprest & Bank Accounts.
- vi. Accounting
- vii. Advance Accounts.
- viii. Divisional Accounts.
- ix. Printing and Publication.
- x. Supplies, Works and Services.
- xi. Miscellaneous matters.

3.3 *Their Content and purpose*

It is not proposed to discuss here each FRR one by one. It is helpful to appreciate that they -

- i. lay out a procedure
- ii. provide guidelines
- iii. prescribe the authorities necessary to be obtained.
- iv. detail any limitations to act in particular instances e. g.
 - in purchasing Govt. Dept. requirements
 - in calling for Tenders
 - In calling for Tenders.
 - In initiating Advance Account activity etc.,

3.4 *Framework*

The regulations taken as a whole require public officers and Govt. Departments to act with prudence and established procedure, encompassed by Parliament, the Treasury and the Auditor General

Their initiative is circumscribed by

- i. The larger framework of Parliamentary control
- ii. Next the framework of Treasury control
- iii. More approximately Ministerial control and also
- iv. Departmental control

3.5 *Principal Criteria*

A comprehensive reading of the Financial regulations convinces that it tries to ensure five main criteria:

- i. Propriety of Expenditure and Revenue collection.

- ii. Regularity of the procedure.
- iii. Legality of the charge
- iv. Safeguard of assets
- v. Due economy.
- vi. Availability of funds

These run through the FRR like a silver thread.

- They spell out - financial Management and accountability
- an Estimating and Budgeting procedure;
 - An accounting procedure;
 - A Supplies procedure;
 - Accounting for Advance Account. activity
 - Printing publications procedure as principal matters.

3.6 Nature of Control Established

Many Public Officers and Govt. Department feel that the FRR are an external control, enforced by the Treasury and supervised by the Auditor - General.

But these regulations are applicable with equal force to the General Treasury and the Auditor General's Department. One therefore quickly realises that they are really an Internal control system. When all Govt. Departments are reckoned together, the latter are only different establishments of the one large organisation the Sri Lanka Government, just like the different trading departments of a large Public company. Therefore

- i. a uniformity of procedure, by and large,
- ii. guideline for action.
- iii. prescribed authority etc. are desirable for smooth flow of business.

Internal Control

As an Internal Control, the Financial Regulations system try to ensure:-

- i. Conduct of business in Govt. Departments in an orderly manner,
- ii. Reliability and accuracy of accounting and other records; and
- iii. safeguard of assets.

ACCOUNTABILITY

"The obligation to answer for a responsibility that has been conferred. It presumes the existence of at least two parties. One who allocates responsibility and one who accepts it with the undertaking to report upon the manner in which it has been discharged"

(Canadian Audit Manual)

- "Accountable" means "liable to be called on to render an account".
- Any person who is wielding power should give an account or be accountable to the source from which he derived power.
- Accountability is posterior- Review of norms & standards.
- Control is priori - Norms & standards pre-determined.
- Controversy between Accountability & Autonomy
- Arises from delegation of authority.
- Relies on a system of effective Communication.
- Essential feature of democratic Governments.
- "Power emanates from the people and is to be exercised in trust for the people."
- Ensure that the elected representatives run the affairs of the state according to peoples wishes.
- Accountability to public is ensured through periodical elections.
- Each level of executive is accountable to next higher authority running up to president.
- Government goal split up into definite tasks.
- Review of accountability statements.
- Budget debate - Allocation of Funds.
- Consultative Committees - Review

BEST AVAILABLE COPY

- Questions raised in Parliament.
- Information to Parliament at specific request of Mp's.

Accountability through state audit

- Why should there be an independent audit.
 - Audit report is an unpalatable commodity.
 - Audit - prevention is better than cure.
 - Another justification for audit is the concept of accountability.
 - Audit to generate confidence in the system of accountability.
 - Auditor General is the independent auditor of the Parliament.
 - "Without audit no accountability
 - Without accountability no control and
 - Without Control where is the seat of power"
- (R. L. Normanton)
- Audit is an independent assessment of the discharge of accountability.
 - A comprehensive accountability covers regularity, economy, efficiency and effectiveness.
 - Accountability is generally discharged by the submission of statements information by the institutions concerned to the interested parties.

Government Departments

- Power of the purse resides in Parliament
- No tax, levy etc. can be charged without the prior approval of Parliament.
- No expenditure can be incurred without the prior approval of Parliament.
- Control by Parliament - Before the event.
 - During the event
 - After the event
- Control through Ministry of Finance and Treasury
 - Financial Regulations
 - Appointment of AO/CAO
 - Maintaining Centralised Accounts
 - Issue of specific directives for special purposes.
- Audit by the Auditor General
 - Statement of assets & liabilities
 - Appropriation Accounts
 - Revenue Accounts
 - Advance Accounts - P & L A/C, Balance sheet etc.
- Audit - not defined in the Constitution
 - Macro Mandate
 - Allowed to the discretion of the Auditor General
 - Guided by traditions and adoption developments in other supreme Audit Institutions.
 - Report to Parliament within 10 months.
 - Examination by the PAC
 - Recommendations to Parliament
 - Action on their recommendations - Treasury Minutes.

Public Enterprises

Definition

- Public dimension - Owned by State
- Enterprise dimension - Establishment of a Corporate Personality.
- Public Corporation means any Corporation board or other body which was or is established by or under any written law other than the Companies Ordinance with funds or Capital wholly or partly provided by the Government by way of grant, loan or otherwise.

Includes

-

- Public Corporations
- Public Companies - Owned by Government
- Controlling interest with the Government
- Government Owned Business Undertakings
- Advance Account Activities.

Establishment of Public Enterprises;

- Certain special Acts of Parliament.
- Umbrella Acts
- State Industrial Corporations Act No. 19 of 1957
- Sri Lanka State Trading Corporations Act No. 33 of 1970
- State Agricultural Corporations Act No. 11 of 1972
- Companies Act No. 17 of 1982
- Business Undertakings (Acquisition) Act No. 35 of 1971
- Conversion of Public Corporations/ Government owned Business Undertakings into public Companies Act No. :- 23 of 1987

Control over Public Enterprises

- President
- Prime Minister
- Cabinet
- Ministers

Ministry of Finance

- Public Enterprises Department
- Budget Department
- Accounts & Payments Department
- Committee of Development Secretaries

- Annual Budgets include Capital investment requirements
- Setting up of limits of Advance Accounts
- Review of Annual Reports when laid before Parliament
- Right to raise questions in matters relating to public Enterprises

Committee on Public Enterprises

- Review of performance
- Review of Auditor General's Report

Audit:

- Auditor General the auditor of Public Enterprises
- Except Public Companies formed under the Companies Act
- Audit covers financial and Performance audit

Finance Act No :- 38 of 1971

- As a means to ensure Accountability
- Section 7 (i) - To be managed so that the ultimate surpluses shall at least be sufficient to cover ultimate deficits over a period of five years.
- Section 8 - Preparation & approval of budget not later than 3 months prior to the Commencement of financial year.
- Section 9 - Manner of determining net surplus or deficit.
- Section 10 - Appropriation of net surplus
- Approval of relevant Ministers

BEST AVAILABLE COPY

- Financial control and accounting is effective, dues to the Government are promptly collected and accounted for,
 - Financial regulations and other instructions are followed;
 - Adequate system of internal check maintained and tested;
 - Security of assets
 - Information called for by the Treasury or the Chief Accounting Officer are rendered correctly and promptly.
 - Arrangements are made to recover outstanding dues and that at least quarterly statements are submitted to him regarding arrears.
 - Activities are carried out with due regard to economy, efficiency propriety and integrity,
 - Budgetary Control
 - Transactions of unusual nature brought to his personal notice.
 - Appropriation accounts are rendered in time.
- (3) Assisting P. A. C. by explaining and justifying the accounts of the Department,
- (4) In discharging the above responsibilities, special attention is needed in regard to:
- Internal audit
 - Relationship with other accounting Officers functions as agents.
 - Delegation of work and feed back on performance
 - Review and remedial measures.

DELEGATION OF FINANCIAL FUNCTIONS

1. **Purpose**
Functions of an organisation to be carried out smoothly, without bottle necks.
2. **Form of Delegation**
 - Description of the Subject clearly in respect of which authority is delegated.
 - Fixing financial limits.
 - Description of the method or procedure to be followed in carrying out the delegated function.
 - A code or serial number for the delegation for easy reference.
3. **General subjects which could be delegated.**
 - Purchases - under normal situations under special circumstances
 - Pricing of products
 - Signing of cheques
 - Certification of vouchers
 - Signing contracts
 - Approval of delivery orders
 - Approval of credit
 - Approval of advances or loans
 - Write - off of losses
 - Disposal of assets etc.
4. **Relevant Financial Regulations**
FR 135 Permits delegation of financial functions of the Accounting Officers Delegation could be done either generally or with regard to individual functions, but it has to be reasonable. In delegating functions following matters should be taken into account:
 - i. Competence of those to whom authority is delegated
 - ii. Adequacy of internal check in the system
 - iii. Organizational set up
 - iv. Geographical and technical environment
5. **Position of the delegate**
 - "Delegatus non potest delegare" (Delegate cannot redelegate to another party)
 - Delegate will have full discretion to perform the duties delegated to him and he will be held accountable for his acts.

- He should keep the accounting officer informed of any transaction which involve novel principles or are of sufficient importance to meet to merit.

Accounting Officer's personal attention Act of delegation will not relieve an Accounting Officer of his ultimate responsibility. If an officer exceeds or misuse the delegated powers or fails to carryout his duties he will be accountable or such acts or for defaults. In such an event the Accounting Officer will not be held responsible unless the defaults or misuse are attributable to causes with in his control. An officer holding a delegation can entrust to his subordinates the routine or minor tasks and it will not amounts a re-delegation.

6. How delegation is done

- Prepare a schedule specifying each officer by name or designation and the functions delegated.
 - link functions with specific allocations specifying limits.
 - Arrangements to cover absence from duty to be determined.
 - Should be in writing and under acknowledgment
- Functions may be distinguished

(a) Expenditure

Authorisation - Approval -

Certification - Payment

(b) Income

Assessment - Collection - Acceptance

Note : Performance of delegated functions should be periodically reviewed

F. R. 157 Requires to maintain a Register of Delegations

Separate folios should be opened for delegation under each FR in terms of which the delegation or granted and each delegation should be serially numbered. Whenever a delegation is revised or withdrawn, new delegation should be entered and the former delegation should be deleted and authenticated so that it would ensure that the Register is up-to-date.

7. Specific references to F. R. for delegation functions.

- F. R. 66 (2) (b) Transfer of provisions
A Secretary may delegate the authority to a Head of Department (authority to be exercised the personally by him)
- F. R. 93 (2) (b) Secretary may on the recommendation of a Head of Department grant authority to a Head of Divisional Unit to approve detailed Cost Estimates and plans.
- F. R. 95 (2) (c) Engagement casual employees or substitute by a Head of a Divisional Unit - (granted by Head of Department)
- F. R. 108 (2) Revision of limits for dealing with losses
- F. R. 113 (a&b) (3) Waiver of claims or revenue
- F. R. 796 (2) (3) Authority for local purchase
- F. R. 797 Deviation from Tender procedure
- F. R. 530 A Govt. Agent may delegate his financial functions to AO/EOA subject to certain exceptions.

FROM THE REPORT OF THE ADMINISTRATIVE REFORMS COMMITTEE

"The first deficiency which affects all stages of the budgetary process relates to a conceptual and attitudinal problem. This is the failure of the parties concerned at different stages of the budget process to regard the activity of the budget formation as an act related to the management of the future. This becomes particularly evident when one examines the case of the recurrent expenditure budget. It is clearly apparent that in his case the approach to budget formulation or one of repetition of history rather than one of future - oriented management decision making. As a study undertaken on behalf of the Committee reveals, "estimates of recurrent expenditure for the on-coming year is normally prepared in the mid of the current year based on the actual expenditure of the immediately preceding year.

Budget formulation, particularly as regards recurrent expenditure thus become a clerical task than a management function. A significant opportunity which is available in the life of an organisation to review the past and to project a realistic future is thus lost.

This attitude, the Committee finds, is not confined only to departments. It prevails at the level of the supervising ministry as well at the Treasury in the discharge of the function of the review of budget estimates within the administrative system. It becomes clear, from a study of the annual debates, that this attitude prevails in the Parliament also. The Committee, Therefore, finds an urgent need for a change in these attitudes at all levels.

The committee is of the view that management training programmes should be appropriately utilised to create this attitudinal change. Thus training in budget formulation and the use of this activity as a management tool should be included in the training not only

of Accountants but of all line managers including Secretaries to Ministries and of the Officials of the Treasury. The Committee considers this to be a subject that lends itself very well to continuing series of workshops on which these different parties could be brought together.

The Committee urges that the first step in the reform of the budget process would be to remove the historical approach to the process which obtains at present. The formulation of the budget of the coming year should be used by each Head of department as the occasion for a review of the relevance of activities of the department concerned, for a re-appraisal of the department's goals and objectives and for an examination of the appropriateness of its current structure. This should be taken by the supervising ministry in its review of the budget proposals from the department. It should, obviously also be the approach of the Budget Division of the Treasury in its role as the final reviewer of budget estimates. The approach of the Budget Division and of the supervising ministry should move away from an attitude of arithmetical reconciliation and of merely trying to fit in budget estimates inter-ordained financial parameters.

The Committee considers the current situation regarding the budget review negotiations between the departments, the supervising ministries and the Treasury to be inadequate and lacking in substance professionally. Given the time constraints under which they are conducted, they tend to be hurried bargaining process rather than discussion on substance. This is perhaps inevitable in a situation wherein the whole process is telescoped into a short and busy time frame. The Committee regrets that there is no year - round dialogue between the Treasury and the departments instead of the budget process beginning as a period ritual with the issuance of the Treasury circular concerning the oncoming year's budget in April of each year.

In addition to the attitudinal shortcomings at the departmental level, an equally counter productive shortcoming is in regard to the manner of preparation of the estimates of expenditure, this process is regarded as one which is in exclusive preserve of the accounts or finance division or section without the active participation of those responsible for implementation of projects and services which are to be provided through the budget the negative results flow from this twofold. On the one hand, the process of formulation of the budget suffers an absence of information and data inputs which are highly relevant to it. On the other hand there is a negative attitude at the time of implementation of the budget proposals, from those who excluded from formulation process and who would tend to regard the budget as an alien imposition. The Committee regards the formulation of the budget at the departmental level as a participatory activity in which all parties to its future implementation should be actively involved.

The Committee recommends that the budget presentation be reviewed and revised to bring about the following reforms:

- i. the objectives which the Departments etc., seeks to achieve are quantitative terms and are linked to the specific period;
- ii. The outputs of each Programme/ project under the Department etc. are clearly spelt out for the budget period and each output is directly linked to the relevant objective as shown for the Department as a whole.
- iii. Each resource input is clearly linked to the relevant output in the programme/project

Revenue Collection:

The Committee finds that greater attention needs to be paid by the concerned departments to the task of collection of revenues and other dues to government. One of the areas which appears to require improvement is that monitoring of collection. Monitoring of collection against pre-set targets should become an institutionalised practice in the administrative system. It should be a common practice for departments etc. to accurately project the planned revenue collections for a fiscal year on a time phased basis and to set up programmes to monitor the progress of collections against these time-phased targets. With the responsibility of modern information technology it would be relatively easy to set up such monitoring systems both at the level of Treasury and the level of the revenue collecting organisations.

If such monitoring systems are to be effective it is important that the targets themselves be accurate and realistic. Target setting therefore should not be merely a process based on historical antecedents, as commonly it is today but should be one of the careful analysis of the future-based on available and projected data. This, the Committee finds, is an area where considerable improvement is possible

Another matter related to revenue collection is that of public convenience in the payment of dues to government departments. The Committee finds that considerable waiting and inconvenience is still caused to the public in this regard. One aspect that requires attention is the streamlining of paying - in procedures, simplification of forms and documents and shortening of payment process.

Another contribution to obviating this inconvenience is to spread out the points at which such payments can be made.

A common process defect which affects the efficient collection of dues related to the realisation of inward remittances received by Govt. departments. It is found that there is increasingly a considerable delay in the realisation of inward remittances in the govt. departments. Recording of inward remittances, their being deposited in banks for collection, acknowledgment of such receipts to senders and their crediting to the respective accounts are all today characterised by more than acceptable delay.

It is the Committee's view that these delays are due to poor organisation of work, the absence of work output norms and absence of monitoring. Whilst it is correct that the process delays occur at lower organisational levels, the Committee considers it as reflection of the extent to which the higher levels of management are divorced from the realities of the functioning of the organisations over which they preside and their lack of concern with the mundane aspects of their functioning.

BEST AVAILABLE COPY

The Budget

The purposes and associated features of the budget may be considered in terms of three aspects as a tool of accountability, as a tool of management and as an instrument of economic policy. Budgeting in the final analysis regardless of the type of legislature is a political exercise. From this point of view, a budget is expected to state clearly the purpose of expenditures and provide them in a form that will be useful for legislative action. In addition, the budget is the instrument for accountability, in that the government agencies are responsible for

the proper management of funds and programmes for which funds are appropriated. It is also a tool for management, because a budget, as an operational document, specifies either directly or implicitly the cost, time, and nature of the expected results.

Budgeting as an instrument of economic policy has more varied functions. First, in policy terms, it indicates the direction of the economy and expresses intentions regarding the utilisation of the community's resources. In operational terms, it leads to the determination of the national growth and investment goals and, in more detail, with the allocation of resources among consumption, transfer and investment outlays and among sectors. Second, a major function of the budget is to promote macroeconomics balance in the economy. The policy choices in this regard include specification of the amount of growth that is compatible with employment, price stability and balance in the external, sector. The economics of budgeting require that due regard be paid to revenue, expenditure and monetary policies. Available revenues must be allocated among various uses so as to maximises the benefits received. The total revenues required for the purpose are to be managed so as to ensure an equitable distribution of the tax burden and have minimal detrimental effects on the economy. The budget will have to strive toward equating the social benefits of expenditure and the social cost of withdrawal of resources from the private sector. The financing of the budget deficit should be in conformity with the goals of growth and price stability and should be coordinated with monetary policy. This would also involve a careful assessment of foreign aid external borrowing. Third, with the recent emphasis distribution of resources in an egalitarian fashion, the budget has become a vehicle for reducing inequalities. Certainly distributional goals are sought to be achieved through a variety of instruments, and the budget is an important one. Fourth the budget should be so organised as to permit a quick and meaningful measurement of its impact on the national economy as a whole.

Approaches to the Study of Budgeting

<i>Aspects of Budgeting</i>	<i>Discipline</i>	<i>General Areas covered</i>
Accountability	Public Administration	Description of internal working of administrative agencies; stages of budget cycle etc. (e. g. Ministry of finance, accounting and auditing agencies)
	Political Science	Legislature - government relationships; political processes for determining allocation of resources; pressure groups; conflicts.
	Accounting	Efficiency audit; management accounting; adaptation of commercial accounting principles to government.
Efficiency Control	Economics	Allocative efficiency production and distribution functions
	Accounting	Cost measurement
	Public Administration	Normative aspects of modern management systems and their acceptability to government Centralisation and decentralisation
	Political Science	Boundaries of Government; limits on spending; privatisation
Economic control	Economics	Approaches of fiscal policy; economic frame work of annual budget; incidence of taxes and expenditures; distributional concerns.

Budgeting serves several purposes. First, it sets a framework for policy formation, this requires decisions about actions to be taken to reach objectives. Choices must be made about which of many competing proposals should be adopted to further particular national objectives and about the extent to which various objectives can be advanced simultaneously. Second, budgeting is a means of policy implementation. Here the standards of economy and efficiency - the use of the least costly means of carrying out policy decisions - apply. The budget is a guide for management, and at the same time budgetary procedures are instruments of administrative control. Third, the budget is a means of legal control. Typically, budget decisions are embodied in laws or decrees, and the process of budget formulation and execution is subject to a web of constitutional provisions, continuing laws, and procedural regulations. The emphasis in legal control is on the prevention of abuse of power and diversion or improper use of public funds. Fourth, budget document may be a source of public information on past activities, current decisions and future prospects. More broadly the budget process can require the executive and legislative branches of a Government to explain and justify their decisions and actions. This form of political accountability is most prominent in democratic, parliamentary systems but is not entirely absent in other regions.

A good budget document includes text and tables to serve the multiple purposes of the budget. The text explains and justifies the decisions reflected in the budget.

Both expenditure and revenues should be covered and should be considered together.

Object, functional and economic character classification.

Best Available Document

THREE CLASSIFICATIONS OF GOVT. EXPENDITURES:

(a) *Object classification*

- Personnel compensation
 - Full- time permanent position
 - other position
 - other personnel compensation
- Personal benefits
- Travel and Transportation of persons
- Transportation of things
- Communication, utilities and rent
- Printing and reproduction
- other services
- Supplies and materials
- Equipment
- Grants, subsidies and contributions
- Insurance claims and indemnities
- Reimbursible items

(b) *Functional classification*

- General public service
- Defense
- Deduction
- Health
- Social Security & Welfare
- Housing and Community amenities
- Other community and social services
- Economic services
 - Agriculture
 - Mining
 - Electricity
 - Roads
 - Water transport
 - Railways
 - Communications
 - Other economic services

Unallocable and other public debts

(c) *Economic classification*

- Current expenditures
- Expenditures on goods and services
- Wages and salaries and related items
- Other Purchases of goods and services
- Interest payments
- Subsidies and other current transfers
- Capital expenditures
- Acquisition of new and existing fixed capital assets
- Purchases of stocks
- Purchases of lands and intangible assets
- Capital transfers
- Net lending including ~~not~~ acquisition of equities .

Best Available Document

Table - 11 Classification of Govt. Revenues:

A classification of Govt. Revenues

Tax revenue

- Taxes on net income and profits
 - Corporate, company or enterprise
 - Individuals
 - Other
- Social security contributions
- Employer's payroll or manpower taxes
- Taxes on property
- Domestic taxes on goods and services
 - General sales, turnover or value added taxes
 - Selective excises
 - Profits of fiscal monopolies
 - License taxes
 - Other
- Taxes on international trade and transactions
 - Import duties
 - Export duties
 - Exchange taxes and profits
- Miscellaneous taxes
 - poll taxes
 - stamp duties

Nontax revenue

- Income from public enterprises
- administrative fees
- finances and forfeits
- sales of gov't. property

The budget document also, shows the overall deficit or surplus. This is best defined as total revenues less total expenditures; a negative number indicates a deficit, a positive number a surplus.

Revenues include receipts from taxes and other sources except borrowing and money creation; expenditures include all outlays except debt repayment.

Table - 111 Financing of a Govt. deficit.

Table 111

Financing of a Govt. Deficit

- Domestic financing
 - from the central bank or other monetary authority
 - New borrowing less amortization
 - Change in deposits
 - Change in currency holdings
 - from other banks
 - New borrowings less amortization
 - Change in deposits and other liquid claims
 - from other lenders

Financing abroad

- from international development institutions
 - Loans
 - grants
- from foreign governments
 - loans
 - grants
- from other lenders
 - long-term debt
 - short-term debt
- Change in deposits, negotiable securities and other liquid assets

Best Available Document

Budget Policy

Budget preparation is a two-way process of reaching decisions on the size and composition expenditure and revenues. It would be unrealistic to attempt to decide the total size of expenditures without considering the availability of revenues. Similarly the amount of revenue to be raised is influenced by the assessment of needed expenditures and possible sources of deficit financing and their economic consequence. The budgeting involves repeated adjustments of preliminary figures for totals and components.

A practical procedure begins with estimates of the yield of existing taxes and nontax revenues and the cost of maintaining existing expenditure programmes. Both estimates should take account of forecasts of economic, demographic and other relevant conditions but should assume no change in tax rates, administration or expenditure programmes levels. Some variations in spending rates will occur even with constant programme levels, because of demographic changes and other completion of public works projects. It is convenient to make the estimates first on the assumption of constant prices and later to adjust them for expected price changes. Admittedly, economic forecasts are subject to wide margin of error, particularly in primary - producing countries, but forecasts of some kind cannot be avoided in making budget estimates.

Budget formulation

Spending departments tend to press for larger expenditures while the budget office urges restraint. The attitude of the spending department is not necessarily discreditable; officials who are carrying out a programme are likely to be keenly aware of further needs in the field and less sensitive than the budget office should be to other demands and to limitations on the total resources. Spending departments may inflate their request in order to leave room for cutbacks. This tactic is particularly relevant where the budget office follows the practice of reducing all requests, regardless of how well they are supported. The result can be highly unrealistic requests and arbitrary reductions that negate careful consideration of requirements.

Inordinate delay, careless estimating by departments, overtly political criteria for approving expenditures, bias against investment expenditures, encouragement of lobbying and maneuvering by departments. These result in either an accumulation of claims in the hands of departments or year-end rush to spend before the authority to do so lapses.

Budget Execution:

Budget execution is viewed from the expenditure side. The revenue side is governed mainly by permanent legislation and procedures that can better be considered in connection with tax administration. Budget execution has the legal purpose of ensuring that expenditures are consistent with limits set out in the annual budget laws and with the requirements of permanent financial legislations.

Budget execution is the use of the spending authority granted by the budget law. It includes commitments, disbursements to liquidate the commitments and recording and reporting. Accounting and auditing, though often considered as separate operations are regarded as the final stages of budget execution. The budget is unavoidably subject to change during its execution and such modifications are a normal part of the process.

Timely information on commitments and disbursements is essential to control the execution of the budget. Information on receipts, cash balances and debt transactions. Departmental managers should have information on nonfinancial aspects of work programmes which will reveal the rate of progress.

Government accounting systems often are poorly suited to supplying financial information and they rarely provide nonfinancial information on work progress. Accounting systems tend to be unnecessarily elaborate and to be designed and operated to provide detailed records for audits after the end of the fiscal year rather than to supply current information.

Current and Capital Budgeting

Current (or operations) budget

<i>Revenues</i>	<i>Expenditure</i>
Taxes	Current purchases of goods and Services
Fees and fines	Interest payments
Income from public enterprises	Subsidies and transfer payments to public enterprises
	other
	Capital consumption allowance
Revenues - Expenditures	= Net current surplus or deficit
	= Net saving or dissaving

The financing of budget deficits could in theory, be done in one of three ways: (a) by issuing more money, (b) by borrowing from the public or from abroad and (c) through the balances budget multiplier mechanism by maintaining the budget deficit constant and by financing the increase in expenditures through increased taxation.

Best Available Document

Capital (Investment) budget

<i>Receipts</i>	<i>Outlays</i>
From current budget	Physical investment (new construction and equipment)
Capital consumption allowance	Purchase of new assets
Net current surplus (deficit)	
Sales of Govt property	Net lending (including net acquisition of equities)
Net borrowing	
Grants received from abroad	
Receipts - Outlays = Change in cash balances	

Budgeting and planning

Budgeting is a form of planning. Development or economic planning involves projections of population and indications of how labour, capital, natural resources and innovations can be combined to produce output. A comprehensive plan will attempt to cover the whole economy and to take account of the external economic environment. Partial plans omit some sectors or industries. Centralised planning is essential if the aim is a high degree of state direction of production and distribution. Plans cover several years.

The proper coordination and planning remains important. Planners usually are economists and often they are intrigued by techniques of input - output analysis and model building. They tend to be spenders and to have a high regard for investment spending. Budget officials may have economic training but usually are concerned primarily with administration and control. They are inclined to take skeptical or negative attitude toward spending proposals. Organisational rivalries can take root and flourish in these conditions. Undesirable consequences observed at times have included delays in budget preparation, current and capital budgets that bear little relation to each other, budget fragmentation, and inoperative plans. Coordination between planning and budgeting is essential to the effectiveness of both. The budget office and the planning organisation should consult each other fully about the economic assumption underlying the budget and should collaborate in the preparation of the policy paper that initiates the formulation of the budget. The planning office should participate in the review of proposals for capital expenditures and should be consulted about major changes in subsidies and taxes.

Budgetary Systems

Performance budgeting, programme budgeting and Zero budgeting. Emphasis on programmes to attain objectives rather than on inputs comparison of a wide range of alternatives programmes and elements long range or medium term projections. measurement of performance Supplementary reporting on performance

Public Expenditure Objectives and Instruments

<i>Objectives</i>	<i>Determinants of Objectives</i>	<i>Expenditure Instruments</i>
Provision for Social wants	Sociopolitical approaches	Consumption Expenditures incurred in the provision of public goods and services; investment outlays on the production of goods and provision of general, social and economic services.
Optimal Growth	Socioeconomic imperatives	Investment expenditure; other outlays on the provision of infrastructure facilities; and loans to private sector.
Employment	Socioeconomic imperatives	Investment in labour intensive industries, subsidies; and related fiscal incentives.
Stabilisation or Demand management	Economic Factors	Reduction or increase in Expenditure; changes in composition of expenditures and methods of financing budget surpluses and deficits
Distribution of income		
(i) Among People	Sociopolitical approaches	Transfer payments; direct and indirect subsidies; provision of goods and services free to specified income groups of community.
(ii) Among regions		Investment in less developed regions; greater subsidies and grants.

Best Available Document

CHAPTER 2: BUDGETING

(A) INTRODUCTION

The budget is the plan for financing government. In its simplest form, a budget consists of a comprehensive listing of anticipated revenues and proposed expenditures for each function of Government for a future period, usually one year. Ideally, the budget process represents a comprehensive and coherent allocation of limited resources among potential users - thus the budget serves as an expression of the government's philosophy, as a statement of the government's policy priorities.

The budget can also be seen as the outcome of a process (often called the "Budgeting Cycle") that includes the preparation of the financial plan, review and approval of the plan by the appropriate officials and legislative body, execution of the plan, and (ideally) evaluation and public reporting of the results.

Most government policies involve outlays or receipts of money and should be reflected in the budget. Budgeting is technically and politically difficult for all countries, in that governments tend to embrace objectives that are ambitious in relation to the means available for their attainment. The scarcity of means may be indicated by low per capita national income and by conditions that result in low productivity and inefficient markets. Other forms of scarcity that complicate budgeting in many countries are a shortage of civil servants who are well trained and experienced in financial and economic matter, and a lack of systems to provide needed information.

THE PURPOSES OF BUDGETING

Budgeting serves several purposes:

First, it sets a framework for policy formulation. This requires decisions about actions to be taken to reach objectives. Choices must be made about which of many competing proposals should be adopted to further particular national objectives and about the extent to which various objectives can be advanced simultaneously. The result of this policy formulation is that the budget serves as the written expression of the government's priority - setting or resource allocation.

Secondly, budgeting is a means of policy implementation. It can be seen as a guide for management, or operations guide, to use in carrying out government policies and the day - to - day government activities. Here the standards of economy and efficiency - the use of the least costly means of carrying out policy decisions - apply.

The budget is an instrument of administrative control, that is, a tool with which management can control the spending and therefore the activities of the organization.

The budget is a means of legal control. Typically, budget decisions are embodied in laws or decrees, and the process of budget formulation and execution is subject to a web of constitutional provisions, continuing laws and procedural regulations. At each stage, the question can be raised whether actions have been taken or omitted in conformity with legal requirements. The emphasis in legal control is on the prevention of abuse of power and diversion or improper use of public funds.

The budget serves as a communication device, and often contains comparative information on previous years' results, current activities, and future prospects, as well as serving as a vehicle for expressing a government's philosophy and priorities to the public.

The budget may also serve as a contract.

Finally, as mentioned at the beginning of this section, the budget serves as a financial plan.

The multiplicity of purposes complicates budgeting, since the requirements of the different functions sometimes conflict and a variety of information is needed to serve them. Efforts to justify a major new program may divert attention from proposals for improving public administration. Legal controls may take the form of detailed specifications of amounts to be spent for various objects and of cumbersome procedures, both of which may hamper management flexibility and detract from efficiency. The kind of records that best serve the functions of legal and public accountability may not provide the information needed for policy formulation and appraisal of the effectiveness of policies. As all of the purposes are valuable, conflicts usually should be resolved by compromise or the addition of information systems, rather than by concentration on any one budgetary function.

TYPES OF BUDGETS

There are many types of budget formats:

Best Available Information

The **line item budget** is the simplest budget format and also the most common, although it is acknowledged to be deficient as a policy - making tool. A line - item budget is based on objects of expenditures (salaries, office supplies, fuel, rent, etc.) Because it mirrors the accounting system, the line - item budget is easy to implement and integrate with other financial management and control systems. The focus of the line - item budget is on inputs, not outputs. The line - item budget is very useful for the purposes of administrative control and communicating inputs, but fails to promote resource allocation and efficient decision making. Because it does not measure outputs, it is difficult to measure performance or attainment of objectives.

Activity budgets are built around organizational subunits. Instead of providing a single budget for an entire department, the activity budget breaks down operations into these organizational units. Expenditures may still be presented using the line - item format within the activities, but many jurisdictions summarize expenditures by category (e. g. personnel, supplies, capital outlays) Typically, activity budgets also include narrative explanations of each operation.

Program budgets seek to assist policy - makers in the resource - allocation process. Instead of focusing on the inputs of governmental operations, program budgets focus instead on outputs - the services that are delivered. Program budgets provide a means

whereby the impact or effectiveness of a program or activity may be measured. Program budgeting is also known as PPBS, or Planning - Programming Budget System.

Performance budgets emphasize efficiency. Whereas program budgets ask whether funds should be spent on a given program, a performance budget focuses in on the relationship between costs (input) and benefits (output). Performance budgets typically include statistical measures of demand, workload, efficiency and effectiveness.

Zero-based Budgets. To combat the tendency of budget makers to simply add more money to last year's budget (what is known as incrementalism or the incremental approach) some modern budgeting systems employ zero-based budgeting. This methodology begins with the assumption that each operation or activity must be justified from scratch. To accomplish this, decision units are assigned and a cost is calculated for each. Policy makers are expected to assign priority to each decision policy makers are expected to assign priority to each decision unit, so that the government allocated available funds only to those units with the highest priorities.

Unfortunately, zero-based budgeting systems require extensive staff efforts to formulate decision units and estimate costs. Without strong executive leadership, department heads are likely to engage in gamesmanship. Few governments have the ability to systematically and continuously re-evaluate their entire operations every year. Even those jurisdictions which do employ zero-based budgeting frequently conduct their exhaustive re-appraisals on a multi-year cycle, rather than annually.

Applied on a more modest scale, zero-based budgeting may be more commonly used in the future. There is merit in the idea of systematically setting out a range of possible reductions and increases for certain spending programs and attempting to establish priorities among them. Further, it can be useful to demand a thorough review and fresh justification of many programs, but to do so at intervals of several years rather than annually.

THE NATURE OF BUDGETING

The origin of the tradition of preparing a budget can be traced back to the initial concern of the populace in the olden days with the right of the sovereign to tax. Over time, the resistance to the arbitrary raising of revenue by the sovereign culminated in the right of the populace to be consulted in matters of taxation and there was to be no taxation without representation. The control over taxation alone too proved to be inadequate. People further wanted to control the total amount of revenue raised and also began to relate taxation to the benefits gained therefrom. The concern, therefore, spread to expenditures and the political accountability took the form of presenting estimates of expenditures for which the money was needed. This was the beginning of modern budgeting.

A budget was, therefore, conceived primarily as an instrument of public or legislative accountability. In those days, the size of Government and of Government budget, was small and most of the budgetary expenditures were on law and order and on general administration, extending subsequently to public works, education and health, etc. Most of the economic activities were undertaken in the private sector. The interaction between public and private sector activities was minimal and received little attention. A government budget was a simple statement of expenditures to be financed from taxation.

Now that developments have gathered momentum, governments are called upon to provide infrastructure such as transport, power, etc. The demand for social service such as education and health increased with the growth of social-political consciousness and of liberalism.

THE SCOPE OF BUDGETING

Generally speaking, the scope of a budget will depend on the level and functions of government and on the structure of public sector in country. The preparation of a budget at any level of government has to take into account transactions with other levels of government and with other entities in the public sector.

The budget of a central government should include all financial transactions of Ministries, Departments, etc. directly

ADVANCE ACCOUNTS

1. There are 457 Advance Account Activities in Operation in 1993 made up as follows:

	Nos
Advances to Public Officers Accounts	422
Production Advance Accounts	08
Development Advance Accounts	06
Trading Advance Accounts	02
Stores Advance Accounts	06
Other Miscellaneous Advance Accounts	13
	<u>457</u>

The Advance Account Activities are controlled by limits prescribed by Parliament and are included in part II of the Estimates.

2. **Type of Limits**

2.1. *Maximum limit of Debits*

In the case of Advances to Public Officers, it indicates the total advances that could be paid in a year.

In the case of other Advance Accounts, it indicates the total recurrent expenses that could be paid in a year. It includes all payments whether it is relating to previous years or the ensuing year and transfer and cross-entry payments.

It excludes accrued expenses.

2.2. *Minimum limit of Credits*

In the case of advances to Public Officers, it indicates the minimum recoveries to be made from officers either by cash or cross entry / transfer payments in an year and credited to the account.

In the case of Other Advance Account activities, it is the minimum amount that should be collected from sales etc either by cash or by transfer payments and credited to the account. The receipts include all collections whether it is relating the previous years or ensuing years.

It excludes credit sales.

2.3 *Maximum limit of Debit balance*

It is a debit balance as far as the Treasury books are concerned. Actually it is a liability of the various ministries and Departments.

In the case of Advances to Public officers, it represents the limit on the sum total of all advances outstanding from all officers as at the end of the year.

In the case of other advance accounts, it is the aggregate of payments made over and above the aggregate of receipts as at the end of the year.

There are certain advance Account activities where aggregate of the total receipts credited is more than the aggregate of the total payments made and these accounts show a credit balance at the end of the year.

The credit balances are not controlled and in these cases maximum limit of debit balance is not prescribed by Parliament.

2.4 *Maximum limit of liabilities*

Although this limit is prescribed only in the case of Stores Advance Account Activities, it is not controlled by the Treasury and left to the Departments concerned to control this limit.

3. **Control Over limits.**

It is the responsibility of the chief Accounting Officers / Accounting Officers to ensure that the Advance Account Activities are managed economically, efficiently and effectively whilst the financial outlays are kept within the prescribed limits. These limits are prescribed by parliament and any variation of these limits should also be approved by Parliament.

Section 7 of the Appropriation Act provides that:

Budget Policy

"The Minister with the approval of the Government may on or before 31 May by order vary or alter.

(a) any of the maximum limits specified in column II, column IV and Column V of the second schedule to the Act.

(b) the minimum limits specified in Column III of the Second Schedule to the act. No order made under this Section shall have effect unless it had been approved. In order to have an effective control over the limits, adequate records should be maintained in the centre & in the Regions. In the case of Ministries / Departments where there are several Regional / Sub-officers and the payments / receipts could be identified separately, it is recommended that separate control accounts indicating the allocations granted and the actual payments and receipts be maintained in respect of each region at the centre. This will facilitate the preparation of reconciliations and to locate the difference, if any, and clear them.

4. **Revision of limits**

As referred to in the above paragraphs all revision of limits should be approved by Parliament before 31 May, of the ensuing financial year.

Application for revision of limits relating to Advances to Public Officers should be submitted by the relevant Minister to the Minister of Finance before December, 31, of that financial year. In respect of other advance account activities, Cabinet Memorandum should be submitted setting out clearly the need as well as the reasons why it should not have been foreseen at the time the budget was prepared.

Cabinet Memorandum/ Memorandum to the Minister of Finance for variation of advance account limits should be as per format given in Public Enterprises Division Circular letter No. 43 of 11 September, 1987. All applications are examined by the Public Enterprises Division of the Treasury and in the past revision applications have been rejected on the following grounds:

Best Available Document

- Reconciliation of Advances to Public Officers account is in arrears.
- Non - maintenance of adequate records to monitor the advance account activities.
- Non - rendition of accounts of other advance account activities.
- Building - up of excessive stocks.
- Recurring Operating losses.
- Accumulation of debts.

All the revisions approved by the Minister of Finance and the Cabinet of Ministers are included in an Omnibus resolution submitted to Parliament before May 31 of the ensuing financial year.

5. Limits as per Treasury Print-outs

The figures as per Treasury printouts are considered to determine whether the limits prescribed have been exceeded or the shortfall has occurred. In determining the limits the following items are not taken into account (FR. 503 (1))

- Erroneous Debits and credits
- Debits and credits raised in adjustment of above.
- Debits raised for the transfer of provision to meet working losses.

It is the responsibility of the Accountants concerned to inform the Auditor General before he submits his report on excesses/shortfall to Parliament about any of the items referred to above and state whether they have not exceeded after the adjustments referred to above or the excesses/ shortfall as per Treasury print - outs should be revised or not.

All unauthorised excesses / shortfalls are reported to Parliament and the Public Accounts Committee examines the CAO/AO and recommend to Parliament for approval.

The CAO/AO are required to submit their explanations for unauthorised excesses/ shortfall in a prescribed format (See Annexure-I)

6. Advances to Public Officers Account

- Separate Control accounts to be maintained at Head Office as far as Possible in respect of all Accounting Units indicating the actual payments made and actual receipts credited and the brought forward debit balance.
- Officers should not be released on no - pay or to State Corporations before the loan balances are settled in full.
- In the case of temporary release of officers, arrangement shall be made to recover monthly installments.
- Amount due from officers transferred out to be collected within one month. otherwise the matter should be brought to the personal attention of the Head of Department concerned.

If the amount is not settled within three months it should be brought to the personal attention of the Secretary concerned.

- When preparing schedules of balances outstanding, separate schedules in respect of the following with their age analysis should be prepared.
- Amount due from Officers transferred out.
- Amount due from retired officers.
- Amount due from Officers dismissed, vacated their posts etc.
- Over - recoveries.
- Recoveries made from officers transferred to the Department but their balances due at the time of their transfer not settled.

Best Available Treatment

7. Write off - Advances to Public Officers

- A separate case to be opened in respect of each officer indicating the advances granted, recoveries made, balances due etc.
- Recoveries should be made from Surety's wherever possible.
- The file referred to above to be circulated among all Divisions/ Officers concerned in the Department to find out whether any payments are due to the officer concerned.
- Any unpaid salary/ amount lying in Misc. deposits, if any to be transferred to the credit of the officers loan account.
- Find out from the personal file or otherwise, the officers permanent address and enquire from the Divisional Secretary Concerned the possibility of recovering the loan balances.
- If he is working in a private sector, Inform the Management of the Institution.
- If any balance remained unrecovered after the above steps are taken, then the connected file should be put up to CAO/sent to Treasury requesting authority to write off.
- After obtaining the authority to write off, necessary provision should be made under - Other Current Expenses - object Code - 1704 - Losses and write off by Virement procedure or otherwise.
- Finally the provision referred to above should be transferred to the credit of the Advances to public officers account.

Best Available Treatment

8. Other Advance Account Activities

(See Annexure - II for some important accounting entries)

- Maintain separate payment register to record all payments relating to an advance account before they are passed on to General Cash book.
- Analyse payments & receipts at least monthly and post them to General ledger.
- Record credit transactions and post them in subsidiary ledgers.
- Update General ledger, Debtors ledger, creditors ledger etc. promptly.
- Ensure effective action is taken to recover debts.
- Ensure excessive stocks are not build-up.
- Capital items to be purchased from provision under Part I of the Estimates.
- Ensure quarterly statements relating to
 - Prescribed limits (applicable to Advances to Public Officers A/C as well)
 - Trade debtors and Trade creditors are prepared & submitted in terms F.R. 504
- Ensure General ledger is posted, totalled and trial balance prepared soon after the receipt of the final Treasury print - out for the year.
- Prepare Profit & loss account/ Receipts and Payments account and balance sheet submit along with a forward and the Hypothetical charges account.
- Transfer profit to relevant head.
- Transfer provision under voted services to meet working losses.
- Treatment of excess provision / deficit
- Unauthorised working losses.
- Examination of Unauthorised working losses by the Public Accounts Committee.
- Provision in Part I of the Estimates.
- Transfer of Provision to the credit of the Advance Accounts to recoup the working loss.

9. Winding - up of Advance Account Activities.

- Order to wind-up an activity
- Debits and credits to the Advance Account in the year in which the decision to wind-up was taken and in the subsequent year.
- Activity to be authorised in Part II of the estimates in the second year.
- Action to be taken to:
 - Vacate buildings
 - Retire employees & pay compensation wherever necessary
 - Complete work-in-progress, if any
 - Disposal of stocks
 - Collection of debts
 - Consult Attorney General and institute legal action to recover overdue debts.
 - Disposal of fixed assets and credit proceeds to Government revenue.

Account to be submitted for the first two years.

- Statement of realisation of assets
- Statement of settlement of liabilities.
- Profit and loss Adjustment Account
- Profit and Loss Disposal Account
- Receipts and Payments Account.

Best Available Information

Third and Subsequent Financial Years.

- No provision to be made in Part II of the estimates
- Provision to be made in Part I of the estimates to meet any expenses of the activity

- Amount realised on disposal of stocks etc. to be credited to Government revenue.
- Adjustment of erroneous debits & Credits, Transfer of profit to revenue and Transfer of provision in Part I of the estimates to meet working losses could be made in the Treasury books.
- After realisation of all assets and settlement of all liabilities provision should be made in Part I of the estimates to settle the Debit balance appearing in the Treasury books.
- Credit balance, if any to be transferred to revenue.

Accounts to be submitted for the 3rd & subsequent years

- A statement showing in detail the assets as at the end of the previous year, amount realised and the balance.
- A statement showing in detail the liabilities as at the end of the previous year, amount settled and the balance.
- A statement showing salaries and other expenses of winding-up

**SUBMISSIONS TO PUBLIC ACCOUNTS COMMITTEE
NON-CONFORMITY WITH ADVANCE ACCOUNTS LIMITS**

- (1) (a) Is the non-conformity with Advance Account Limits as reported by the Auditor General correct?
(b) If not indicate the error clearly and substantiate it by detailed explanation.
- (ii) How has the non-conformity with Advance Account Limit occurred?
(please state the Advance Account Limit that has not been conformed with)
- (iii) Please state the date on which the Advance Account Limit was first exceeded / non conformed with:-
- (iv) Please state when the non-conformity was first detected:-
- (v) Please state what steps were taken to make provision to cover the non-conformity with the Advance Account Limit giving details of each such step.
- (vi) Please state when the non-conformity was first detected:-
- (v) Please state what steps were taken to make provision to cover the non-conformity with the Advance Account Limit giving details of each such step.
- (vi) Please state whether the non-conformity occurred
 - (a) With the full knowledge that the limit was not being conformed with-
 - (b) Without the knowledge that the limit was being exceeded conformed with, giving detailed reasons for (a) and/ or (b)
- (vii) If the application for revision of advance Account Limit has been disallowed, Please state the limits for which revision was sought and the reasons for disallowance as covered by Treasury Letter.

Account **Best Available** ~~Statement~~

Some important Accounting Entries

(i) *Expenses*

	Dr. Rs	Cr. Rs
Salaries	+++++	
Travelling	+++++	
Rent & Rates	+++++	
Electricity	+++++	
Purchases	+++++	
Petrol & Fuel	+++++	
To: Authorised Advances		
Treasury (DST/A/C)		+++++

Being expenses incurred in 1990 brought to account in the Advance Account ledgers.

(2) *Receipts:*

	Dr.	Cr.
Authorised Advance Treasury	+++++	
Sales	+++++	
other Income		+++++

Being receipts during

Brought to account under advance Account Ledgers

(3) *Capital Expenditure*

	Dr.	Cr.
Plant & Machinery	+++++	
Motor Vehicles	+++++	
Furniture & Fittings	+++++	
To: Contributed Capital		+++++

Being the value of fixed assets purchased from funds voted under Part I of the Estimates. (Limits not affected)

(4) *Accrued Expenses*

	Dr.	Cr.
Salaries & Wages	+++++	
Rent & Rates	+++++	
Electricity	+++++	
To: Accrued Expenses		+++++

Being accrued expenses as at December 31, 1990

Note:- (Limits not affected)

(5) *Credit Sales*

	Dr.	Cr.
Debtors	+++++	
To: Sales		+++++

Note :- (Limits not affected)

(6) *Credit Purchases*

	Dr.	Cr.
Purchases	+++++	
To: Creditors		+++++

Note : (Limits not affected)

(7) *Pre-payments:*

	Dr.	Cr.
Prepayments	+++++	
To: Rent & Rates		+++++
Insurance		+++++

Note :- All Prepayments would have been made by cheque & therefore debited to Advance Account.

The above journal entry will not reverse that effect.

(8) *Depreciation*

	Dr.	Cr.
(i) Depreciation		
To: Accumulated Depreciation		+++++

(Provision for depreciation to be computed on fixed installment method)

(ii) General Deposit A/C

	Dr.	Cr.
-DRF A/C	+++++	
To: Authorised Advances Treasury		+ +

(9) *Transfer of provision form voted funds to cover working losses*

	Dr.	Cr.
Authorised Advances Treasury	+++++	
To: P & L Appropriation A/C		+++++

This will be brought to account in the summary of accounts as follows

Programme, Project, Object

To: Advance Account

Dr. Cr.
Best Available Document

(10) *Transfer of profits to revenue:*

	Dr.	Cr.
P & L Appropriation A/C	+++++	
To : Authorised Advances Treasury		++++

This will be brought to account in the Summary of Accounts as follows:

	Dr.	Cr.
Advance Account	+++++	
To: Revenue Head		++++

ADVANCE ACCOUNTS - PRINCIPLES ANE PRACTICES

Advance Account Accounts Activities were created for the main purpose of giving certain degree of autonomy to certain activities operated by the Government. They are in the nature of Commercial and Non - Commercial activities.

Commercial Activities - Trading Advance Accounts.

Non - Commercial Activities - Stores Advance Accounts

- Advances to Public Officers Accounts

The expenditure under Advance Accounts is not really an expenditure in the context of Government spending when compared to voted services. For example, purchases in certain trading Stores Advance Accounts are made either for re-sale or for the supply to projects financed under Part I of the Estimates. The cost of purchases together with other overheads could be recovered in full and therefore these expenses need not be a direct charge to the Consolidated fund.

The objective in managing these activities is to meet the recurrent expenses from their receipts and not to charge to the Consolidated fund. However working losses are charged to Consolidated fund. The funds required for these activities are given in the form of advances and therefore they are referred to as advance Accounts.

2. Authority

The Advance Accounts are authorised by Parliament and included in Part II of the Annual Estimates. The following limits are prescribed:

- | | |
|---|---|
| Maximum limit of debits of debits | - Indicates the maximum expenditure that could be incurred. |
| | - Includes only cash & Cross entry/ transfer payments & not accrued expenses. |
| Minimum limit of Receipts | - Indicates minimum receipts that should be credited. |
| | - Includes only Cash & Cross entry/ Transfer receipts & not accrued sales/income. |
| Maximum limit on debit balance | - Indicates the maximum limit on balance payable to Government/Treasury. |
| Maximum limit on liabilities outstanding as at the end of the year. | |

The Department managing Advance Accounts inform the General Treasury through their monthly Summary of Accounts the total debits and credits in respect of each Advance Account. They are recorded in the respective Advance Accounts in the Advance Account Ledger in the Treasury.

3. Capital Expenditure

- To be incurred from funds voted under Part I of the Estimates.
- Should not be debited to Advance Account.
- Depreciation Reserve Fund could be utilised for the replacement of assets.
- Accounted for as Capital Contribution.

4. Limits

4.1 Control Over Limits

- Maintenance of separate register/ledger to record the approved limits, brought forward Debit Balance/Credit balance at the beginning of the year.
- Record debits & credits as & when they occur/periodically.
- Brought forward debit balance not taken into account in determining the maximum limit of debits.
- Following items are not taken into account in determining the limits.
- Erroneous debits & credits.
- Debits & credits raised in adjustment of above
- Debits raised for the transfer of profits to revenue.
- Credits necessary to transfer voted provision to meet working losses.

Best Available Document

4.2 *Variation of limits*

- Advances to Public Officers Account
- Approval to be obtained from the Minister of Finance before december 31st of the respective Financial Year.
- Other Advance Account Activities
- Cabinet Memorandum to be submitted setting out clearly the need as well as the reasons why it should not have been foreseen at the time the budget was formulated.
- Approval in respect of a financial year to be obtained before May 31st of the following financial year.
- Public Enterprises Division of the Treasury does not recommend variations if the annual statements/accounts are not rendered in time.
- Unauthorised excesses reported to Parliament by the Auditor General.
- Examination by the Public Accounts Committee.

4.3 *Limitations:*

- Accrued expenses, accrued income, credit purchases & Credit Sales do not affect the limits.
- Prepayments taken into account in determining the limits.

4.4 *Reasons given by the CAO/AOO for*

- Non-maintenance of proper accounting records which result in an inability to render proper accounting of the operation in time.
- Failure to take action to obtain approval for variation of limits within the prescribed period.
- Lack of and or Weaknesses in management information system and follow-up action.
- Insufficient attention paid to audit queries.
- Non-reconciliation or delay in reconciliation with Treasury books.
- Non-Compliance with Treasury Circular instruction
- Defective Planning, e. g. Purchases/Sales
- Non-approval of applications for the revision of limits by the Treasury due to failure on the part of the Chief Accounting Officer's/Accounting Officers to furnish relevant information.
- furnish further information when subsequently called for by the Treasury.
- render reconciliation statements/ accounts as prescribed in FR.

4.5 The Public Accounts Committee which examined non-compliances had in its report to Parliament (Parliamentary Series No: 15 of Second Parliament of the Democratic Socialist Republic of Sri Lanka (Second session) had pointed out the recurrence of the following managerial and other deficiencies.

- Lack of proper planning & budgeting.
- Poor accounting system in operation.
- Lack of effective scrutiny and controls by CAO/AO.
- Failure to apply for revision of limits within the prescribed period.
- Delays involved in reconciliation with Treasury books.
- Lack of Control over purchase resulting in build-up of surplus stocks.
- Poor credit control.
- Lack of effective sales effort.
- Poor debt collection procedures.

5. **Management of Advance Account Activities:**

5.1 **General:** Advance Account activities are expected to be managed to ensure that the resources available are utilised economically and efficiently in order to achieve the objectives of the activity while ensuring that the financial transactions are within the prescribed limits. The failure of Advance Account Activities to remain within the prescribed limits had caused additional burden on the National Budget.

The present Government Policy is that no Advance Account activity should operate at a loss and therefore it is the responsibility of the Chief Accounting Officer and Accounting Officers to ensure that:

- Adequate planning of the Activities.
- Proper maintenance of Accounting records.
- Adequate & timely management information system.
- Overall supervision and Control

Statements to be prepared in terms of F. R.

- quarterly statements of Trade debtors.
- quarterly statement of Trade creditors.
- Statement relating to the prescribed limits.

5.2 Other important areas that require attention are:

(a) Purchases of stocks

- In the case of stores Advance Accounts, purchases should be co-related to the relevant programmes for which supplies are made.
- In the case of trading activities purchases should be co-related to sales.
- Identification of slow-moving, obsolete and damaged stocks.
- Purchase of spares
 - Actual requirements to be ascertained.
 - Obsolete spares
 - Slow-moving non-moving items.
- Effective action to dispose slow-moving obsolete items to reduce or avoid total loss.
- Physical verification and valuation of stocks at the end of the Financial year.

(b) SALES:

- Effective action to increase sales- Trading Advance Accounts
- Fixing credit limits
- Effective debt collection procedures
- Timely management information on overdone debits.
 - (a) Quarterly statement of debtors
 - (b) Age analysis of debts
 - (c) Investigation of disputed debts.

6. Maintenance of books and records

Maintain and update all books and records without allowing them to fall into arrears.

Attention should be paid to the following:

- Analyse the payments and receipt and post them to General ledger.
- Record credit transactions and record them in respective subsidiary ledgers.
- Update general ledger, Debtors ledger, Creditors ledger etc. promptly.

It has been observed in the past that the above records are not properly maintained or promptly maintained. This had resulted in (1) loss of control over activities of the Advance Accounts.

- (ii) Delays in rendition of accounts
- (iii) Absence of Control over limits
- (iv) Poor control over debits
- (v) Excessive build-up of stocks.

7. Operating profit/ losses of Advance Accounts

- Transfer of profit to relevant revenue head.
- Provision under voted services to be made to meet working losses.
- Transfer of provision from the voted funds before the end of the financial year.
- Treatment of excess provision/deficit.
- Unauthorised working losses.
- Provision in part I of the Estimates after PAC Examination.

8. Hypothetical Charges Account

This account is prepared to show to what extent the Profit or loss of the Activity is affected if hypothetical charges are paid for.

- Audit Fees
- Interest on debit balance
- Administration Overheads
- Rent of buildings
- Pensionary Contributions

9. Winding-up of an Advance Account Activity

- Order to wind-up an activity.
- Debits & credits to the Advance Account in the year in which it is decided to wind-up.
- Activity to be authorised in Part II of the Estimates in the second year.
- No provision should be made in Part II of the Estimates thereafter.
- Adjustment of errors for closing of accounts in the Treasury books can be raised.
- If necessary, specific provision to be made in Part I of the Estimates to meet any outstanding liabilities.
- Proceeds on realisation of assets to be credited to revenue - Miscellaneous receipts.
- Provision to be made in Part I of the Estimates to settle Debit balance. Credit balance to be credited to revenue.

Winding-up Account

- Statement of realisation of assets
- Statement of settlement of liabilities
- P & L Adjustment Account
- P & L Disposal Account
- Receipts & Payments Account

Accounting

Some important Accounting Entries

(1) Expenses

	Dr.	Cr.
	Rs.	Rs.
Salaries	xxxxx	
Travelling	xxxxx	
Rent & Rates	xxxxx	
Electricity	xxxxx	
Purchases	xxxxx	
Petrol & Fuel	xxxxx	

To : Authorised Advances

Treasury (DST A/C)

Being Expenses incurred in Ledger account in
1991 brought to account in

(2) Receipts :

	Dr.	Cr.
Authorised Advance Treasury	xxxxx	
Sales		xxxxx
Other Income		xxxxx

Being receipts during

brought to account under Advance Account Ledger.

(3) **Capital Expenditure**

	Dr.	Cr.
Plant & Machinery	XXXXX	
Motor Vehicles	XXXXX	
Furniture & Fittings	XXXXX	
To: Contributed Capital		XXXXX

Being the value of fixed assets purchased from funds voted under Part I of the Estimates.
(limits not affected)

(4) **Accrued Expenses**

	Dr.	Cr.
Salaries & Wages	XXXXX	
Rent & Rates	XXXXX	
Electricity	XXXXX	
To: Accrued Expenses		XXXXX

Being accrued expenses as at December 31, 1990 Note :- (limits not affected)

(5) **Credit Sales**

	Dr.	Cr.
Debtors	XXXXX	
To: Sales		XXXXX

Note :- (Limits not affected)

(6) **Credit Purchases**

	Dr.	Cr.
Purchases	XXXXX	
To: Creditors		XXXXX

Note :- (Limits not affected)

(7) **Pre-payments:**

	Dr.	Cr.
Prepayments	XXXXX	
To: Rent & Rate		XXXXX
Insurance		XXXXX

Note : All prepayments would have been made by cheque & therefore debited to Advance Account.

The above journal entry will not reverse that effect

(8) **Depreciation**

	Dr.	Cr.
(i) Depreciation	XXXXX	
To: Accumulated Depreciation		XXXXX

(Provision for depreciation to be computed on fixed installment method.)

	Dr.	Cr.
(ii) General Deposit A/C		
- DRE A/C	XXXXX	
To: Authorised Advances Treasury		XXXXX

(9) **Transfer of provision from voted funds to cover working losses**

	Dr.	Cr.
Authorised Advances Treasury	XXXXX	
To: P & L Appropriation A/C		XXXXX

This will be brought to account in the summary of account as follows

	Dr.	Cr.
Programme, Project, Object	XXXXX	
To: Advance Account		XXXXX

(10) **Transfer of profits to revenue:**

	Dr.	Cr.
P & L Appropriation A/C	XXXXX	
To: Authorised Advances Treasury		XXXXX

This will be brought to account in the Summary of Accounts as follows:

	Dr.	Cr.
Advance Account	XXXXX	
To: Revenue Head		XXXXXX

**PUBLIC ENTERPRISES DIVISION
CIRCULAR NO. 39**

To All Secretaries to Ministries, and
Heads of Departments.

My No. PE 2/000/7
Public Enterprises Division,
General Treasury,
Colombo I,
25 th April 1986

LIMITS OF ADVANCE ACCOUNT ACTIVITIES CONSEQUENT ON A DETERMINATION BY THE SUPREME COURT

Section 7 of the Appropriation Act, No. 45 of 1986, of the Services of the Financial year 1986, provides that:

"The Minister with the approval of the Government, may, on or before May 31, 1987 by order vary or alter

- (a) any of the maximum limits specified in column II, column IV and column V of the Second Schedule to this Act.
- (b) The minimum limits specified in column III of the Second Schedule to this Act.

No Order made under this section shall have effect unless it has been approved by Parliament by resolution.

Any such Order shall, if so expressed therein, be deemed to have had effect from such date prior to the date of making such Order as may be specified therein."

- 02. The Attorney - General has expressed the opinion that the approval of Parliament has to be obtained prior to 31st May, 1987
- 03. The present Amendment is a re-emphasis of the fundamental rule that the limits imposed by Parliament are kept, as well as a reminder that the Executive cannot, and must not, exceed them.
- 04. The failure of Advance Account Activities to remain within prescribed limits has become a persistent weakness. The net unbudgeted expenditure has sometimes been quite substantial and has become a tremendous additional burden on the National Budget. Though no Advance Account Activity should operate at a loss, and operational losses are NOT eligible for financing under Advance Account, Chief Accounting Officers and Accounting Officers have continued to ignore this rule with impunity, leaving Advance Accounts with no capacity to refund the advances obtained from the Consolidated Fund. These serious acts of negligence, omission and commission, and waste, have contributed in considerable measure to the need for unscheduled calls on funds from inflationary sources.

**PUBLIC ENTERPRISES DIVISION
CIRCULAR NO. 38**

To all Secretaries to Ministries &
Heads of Departments.

My No. PE 2/000/7
Public Enterprises Division
General Treasury
Colombo I,
17th November 1986

Best Available Document

LIMITS OF ADVANCE ACCOUNT ACTIVITIES

The Cabinet having considered the inadequacy of limits prescribed in the case of "Advances to Public Officers - Advance Account" in respect of the current budget year, has approved the proposal of the Minister of Finance and Planning, where by he shall exercise the power of variation of the limits without reference to the Cabinet. An omnibus resolution will be moved in Parliament with the approval of the Cabinet as required by the Act, to make effective the variation orders.

Accounting Officers who consider the limits provided inadequate should submit a memorandum to have the limits varied. These applications for variation must be made as soon as the need is known and before the limits are exceeded.

Sgd: Dr. W. M. Tilakaratne
SECRETARY TO THE TREASURY

DIRECTOR
PUBLIC ENTERPRISES

SUBMISSIONS TO PUBLIC ACCOUNTS COMMITTEE NON-CONFORMITY WITH ADVANCE ACCOUNTS LIMITS

- (i) (a) Is the non-conformity with Advance Account limit as reported by the Auditor General correct?
(b) If not indicate the error clearly and substantiate it by detailed explanation.
- (ii) How has the non-conformity with Advance Account limit occurred?
(Please state the Advance Account limit that has not been conformed with)
- (iii) Please state the date on which the Advance Account limit was first exceeded/non conformed with.
- (iv) Please state when the non-conformity was first detected.
- (v) Please state what steps were taken to make provision to cover the non-conformity with the Advance Account Limit, giving details of each such step.
- (vi) Please state whether the non-conformity occurred:
(a) With the full knowledge that the limit was not being conformed with;
(b) Without the knowledge that the limit was being exceeded/conformed with, giving detailed reasons for (a) and/or (b).
- (vii) If the application for revision of Advance limit has been disallowed, please state the limits for which revision was sought and the reasons for disallowance as covered by Treasury Letter.

PUBLIC ENTERPRISES DIVISION
CIRCULAR NO. 38

My No. PE/2/000/7
Public Enterprises Division
General Treasury
Colombo 1.
17th November 1986

To all Secretaries to Ministries &
Heads of Departments,
(Chief Accounting Officers)
& Heads of Departments,
(Accounting Officers)

VARIATION OF THE LIMITS OF ADVANCE ACCOUNTS ACTIVITIES

Your attention is drawn to Section 7 of the Appropriation Act No. 25 of 1986. The Attorney General has expressed the opinion that the approval of Parliament should be obtained, prior to the deadline prescribed in the Act, viz. May 31, for any Variation in the limits of Advance Account Activities.

2. The Attorney General's opinion and subsequent legislation serve to underly the fundamental rule that the limits imposed by Parliament should be strictly observed and is also a reminder that the limit of variation and should not exceed the maxima or fall short of the minima prescribed in the Second Schedule to the Act.

3. In order that Advance Account outlays are kept within authorised limits, Chief Accounting Officers and Accounting Officers must ensure that the Accounting system and practices and Management Information generated are geared towards the effective, economic and efficient behavior of the activities.

4. Application for variation of Limits, however, be considered in very exceptional circumstance, where there is justification. Such application should be made before the excesses are actually incurred, and not later than December 31 of the Financial year in the case of any shortfall in the Minimum limit of credits.

5. Any such application, other than Advances to Public Officers, should be by a Cabinet Memorandum setting out clearly the need, as well as the reasons why it could not have been foreseen when the budget was formulated and incorporated in the Annual Appropriation Act. In the case of Advances to Public Officers, however, the application for variation of the limits, may be made before December 31 of the respective financial year. Such application should be in the form of a Memorandum addressed by your Minister to the Minister of Finance & Planning. A separate set of instructions relating to applications for variation of limits in respect of Advances to Public Officers will be issued in due course.

6. These instructions will continue to be operative in successive financial years until varied or rescinded.

Secretary to the Treasury.

**PUBLIC ENTERPRISES DIVISION
CIRCULAR NO. 43**

My No. PE/2/000/7
Public Enterprises Division
General Treasury
Colombo 1.
11th September 1987

To all Secretaries to Ministries &
(Chief Accounting Officers)
& Heads of Departments
(Accounting Officers)

**Variation of the limits of Advance Account
Activities of Advances to Public Officers**

Your attention is drawn to para 5 of Treasury (Public Enterprises) Circular Letter No: 42 of 31.08.87.

02. Applications for variation of limits relating to Advances to Public Officers must be made as soon as the need is known and in any case not later than 31st December of the respective financial year. Such application will be considered only in very exceptional circumstances where there is adequate evidence for justification. It should be in the form of separate memorandum, both in Sinhala and English and addressed by your Minister to the Minister of Finance & Planning.

03. To ensure uniformity, it is suggested that the Memorandum indicates, inter alia, the following particulars:-

- (A) Guide-Treasury (P. E) Circular Letter No: 43 of 11th September, 1987.
- (B) Ministry.
- (C) Department.
- (D) Present Postal Address
- (E) Item No: and Financial year.
- (F) Name of Activity.
- (G) The limits authorised by relevant Appropriation Act.
- (H) The Order No. of the Minister of Finance & Planning in respect of any earlier application during the year seeking variation of the limits, together with the relevant revised limits if applicable.
- (I) The figures in terms of FR 503 (1) showing separately the figures already reconciled with Treasury Books and those awaiting reconciliation
 - (i) Debit Balance brought down;
 - (ii) (a) Reconciled debits under category of Advances up to the month Of..... 198..
 - (b) Unreconciled debits under each category of Advances from.....to.....198.....
 - (c) Anticipated debits under each category of Advances formto.....198.....
 - (d) Total debits for 198....
 - (iii) (a) Reconciled credits up to the month of198....
 - (b) Unreconciled credits fromto..... 198.....
 - (c) Anticipated credits from.....to.....198.....
 - (d) Total Credit for 198.....
 - (iv) The balance outstanding.

J) The variation for which authority is now sought under each category of limits:-

- (i) Maximum limit of Expenditure From RS toRS.
- (ii) Maximum limit of Debit Balance From RS.....to.....RS.....
- (iii) Minimum limit of Receipts From RS.....to.....RS.....

Best Available Document

03. රජය නිලධාරීන්ගේ අත්තිකාරම් ගිණුම් කටයුතු සමාලෝචනය කිරීමේදී, කිසියම් අනවබාහිතය / දෙපාර්තමේන්තුවක අත්තිකාරම් ගිණුම් කටයුත්තක වෙනස් කටයුතු අසනුමුද්‍යකැපී භාණ්ඩාගාරයට වෙති ගියහොත්, එහිදී අනවබාහිතය / දෙපාර්තමේන්තුවලට මුදල් අග්‍රිම මුදලීම් අඩුකිරීමේ හෝ අත්හිටුවීමේ තැනහොත් එවැනි සිදුවීම් අවමය දකවා කටයුතුවේ දැඩි පියවර ගැනීමට භාණ්ඩාගාරයට පිළිවනු ඇත.

භාණ්ඩාගාරයේ නියෝජ්‍ය ලේකම්

CASE STUDY

Advance to Public Officers Account

During 1989 the Ministry of Rural Development and the Department of Rural Development had maintained one advance account for public Officers. In addition to loans given by the head office, loans have been by the various Kachecheries the accounts in respect of which have been prepared from the reports received from the Kachecheries. The correctness of the final balance of the Advance Account was ascertained by reference to the computer prints out for advance account sent by the Treasury.

According to the reports of the Kachecheries and entries in the Head Office, the Public officers Advance Account as at 31 December, 1989 was as follow :

Balance as at 01.01.1989:

- Ministry of Rural Development	380,158.00
- Rural Development Department	2,167,700.79
	<u>2,547,858.79</u>
Add: Total debits during the year	4,681,440.43
	<u>7,229,299.22</u>
Less Total credits during the year	5,139,380.00
Balance as at 31.12.1989	<u><u>2,089,919.22</u></u>

According to the computer prints out of the Treasury the balance outstanding as at 31.12.1989 on the above account was Rs. 1,620,042.22 An examination carried out of the difference disclosed the following:

- (i) Debit balance of Rs. 147,411.90 in the Vote on Account under A/c No. 213B had not been transferred to A/c No. 42901 by the Treasury in May 1989.
- (ii) The following variations were observed between the computer prints out and the Kachecheri Reports.
 - (a) Over credits totaling Rs. 334,929. out of this, Rs. 241,420.02 relates to the year 1989.
 - (b) Under credits totaling Rs. 24,849.74 out of this, Rs. 4,309.80 relates to the year 1989.
 - (c) Over debits totaling Rs. 133,850. Out of this, Rs. 60,750 relates to the year 1989.
 - (d) Under debits totaling Rs. 130,439.00 out of this, Rs. 128,039 relates to the year 1989.
- (iii) A sum of Rs. 13,495 paid to two officers prior to 1989 had been omitted from the Treasury prints out.
- (iv) According to the reports received from Kachecheries, the amount over recovered amounted to Rs. 233,160

You are required to prepare a reconciliation of the Public officers Advance Account.

රජයේ නිලධාරීන්ගේ අත්තිකාරම් ගිණුම

Best Available Document

1. ශ්‍රාව සංවර්ධන දෙපාර්තමේන්තුව හා ශ්‍රාව සංවර්ධන අනවබාහිතය 1989 වර්ෂයේදී එකම අත්තිකාරම් ගිණුමක් රජයේ නිලධාරීන්ගේ අත්තිකාරම් ගිණුම් සවිස්ථාපනය කිරීම, ප්‍රධාන කාර්යාලයේ එම දිනේ කටයුතු සඳහාම දිනපතා කාර්යාල පරිච්ඡේදයේ පවතින ලෙස අධිකාරී පිළිබඳ ගිණුම් කටයුතු දිනපතා කාර්යාල පරිච්ඡේදයේ පවතින ලෙස දිනපතා කාර්යාල පරිච්ඡේදයේ පවතින ලෙස සඳහන් කරන ලදී. ගිණුම් වර්ෂය අවසානයේදී භාණ්ඩාගාරය වෙත අත්තිකාරම් ගිණුම ආශ්‍රේණය කරන ලෙස පරිගණක මුද්‍රණ සහ ගිණුම් සැසඳීමෙන් අවසාන වශයෙන් නිවැරදිව පවතින බවට තීරණය විය. 1989.12.31 දිනට දිනපතා කාර්යාල හා ශ්‍රාව සංවර්ධන දෙපාර්තමේන්තුව අතුළත එම ගිණුම සහ සඳහන් පිළිබඳ විකල්පයක් විය.

1989.01.01 දිනට වශයෙන් - ශ්‍රාව සංවර්ධන දෙපාර්තමේන්තුව	2,167,700.79
ශ්‍රාව සංවර්ධන අනවබාහිතය	380,158.00
එකතු කළ :	<u>2,547,858.79</u>
වර්ෂයේ එකතුව	4,681,440.43
	<u>7,229,299.22</u>
අඩු කළ :	<u>(5,139,380.00)</u>
1989.12.31 දිනට නිවැරදි වශයෙන්	<u><u>2,089,919.22</u></u>

වෙනම වශයෙන් 1989.12.31 දිනට භාණ්ඩාගාරයේ පරිගණක මුද්‍රණ සහ ගිණුම් පිළිබඳව අත්තිකාරම් ගිණුමේ එම වශයෙන් මුද්‍රණය වූ 16,20,042 ක් බව අනවබාහිතය විය. සමස්ත වශයෙන් පිළිබඳව පවතින පරිගණක මුද්‍රණයේ පවතින අනවබාහිතය බලපෑම මත වෙනස්කම් පිළිබඳව අති වශයෙන් විස්තරයක් සඳහන් කරනු ලැබේ.

- (i) 1989 මැයි මාසයේදී භාණ්ඩාගාරය විසින් වෙළුම් අත්තිකාරම් ගිණුම සම්බන්ධයෙන් ආරම්භ කළ අංක 42901 දරණ ගිණුම ඇරඹීමට ප්‍රථම සම්බන්ධතා ලියාපදිංචි කළ 213 ක් දරණ අනුරූප සම්බන්ධ ගිණුම වර්ෂය අවසානයේදී රු. 1,47,411.90 ක හර ශේෂයක් තිබීමත් එම ශේෂය අංක 42901 දරණ ගිණුමට මාරු කර නොතිබීම.
- (ii) දිසාපති මාර්ගා සමග මාසික පරිගණක පද්ධති සමන්විත ගිණුම මාර්ගා (භාණ්ඩාගාරයේ) සැසඳීමේදී අනාවරණය වී ඇති විවලතා.
 - (අ) වැඩියෙන් බැර රු. 3,34,929.24 කි. අඩුවෙන් රු. 2,41,420.02 ක් 1989 වර්ෂයට අදාලය.
 - (ආ) අඩුවෙන් බැර රු. 24,879.74 කි. වැඩියෙන් රු. 4,309.80 ක් 1989 වර්ෂයට අදාලය.
 - (ඇ) වැඩියෙන් හර රු. 1,33,850/- කි. 1989 වර්ෂයට රු. 60,750/- අදාලය.
 - (ඈ) අඩුවෙන් හර රු. 1,30,439/- කි. රු. 1,28,039/- ක් 1989 වර්ෂයට අදාලය.
- (iii) 1989 වර්ෂයට වෙළුම් පරිච්ඡේද කිලෝමීටර් දේ දෙකකට ගෙවන ලද රු. 13, 495/- ක ශේෂ පුද්ගලික සම්පූර්ණයෙන්ම භාණ්ඩාගාර පරිගණක පුද්ගලික සමන්විත අත්තිකාරම් තිබුණි.
- (iv) දිසාපති මාර්ගාවලට අනුමැතිය ලබා ගෙන අයවැයින්ගේ වැඩිදුර අයකර තිබූ පුද්ගල රු. 2,331.60 ක් විය.

ඉහත කී කරුණු ආශ්‍රයෙන් භාණ්ඩාගාරයේ ශේෂ පදනම කරගෙන 1989.12.31 දිනට ලාභ සංවර්ධන දෙපාර්තමේන්තුවේ රජයේ කිලෝමීටර් අත්තිකාරම් ගිණුම සැසඳීමේ ප්‍රකාශයක් පිළියෙල කරන්න.

වැඩියෙන්/ අඩුවෙන් බැර හා වැඩියෙන් / අඩුවෙන් හර ගණනය කිරීම

Calculation of over/ under credits and over/ under debits.

කඩිළිම් මාර්ගා අනුව as per kachcheries	භාණ්ඩාගාර මාර්ගා අනුව as per Treasury	වෙනස Difference
රු. Rs.	රු. Rs.	රු. Rs.
5,21,362.92 (බැර) cr.	8,56,292.16 (බැර) cr.	3,34,929.24 (වැඩියෙන් බැර) over cr.
90,662.94 (බැර) cr.	65,783.20 (බැර) cr.	24,879.74 (අඩුවෙන් බැර) over cr.
91,10,006.00 (හර) dr.	92,43,856.00 (හර) dr.	1,33,850.00 (වැඩියෙන් හර) over dr.
6,92,772.00 (හර) dr.	5,62,333.00 (හර) dr.	1,30,439.00 (අඩුවෙන් හර) under dr.

APPROPRIATION ACCOUNTS

Appropriation Accounts are required to be rendered to the Auditor General in terms of F. R. 150 generally before the end of August of the following year. The requirements in the preparation of Appropriation accounts have been spelled out by the Treasury in various circulars issued from time to time. The most important are

Treasury Votes Branch Cr. Letter No.	1/73 of 04.01.73
- do -	1/74 of 04.04.83
-do-	5/74 of 04.01.73

2. The important provisions:

- (a) There should be no difference between the figures appearing in the Computer print out and the Appropriation Account
- (b) Net excesses or savings under each Programme, Project and object should be shown separately.
- (c) Foreign Aid Expenditure should be separated from Consolidated Fund expenditure
- (d) Unsettled losses in the previous year should be shown
- (e) Losses over Rs. 25,000 should be separately listed.
- (f) Explanation given for Savings or Excesses should be adequate and clear. They should not be different from earlier explanation given to Audit Queries.
- (g) In respect of Reimbursable Foreign Aid expenditure
 - (a) Total expenditure during the year.
 - (b) Amount claimed up to 31 March of the following year.
 - (c) Reason for not claiming the balance.
 - (d) Amount reimbursed up to 31 March of following year.

Best Available Document

3. Auditor General in the course of examination of Appropriation Accounts has spotlighted several errors and omissions. Some of the deficiencies are listed below.

- 1) Differences between the expenditure figures as appearing in the Treasury ledgers and those shown in the Appropriation Accounts.
- 2) Certificates, that the departmental Vote ledgers had been reconciled with the Treasury Books had not been furnished by Accounting Officers.
- 3) Net excesses or savings under Votes had not been shown in the Appropriation Accounts.
- 4) Figures had not been rounded off to the nearest Rupee.
- 5) Incorrect references had been made to authorities obtained under FR - 66 (e. g. where the DST had authorised the transfer of funds, the authority quoted was the Secretary of the Ministry)
- 6) Where transfer of funds had been made between Projects, the from/to which these transfers had been made had not been indicated.
- 7) provision made in the Estimates for foreign Aid Expenditure had not been separately indicated in the Appropriation Accounts.
- 8) Erroneous debits and not been shown by way of foot-notes.
- 9) New objects created during the year had not been indicated as 'new' in the Appropriation Accounts.
- 10) where outstanding liabilities had been shown in the Appropriation Accounts, the objects under which the liability had been incurred had not been indicated.
- 11) Liability to other Government Departments had not been shown correctly in that the liability shown as due to other departments differed from the amount of debts due according to the books of those departments.
- 12) Losses in respect of previous years which remained unsettled had been carried forward to the subsequent years' Appropriation Accounts.
- 13) Losses over Rs. 1,000 had not been individually listed.
- 14) Explanations furnished for savings/ excesses had been incorrect or inadequate. In some cases no explanation had been furnished. There were also differences in the explanations furnished in the Sinhala and English Versions of the Appropriation Accounts.
- 15) Errors in spelling.

4. Excesses without authority will be treated as unauthorised excesses and will be reported on by the Auditor General and examined by the Public Accounts Committee. These require a supplementary vote by Parliament.

5. The Public Accounts Committee which examined the reasons for the excess expenditure on Programmes and projects in respect of the year 1988 reported on by the Auditor General had observed as follows in their report published in Parliamentary Series No. 20 of 1990.

"During the course of our examination we found that most of the explanations furnished to your Committee were either incomplete, inaccurate or inconsistent with the explanations given in the Appropriation Accounts furnished for Audit. We have observed that adequate care caution had not been exercised in furnishing the explanations to the Committee and we are constrained to conclude that this is a serious loss on the part of the Chief Accounting Officers and Accounting Officers. The ultimate result was that some of the Chief Accounting Officers, Accounting officers had to be examined over and over again. We were, on several occasions, compelled to summon the predecessors of certain Chief Accounting Officers/ Accounting officers to explain the excess expenditure.

According to the explanations furnished and the evidence given before us during the course of examination of Chief Accounting Officers / Accounting Officers we observed numerous managerial inefficiencies in regard to the financial management in the Treasury, Ministries and Departments. Some of these are summarised below:

- (a) Lack of proper planning, forecasting and budgeting of expenditure by Ministries and Departments;
- (b) Negligence and apathy towards financial management and lack of effective supervision and control over finance function;
- (c) Failure to maintain proper and correct accounting records both in the Ministries and Departments and to render them for audit and other appropriate' authorities;
- (d) Failure to reconcile accounting records periodically and adjust errors;
- (e) Lack of evidence of proper communication with Treasury in regard to applications for transfers made to the Treasury, especially during the latter part of the financial year;
- (f) Lack of a properly organised system of Internal Audit;
- (g) Poor co-ordination with Regional Offices;
- (h) Non-recourse to relevant Financial Regulations regarding efficient-procedure or delays in such recourse; and
- (i) Failure to assess the capabilities of available staff and deploy them on a rational basis to attend to the task of financial management and accounting.

We express our serious concern that most of these excesses could have been avoided if the officers charged with the responsibilities had followed proper procedures laid down in the Financial Regulations and Treasury Circulars. Your Committee observe that a laissez-faire attitude has crept into the financial management hierarchy.

The Committee observed lapses on the part of the General Treasury in dealing with application for transfer of provisions. Such applications submitted close to the dead line were in dispute. However, we found that neither the Treasury nor the Ministries/Departments had maintained records giving adequate particulars of applications sent to the Treasury."

6. The Chief Accounting Officers and Accounting officers are required to report to the PAC on the excesses in the following format.

(i) Is the excess on programme / project as reported by the Auditor General correct? If not, indicate the error clearly and substantiate it by detailed explanation'

(ii) How has the excess on programme / project occurred? Please state each project that has been exceeded and each Object code and Object Detail that has been exceeded;

* Information under (i) and (ii) above should be given separately under each programme and project.

(iii) Please state the date on which -

(a) Object detail,

(b) Object Code,

(c) Projects, and

(d) Programme was first exceeded after referring to the entries in the Appropriation (votes) ledger;

(iv) Please state when the excess was actually detected;

(v) Please state what steps were taken to make provision to cover the excess giving details of each such step;

(vi) Please state whether the excesses occurred;

(a) With the full knowledge that the provision was being exceeded,

(b) Without the knowledge that the provision was being exceeded giving detailed reasons for (a) and/or (b)

7. With a view to ensuring that Appropriation Accounts are prepared as accurately as possible the following requirements should be complied with:

(i) The maintenance of the Appropriation (votes) ledger strictly in accordance with FR and Treasury Circulars. This if properly maintained, would form a convenient tool in the hands of the Accounting Officer to monitor and control expenditure and ensure that the limits fixed by Parliament are not exceeded. Normally if the Appropriation (votes) ledger control is exercised, unknown excesses cannot appear.

(ii) It is very important that expenditure beyond approved allocations are not exceeded. There is no alternative to strict control of Appropriation (votes) Ledger. Without waiting for the end of the financial year, the accountants should periodically examine the cumulative position and apply to cover likely excesses in time, adducing reasons. If a case is built up that way, the Department will have time till about the end of the first quarter of the following financial year to have the excess covered as the Treasury Books will be kept open till then.

(iii) FR-427 requires errors detected by Department to be promptly investigated by them and expeditious action taken to see errors so detected are adjusted on Treasury Books without any delay what so ever irrespective of the fact that parties other than Accounting Units concerned are responsible for the errors.

(iv) Where errors and differences are detected in comparing the departmental records with the Treasury Books, they should be recorded in writing and action followed up till errors are rectified and differences adjusted.

Best Available Copy
CASE STUDY

ADVANCE TO PUBLIC OFFICERS ACCOUNT

COMPUTATION OF LIMITS

The Dept. of Rural Development and the Ministry of Rural Development had maintained 2 advance to Public Officers Account bearing Nos. 79 and 78 and in 1989, these accounts were operated under one advance Accountant. The estimated limits on expenditure, recoveries and debit balance relating to this account for 1989 were as shown below:

Account No.	Debits	Credits	Debit Balance
	Rs.	Rs.	Rs.
213	1,815,781	1,668,369	147,412
42901	4,075,866	2,455,824	1,620,042

2. In addition, the following information is given.

(i) The amount shown as debits for the year under A/c 42901 included opening balances of account Nos.78 and 79,

A/c 78 - opening balance	-	Rs.	337,454
79 - opening balance	-	Rs.	2,186,686

(ii) The debit of Rs. 138,531 and credit of Rs. 570,375 made by the Kachcheries to the Vote on Account has also been entered in the A/c No. 42901.

(iii) In order to transfer to A/c 42901 the amount of Rs. 128,039 debited to the Vote on Account in respect of Head Office for the period January to April, the A/c No. 213 and been credited with the amount but not posted to A/c 42901.

(iv) The sum of Rs. 270,741 credited to Vote on Account in respect of Head Office for the period January to April had been correctly transferred to A/c 42901.

3. Please ascertain after comparison of the actual debits, credits and debit balance whether the limits on Advance Account to Rural Development Dept., had been exceeded.

සීමා ගණනය කිරීම - විෂයයාඥ බද්ද අධ්‍යයනය

ග්‍රාම සංවර්ධන දෙපාර්තමේන්තුව හා ග්‍රාම සංවර්ධන අමාත්‍යාංශය අංක: 79 හා අංක: 78 දරවින් රජයේ නිලධාරීන්ගේ අත්තිකාරම් ගිණුම් 2 ක් පවත්වාගෙන යාම කිරීමේ අතර, 1989 වර්ෂයේදී එක අත්තිකාරම් ගිණුමක් සමපත් වීමට ගිණුම කිහිපයක් පවත්වාගෙන යාම ලදී.

මෙම අත්තිකාරම් ගිණුම හා සම්බන්ධ ගෙවීම්, අයවීම් හා හර ගේජය පිළිබඳ අදාළවන්නාවූ ගන සීමා පහත සඳහන් පරිදි විය.

උපරිම හර සීමාව	රු.	32,00,000
අවම බැර සීමාව	රු.	31,00,000
හර ගේජය උපරිම සීමාව	රු.	35,00,000

මේ අත්තිකාරම් ගිණුම සම්බන්ධයෙන් භාණ්ඩාගාරය 1989 වර්ෂයේදී මුළු වාඩු 4 ක කාලයක් සඳහා අංක 213 දරණ අතුරු සම්පත ගිණුමක් පවත්වාගෙන යාම කිරීම අතර, ඉතිරි කාලය සඳහා අංක: 42901 දරණ අත්තිකාරම් ගිණුම පවත්වාගෙන යාම කිරීමේ අංක 213 දරණ අතුරු සම්පත ගිණුමට සමහර වේළුන් අංක 42901 ගිණුමට පරිවෘත්තීයව වාර්ෂිකව පිටවීම් 1989.12.31 දිනට භාණ්ඩාගාර පරිගණක මුද්‍රණ පරිශ්‍යා කිරීමේදී පහත සඳහන් තොරතුරු භාවිතයට විය.

අංක : 213 හා අංක : 42901 දරණ ගිණුමට පරිවෘත්තීය හර, පරිවෘත්තීය බැර හා හර ගේජය පහත සඳහන් පරිදි විය.

ගිණුම අංකය	පරිවෘත්තීය හර රු.	පරිවෘත්තීය බැර රු.	හර ගේජය රු.
213	1,815,781	1,668,369	147,412
42901	4,075,866	24,55,824	16,20,042

මෙම දත්තයන්ට අමතරව පහත සඳහන් තොරතුරුද මෙහි වෙත සපයා ඇත.

1. අංක: 42901 දරණ ගිණුමේ පරිවෘත්තීය හර ලෙස දක්වා ඇති මුදලට අංක: 78 ගිණුමේ හා අංක: 79 ගිණුමේ ආරම්භක ගේජයන්ද ඇතුළත් කර තිබුණි.

අංක: 78 ගිණුමේ ආරම්භක ගේජය	රු.	3,37,454
අංක: 79 ගිණුමේ ආරම්භක ගේජය	රු.	21,86,686

2. අංක: 213 දරණ අතුරු සම්පත ගිණුමට කට්ටේටි පරිමිත හර වී තිබූ රු. 1,38,531 ක මුදල හා බැර වූ රු. 5,70,375 ක මුදල එම ගිණුමෙන් අංක: 42901 ගිණුමටද වාර්ෂිකව පිටවීම්.

3. ප්‍රධාන කාර්යාලය පවත්වන්නේ ජනාධිපති සිට අප්‍රේල් දක්වා අතුරු සම්පත ගිණුමට හරවී තිබූ රු. 1,28,039 ක මුදල අංක: 42901 ගිණුමට වාර්ෂිකව පිටවීම් සඳහා අංක 213 ගිණුමට බැර කර තිබූ නමුත්, අංක: 42901 ගිණුමට පිටපත් කර නොතිබුණි.

4. ප්‍රධාන කාර්යාලය පවත්වන්නේ ජනාධිපති සිට අප්‍රේල් දක්වා අතුරු සම්පත ගිණුමට බැරවී තිබූ රු. 2,70,741 ක මුදල නිවැරදිව අංක: 42901 ගිණුමට වාර්ෂිකව පිටවීම්.

ඉහත සඳහන් තොරතුරු උපයෝගී කරගෙන ග්‍රා. ස. දෙපාර්තමේන්තුවේ රජයේ නිලධාරීන්ගේ අත්තිකාරම් ගිණුමේ පරිවෘත්තීය සහ හර හා සහ බැර හා හර ගේජයක් ගණනය කර සීමා ඉක්මවා ඇද්ද යන්න තීරණය කරන්න.

Excesses on advance to Public Officers Account

Before drafting explanations to the PAC it is advisable to obtain all relevant information pertaining to the advance Account in the annexed formats. It is always best that the audit observations on this account in respect of the year under review and previous years along with any directions given by the PAC relating to the previous years are examined in detail before you proceed to draft replies. The reply has to state the factual position giving reference to documents and correspondence wherever necessary. There should be one file containing all information relating to a years accounts commencing from the time the first application made for fixing of limits. Papers should be filed in chronological order and important documents flagged for easy identification. Explanations should be prepared well ahead of the date fixed for oral examinations and copies of explanations should be forwarded to the Auditor General.

Advance Account No.
Year:
Item No:

	Expenditure Limit			Minimum Credit			Debit Balance		
	1	2	3	1	2	3	1	2	3
	Previous Year	Relevant Year	Subsequent Year	Previous Year	Relevant Year	Subsequent Year	Previous Year	Relevant Year	Subsequent Year
	Rs. M	Rs. M	Rs. M	Rs. M	Rs. M	Rs. M	Rs. M	Rs. M	Rs. M
1. Applied									
2. Approved									
3. Revision Requested									
4. Revision Granted									
5. Actual									
6. Non Compliance									
7. Percentage									

Application for Revision of Limits

	Debit	Credit	Debit Balance
1. Opening Balance			
2. Amounts already reconciled with Treasury Book from.....19... to 19.....			
3. Amounts awaiting reconciliation from.....19... to.....19....			
4. Anticipated amounts form.....19.....to19.....			
Total			

Best Available Document

Year 19.....

Item No:.....

	Debit	Credit	Balance
Opening Balance
January
February
March
April
May
June
July
August
September
October
November
December

Best Available Document

- (c) Removal by H.E. the President on a resolution passed by the Parliament.
- (d) Removal due to mental or physical infirmity.
- (ii) His salary is charged to the Consolidated Fund, is fixed by the Parliament, and cannot be reduced during his term of office.
- (iii) The Dept. of Auditor-General does not come under any Ministry.

Is the Auditor-General of Sri Lanka fully independent in actual practice? One can argue that he is not because he has to depend on Treasury for financial provisions and Ministry of Public Administration on certain categories of staff. It is also true that he has to depend on client organisations for office accommodation etc.

Audit carried out by the Auditor-General is a Post Audit, in the sense that it is always done after the completion of the transaction. In case of small Govt. Depts. it is commenced after the close of Financial Year. Usefulness of such an audit to a developing country like Sri Lanka which invests considerable amount of Public fund, is a matter to be discussed. Evaluation of Projects & Programmes before the commitment of resources is not usually undertaken by the Audit Dept.

The work 'AUDIT' is not defined in the constitution, as such interpretation of it with regard to the scope is at the discretion of Auditor - General. But he does not decide the extent of his audit arbitrarily. The Auditor - General's Dept. of Sri Lanka is a member of International Organisation of Supreme Audit Institutions (INTOSAT) of United Nations, and Asian Organisation of Supreme Audit Institutions. (ASSOSAT) Member countries of these organisations meet from time to time and decide the scope, extent and quality of audit to be carried out. During the last few decades the audit has been expanding from Regularity Audit to Value for Money Audit gradually.

Financial Regulations require the Auditor-General to examine the Appropriation Accounts, Revenue Accounts and the Final Accounts of the Advance Accounts Activities rendered by the Accounting Officers. The Audit conducted on these accountability statements is more or less a Financial Audit. To Supplement it VFM audits are undertaken by the Dept. on selected areas of activity.

A Minister in charge of a Public corporation can appoint a Qualified Auditor as the Internal Auditor in consultation with the Auditor-General. Such Auditors should function under the supervision and direction of Auditor-General. Further, the A. G. can appoint the same auditor as his agent for the purpose of performing his duties or functions. This clearly shows that in addition to the external audit the A. G. has to control & Supervise the work of Internal Auditors of Public Corporations. Financial Regulations lay down in detail the relationship that should exist between the Internal Auditor of Govt. Depts. and the General Audit.

For the discharge of his duties and obligations the A. G. can delegate his power to his own officers and to Qualified Auditors. Further he can obtain the services of Technical or scientific organisations or persons for the purpose. Rights of the A. G. are also laid down in Article 154 of the constitution. Access to books and Records, Access to property, Right to call for information & explanations are some of them.

According to Article 154 (6) A. G. has to report to Parliament within 10 months after the close of financial year. Reporting to management (i. e. to Secretaries and Heads of Depts.) is not obligatory although it is being done in actual practice.

Functions of Public Accounts Committee:-

Public Accounts Committee is a sub committee of Parliament consisting of 10 M. P. s appointed for every session by the Select Committee. Functions of P. A. C. are enumerated in Standing Order 125 of House of Representatives. Report of the Auditor-General pertaining to Govt. Depts. and Local Authorities tabled in Parliament is referred to P. A. C. It calls for written explanations from Accounting officers and Chief Accounting Officers and according to a programme prepared, they are summoned before the committee. The Accounting Officers and Chief Accounting Officers are examined by the P. A. C. with the help of the Treasury Official and the A. G. or his representatives. Minutes on proceedings of P. A. C. are published as a sessional paper for the information of general public. P. A. C. submits its recommendations to Parliament. When once they are adopted by the Parliament they are published as a sessional paper. It is the duty of the Finance Ministry to give necessary instructions to Govt. Depts. and Ministries to implement the recommendations issued by the treasury are also published annually which are known as 'Treasury Minutes'. Public Accounts Committee is an important institution through which Parliament controls public finance of this country.

The constitution of the Democratic Socialist 97 Republic of Sri Lanka

(4) Where the President dissolves Parliament and fixes a date or dates for a General Election the President may, unless parliament has already made provision in that behalf, authorize the issue from the Consolidated Fund and the expenditure of such sums as he may after consultation with the Commissioner of Elections, consider necessary for such selections.

151 (1) Notwithstanding any of the provisions of Article 149 Parliament may by law create a Contingencies Fund for the purpose of providing for urgent and unforeseen expenditure.

Contingence
Fund

(2) The Minister in charge of the subject of Finance, if satisfied

(a) That there is need for any such expenditure, and

(b) that no provision for such expenditure exists, may, with the consent of the President, authorize provision to be made therefor by an advance from the Contingencies Fund.

BI S I AMAL ARNE CONY

(3) As soon as possible after every such advance, a Supplementary Estimate shall be presented to Parliament for the purpose of replacing the amount so advanced.

152. No Bill or motion, authorizing the disposal of or the imposition of charges upon, the Consolidated Fund or other funds of the Republic or the imposition of any tax or the repeal, augmentation or reduction of any tax for the time being in force shall be introduced in Parliament except by a Minister, and unless such Bill or motion has been approved either by the Cabinet of Ministers or in such manner as the Cabinet of Ministers may authorize.

Special provisions as to Bill affecting public revenue

153. (1) There shall be an Auditor - General who shall be appointed by the President and who shall hold office during good behaviour.

Auditor General

(2) The salary of the Auditor - General shall be determined by Parliament shall be charged on the Consolidated fund and shall not be diminished during his term of office.

(3) The Office of the Auditor-General shall become vacant

- (a) Upon his death;
- (b) on his resignation in writing addressed to the President;
- (c) On his attaining the age of sixty years;
- (d) on his removal by the President on account of ill health or physical or mental infirmity
- (e) On his removal by the President upon an address of Parliament.

(4) Whenever the Auditor-General is unable to discharge the functions of his office, the President may appoint a person to act in the place of the Auditor-General

154. (1) The Auditor-General shall audit the accounts of all departments of Government, the Office of the Cabinet of Ministers, the Judicial Service Commission, the Public Service Commission, Parliamentary Commissioner for Administration, the Secretary-General of Parliament and the Commissioner of Elections, local authorities, public corporation and business or other undertakings vested in the Government under any written law.

(2) Notwithstanding the provisions of Paragraph (1) of this Article, the Minister in charge of any such public Corporation or business or other undertaking, with the concurrence of the Minister in charge of the subject of finance; and in consultation with the Auditor - General appoint a qualified auditor or auditors to audit the accounts of such public Corporation or business or other undertaking. Where such appointment has been made by the Minister, the Auditor-General may, in writing, inform such auditor or auditors that he proposes to utilize his or their services for the performance and discharge of the Auditor-General's duties and functions in relation to such public corporation, business or other undertaking and thereupon such auditor or auditors shall act under the direction and control of the Auditor General.

The constitution of the Democratic Socialist Republic of Sri Lanka

(3) The Auditor - General shall also perform and discharge such duties and functions as may be prescribed by Parliament by law.

(4) (a) The Auditor-General may for the purpose of the performance and discharge of his duties and functions engage the services of a qualified auditor or auditors who shall act under his direction and control.

(b) If the Auditor-General is of opinion that it is necessary to obtain assistance in the examination of any technical, professional or scientific problem relevant to the audit, he may engage the services of

(i) a person not being an employee of the department, body or authority the accounts of which are being audited or

(ii) any technical or professional or scientific institution not being an institution which has any interest in the management of the affairs of such department body or authority,

and such person or institution shall act under his direction and control.

(5) (a) The Auditor-General or any person authorized by him shall in the performance and discharge of his duties and functions be entitled

(i) to have access to all books, records, returns and other documents,

(ii) to have access to stores and other property; and

(iii) to be furnished with such information and explanations as may be necessary for, the performance of such duties and functions.

(b) Every qualified auditor appointed to audit the accounts of any public corporation, or business or other undertaking, or any person authorized by such auditor shall be entitled to like access, information and explanations in relation to such public corporation, or business or other undertaking.

(6) The Auditor-General shall within ten months after the close of each financial year and as and when he deems it necessary report to Parliament on the performance and discharge of his duties and functions under the Constitution

(7) Every qualified auditor appointed under the provisions of paragraph (2) of this Article shall submit his report to the Minister and also submit a copy thereof to the Auditor-General

(8) In this Article, "qualified auditor" means

(a) an individual who, being a member of the Institute of Chartered Accountants of Sri Lanka, or of any other Institute established by law, possesses a certificate to practise as an Accountant issued by Council of such Institute; or

(b) a firm of Accountants each of the resident partners of which, being a member of the Institute of Chartered Accountants of Sri Lanka or of any other Institute established by law, possesses a certificate to practise as an Accountant issued by the Council of such Institute.

32 Standing Orders of the Parliament of the Democratic Socialist Republic of Sri Lanka

Committee shall have leave to sit notwithstanding any adjournment of Parliament, to report from time to time, and to inform Parliament when any member has been nominated to any Committee

122. HOUSE COMMITTEE - There shall be a Committee to be designated the House Committee consisting of Mr. Speaker as Chairman and nine members to be nominated by the Committee of Selection to consider and advise upon all matters connected with the comfort and convenience of members. The minutes of meetings of this Committee shall be circulated to all members.

123. COMMITTEE ON STANDING ORDERS - There shall be a Committee to be designated the Committee on Standing Orders consisting of Mr. Speaker as Chairman the Deputy Speaker the Deputy Chairman of Committees and six other members to be nominated by the Committee of Selection. It shall be the duty of the Committee to consider matters of procedure and conduct of business in Parliament and to recommend any amendments or additions to these Standing Orders that may be deemed necessary and to report on all matters relating to the Standing Orders which may be referred to them by Parliament.

124. COMMITTEE ON PARLIAMENTARY BUSINESS - There shall be a committee to be designated the Committee on parliamentary Business consisting of Mr. Speaker as chairman, the Deputy Speaker, the Deputy Chairman of Committee, the Leader of the House of Parliament, the Leader of the Opposition, the Chief Government whip, the chief Opposition whip and five other members to be nominated by the Committee of selection. It shall be the duty of the Committee to consider and decide on the time that should be allocated for the discussion of such business of Parliament and such other matters as Mr. Speaker, in consultation with the Leader of the House of Parliament, may refer to the committee. The minutes of meetings of this Committee shall be circulated to all members.

125. COMMITTEE ON PUBLIC ACCOUNTS - (1) There shall be a Committee to be designated the Committee on Public Accounts consisting of ten members nominated by the Committee of Selection.

(2) It shall be the duty of the Committee 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.

Standing Orders of the Parliament of the Democratic Socialist Republic of Sri Lanka

(3) The Committee shall, from time to time, report to Parliament on the accounts examined, the finances, financial procedures, performance and management generally of any department, local authority and on any matter arising therefrom.

(4) The Committee may when it considers necessary appoint subcommittees of its own members to examine and report to the Committee on all accounts and the finances and management of such departments, local authorities as the Committee may direct.

(5) The Committee or any of its sub-committees 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.

(6) The quorum of the Committee shall be four members.

126. COMMITTEE ON PUBLIC ENTERPRISES - (1) There shall be a committee to be designated the Committee on Public Enterprises consisting of ten members nominated by the Committee of Selection.

(2) It shall be the duty of the Committee to examine the accounts of public corporations and of any business or other undertaking vested under any written law in the Government laid before Parliament, along with the reports of the Auditor - General thereon.

(3) The Committee shall, from time to time, report to Parliament on the accounts examined the budgets and annual estimates, the finances, financial procedures, performance and management generally of any public corporation or of any business or other undertaking vested under any written law in the Government and on any matter arising therefrom.

(4) The Committee may when it considers necessary appoint sub-committees of its own members to examine and report to the Committee on all accounts, the budgets and annual estimates, the finances and management of such public corporations or of any business or other undertaking vested under any written law in the Government as the Committee may direct.

(5) The Committee or any of its sub-committees 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.

(6) The quorum of the Committee shall be four members.

127. COMMITTEE ON PRIVILEGED - There shall be a Committee to be designated the Committee on Privileges consisting of not more than ten members to be nominated by the Committee of Selection for the examination of every Question of Privilege that may be referred to it on motion moved and approved by Parliament.

BEST AVAILABLE COPY

දෙපාර්තමේන්තුවේ මුදල් වියදම් වේගෙන් යන ආකාරය ගැන සොයාබැලීමට මෙම ප්‍රකාශය ප්‍රධාන ගණන් දීමේ නිලධාරියාට ආධාර වේ.

සංලක්ෂ්‍යය :- දෙනු ලැබූ වෙන්කළ මුදල්වලින් කරනු ලබන ඕනෑම සම්බන්ධ ප්‍රකාශයක් ගැන 208 (3) සහ 449 යන මුදල් රෙගුලාසි බලන්න.

මු. රෙ. 451. වෑන්සන් ආදිය පිළිබඳ ලේඛනය - ලැබුණු මුදල් සටහන් කර ගැනීම පිණිස වෑන්සන් මුදල් ඇණවුම් ආදිය පිළිබඳ ලේඛනයක් (පී. ජී. එම්. 83 දරන පෝර්මයෙහි) සෑම දෙපාර්තමේන්තුවක සහ දෙපාර්තමේන්තු ශාඛාවක ම තබාගත යුතුය. ඉන්පසු ඒවා සම්බන්ධයෙන් කටයුතු කළ ආකාරය ඒවා ඉදිරියෙන් සඳහන් කොට තිබී මාණ්ඩලික නිලධාරියා විසින් සහතික කළ යුතුය. බලපත්‍ර සම්බන්ධයෙන් මුද්දර ලැබුණු අවස්ථාවල දී, මුද්දර අලවනු ලැබූ බලපත්‍රයේ අංකය සහ දිනය ලේඛනයෙහි සඳහන් කළ යුතුය.

මු. රෙ. 452 (2) විගණන විමසුම් ලේඛනය - ඔබ්ටර් ජනරාල් ගෙන් ආවා වූ සියලු ලියුම් හා විගණන විමසුම් ලැබුණු දින සහ පිළිතුරු යැවූ දින දක්වන විගණන විමසුම් ලේඛනයක් සෑම දෙපාර්තමේන්තුවක ම තබාගත යුතුය. ඔබ්ටර් ජනරාල්ගෙන් ලැබුණු විගණන විමසුම්වල අනුපිටපත්, යථා ලද පිළිතුරුවල පිටපත් සමගම අනුකූලිත පිළිවෙලට ලිපිගොනු ගත කළ යුතුය.

(2) වැරදි බව පිළිගැනීම - මුදල් ගෙවීමක හෝ ආරෝපණය කිරීමක සාධකවශයෙන් පිළිගෙන මුදල් බඳිනු ලැබූ කල්හි, නිකුත් කරන ලද කුටිනාන්තිය සහතික කළ පිටපතක් හැකි සෑම අවස්ථාවකදීම විගණන විමසුමට යවන, පිළිතුරක් සමග ඉදිරිපත් කළ යුතුය. කුටිනාන්තිය නොයවන්නේ නම්, බැර කරන ලද නියම දිනය සඳහන් කළ යුතුය. එම මුදලට වඩා ලොකු මුදලක් සමග එය බැර කරන ලද්දේ නම්, එය බැර කරන ලද දිනය මෙන්ම එම ලොකු මුදල ද සඳහන් කළ යුතුය.

සැලකිය යුතු :- භාණ්ඩාගාරයේ නියෝජකයා ලෙසට වෙන අභියාචනා ඉදිරිපත් කිරීමේ අයිතිවාසිකම ගැන මු. රෙ. 117 ද බලන්න.

Treasury Circular Letter No. FIN 227

My No. FIN-1002-260-155
General Treasury,
Colombo 01
1990-02-15

To: All Secretaries to Ministries & Head of Departments.

Calendar of Returns and Periodical Statements to be rendered to the Treasury, Auditor-General etc. by Chief Accounting Officers and Accounting Officers

It has been suggested that the Treasury issues an up to date Calendar of returns and periodical statements that Chief Accounting Officers and Accounting Officers should render to the Treasury and the Auditor-General. The Accounting Officers could then instruct the Sub-Offices and Agencies accordingly so as to ensure the prompt rendition of the returns and the periodical statements.

02 The Calendar referred to above is given below.

Description of Return or Statement	Ref. to FR, Try. Circular or other requirement	Frequency (Monthly, Quarterly, Half yearly, annually etc.	Due		Due date
			From	to whom	
01. Monthly Summary of A/cs. by 'A' Class Depts.	FR 416 (1)	Monthly	C.A.OO A.OO.	D/A & P D/F.P & R	* *
02. Renewal of Credits by 'B' & 'C' Class Depts.	FR 369 (b) FR 369 (c)	- do -	- do -	- do -	By 10th of the following month.
03. Monthly Abstracts of Receipts & Payments	FR 545	- do -	Govt. Agents	D/A & P	- do -
04. Flash Report	Treasury Book-keeping Br. Circular No. 7 of 1986	- do	C.A.OO/ A.OO	D/A & P D/F P & R	By 07th of the following month.
05. Imprest Requirements by 'A' & 'B' Class Depts. for the following year.	FR 91	Annually	- do -	D/A & P	By Nov. 20th of the current year.
06. Petty Cash Imprest Certificate from the 'C' Class Depts.	FR 373 (3) (b)		- do -	- do -	By 1st Jan. of the following year.

(**) After 20 days - Small Depts.
After 30 days - Medium Depts. & Ministries.
After 35 days - Large Depts. & Ministries.

07.	Rev A/cs. under Heads 5,6,8,11 & 12 (Estimated Rev., Actual Rev. and Arrears of Rev.)	FR 176 (1)	Annually.	R.A.OO	D/A & P D/F P & R	By 28th of the following month.
08.	Loan Liability Statement from Central Bank	FR 426	Quarterly	Central Bank	D/A & P	After 3 week of expiry of the quarter
09.	Wpenditure Statement from Ministries & Depts. on Foreign Aid. (Cash Grants)	Try. Cir. No. 828	- do -	C.A.OO/ A.OO	D/A & P D/F P & R	By the end of the quarter.
10.	Statement of Credits made to Try. Foreign Aid Grant A/c.	Try. Cir. No. 828	Monthly	- do -	- do -	Immediately after the of the month
11.	Rev. Accounts	FR 151 7 176 (1)	Annually	R.A.OO	Aud - Gen.	Before 30th Sept. of the following year.
12.	Arrears of Rev. A/cs.	FR 128 (2)	Half yearly	- do -	D/F & P Aud-Gen.	31st July & 31st Jan. of the following year.
13.	Report of Tea Exports	Try. Letter No. ED40/01/041 of 70.01/16	Monthly	- do -	- do -	Within the first 3 week of the following month.
14.	Cash Flow Satatement (Actual & forecast) in Form F6 in respect of Adv. A/cs.	P.E. Cir. No. 9 dated 80.01.30	- do -	C.A.OO	D/P E D/F P & R	By 15th of the following month.
15.	Operating Statement on Form F5 with Certificate reauthorised limits in respect of Adv. A/cs.	B.D. Circular No. 2 of 1975	Quarterly	- do -	D/P S	31st Jan. 30 Apr., 31st. July & 31st October
16.	Final A/cs. of Adv. A/cs.	P. E. Cir. 10 dated 80.01.28	Annually	- do -	Aud-Gen. D/P E	By 230th Apr. of the following year.
17.	Applications for Fixing Limits:-	Annual Budget Est. Cir. B.D. Cir. 2 of 1975/B.D. Cir 7 of 1976	Annually	- do -	D/P E	On or before 15th July the Previos year

Form F - Printed form
Form F2 - Work Plan
Form F3 - Cash Budget
Form F4 - Projected

18.	Return of Rev. recovered in Stamps	FR 494	Annually	Heads of Depts recovering Rev. in Stamps	D/IN D/F/P & R	Three weeks before the date of closing of Try. Books for the relevant year as notified by D/A & P
19.	Statement of Recoveries Credited to "General Deposit Try. Ac. DST Repayment of Bank Loans	Para 03 (e) and appendix IV of Try. Cir Letter No. 14N 205 of 80.04.18	Monthly	Heads of those Depts. which on 80.05.01 had out standing balances of special Bank Loans 1977, 78 and 79.	D/IN	Within 3 days of rendering the monthly summary of A/cs.
20.	Return of Time Barred cases	Cr's Cir. No. AUT-7 of 83.07.05	Annually	CGIR	Aud-Gen D/IN	At the end of the F. year.
21.	Report of Loss of Rev. in Time Barred cases.	Para 2 of CIR'S Cir No. AUT-7 of 78.12.06	- do -	- do -	- do -	17th Jan. of the following F. year.
22.	Monthly report on Rev. collection	Try. Cir. No. 858 of 87.09.28	Monthly	R.A.OO	D/F/P & R.	By 10th of the following month.

03. Any clarification that may be required could be sought from:-
 Director, Accounts & Payments in regard to items 01 to 10.
 Director, Fiscal Policy in regard to items 11 to 13 and 22.
 Director, Public Enterprises in regard to items 14 to 17.
 Director, Finance in regard to items 18 and 19.
 Commissioner General, Inland Revenue in regard to items 20 and 21.

H. B. Dissanayaka.
 Deputy Secretary to the Treasury.

THE ROLE OF THE STATE AUDITOR, THE PUBLIC ACCOUNTS COMMITTEE AND THE PROCEDURE IN REPLYING AUDIT QUERIES

"Without audit no accountability, without accountability no control and if there is no control, where is the seat of Power"

-E. L. Normanton

"It is difficult to imagine a well functioning satisfactory system of state administration without rigorous public accountability that state audit ensures"

- State Comptroller's Office of Israel.

What is audit?

An audit can be defined as the independent examination of and expression of Opinion on the financial statements of an entity by an appointed auditor in pursuance of that appointment and in compliance with any statutory obligation.

Why audit?

The rationale of the philosophy of audit is based on the concept of accountability and an important method of discharging the accountability by a person or an entity is by reporting the way in which the resources entrusted to manage are actually managed, to the party/parties interested. The interested parties, such as owners, lenders etc. take necessary decisions utilising these reports. Therefore it is necessary to ascertain the accuracy and reliability of such reports through an independent person. The auditor is the person who examines such reports and furnish an independent assessment of their reliability. Thus the process of auditing is inseparable and has no validity apart from the accountability of an entity.

In relation to the public sector, institutions and persons charged with the responsibility of managing state programmes and resources, are required to discharge their responsibility with due regard to authority, propriety, economy, efficiency and effectiveness. In this context the managements are required to observe the established laws, practices, procedures, economies of operations and the

objectives declared to be achieved. The discharge of accountability responsibility by those responsible for the management of public finance is primarily through accounts disclosing, in financial terms, the operations, results thereof and the state of affairs as at a given date. The accounts thus represent a record of the management decisions which have to be taken with due regard to compliance, economy, efficiency and effectiveness. The tradition is to furnish accountability statements annually on the basis of books and records maintained by the managements.

Role of the Auditor General

The office of the Auditor General provided for in the Constitution is designed to provide an assurance to the state through Parliament that those entrusted with the management of public activities/ programmes of the state had discharged their accountability responsibility. Thus the concept of state audit is one of the internationally accepted practices to provide a system of checks and balances on the management of affairs of the State. A cardinal principle in relation to audit in the state structure is the independent and unbiased appraisal of the management of affairs by an independent professional authority.

In keeping with this time honoured international principle the successive constitutions of Sri Lanka have provided for the independent appraisal of the management of all government affairs by the Auditor General with specific provisions to ensure unrestrained and unfettered access to operations, information and locations and right of report to Parliament.

Every Piece of enabling legislation setting up of a Public Corporation, Local Authority etc., makes provision for an independent audit by the Auditor General. Apart from such specific provisions, the Constitution of 1978 provides in Article 154 (1) that the Auditor General shall be auditor.

"All departments of Government, the offices of the Cabinet of ministers, the Judicial Service Commission, the Public Service Commission, the Parliamentary Commissioner for Administration, the Secretary General of Parliament and the Commissioner of Elections, Local Authorities, Public Corporations and Business or other Undertakings vested in the Government under any written law".

The Constitution also required the Auditor General to report to Parliament on the performance and discharge of his duties and functions within 10 months after the close of each financial year and as and when he deems it necessary to do so. The Auditor General's report is then referred to either of two standing Committees - viz. the public Accounts Committees or the Committee on Public Enterprises. The Chief Accounting Officers and Accounting Officers are the basis of the Auditor General's report.

In relation to public Corporations, the Finance Act No. 38 of 1971 spells out in some detail the duties of the Auditor General as follows:

"The Auditor General shall inspect the Accounts, the finances, the management of the finances and the property of a Public Corporation. The Auditor General shall as far as possible and as far as necessary examine:

- (a) Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of financial control purposes and from the point of view of the presentation of information to enable a continuous evaluation of the activities of the corporation, and whether such systems, procedures, books, records and other documents are in effective operation;
- (b) Whether the conduct of the corporation has been in accordance with the law, rules and regulations relevant to the corporation and whether there has been fairness in the administration of the corporation;
- (c) Whether there has been economy and efficiency in the commitment of funds and utilisation of such funds;
- (d) Whether systems of keeping moneys and the safeguarding of property are satisfactory;
- (e) Whether the accounts audited have been so designed as to present a true and fair view of the affairs of the corporation in respect of the period under consideration due regard being had to principles of accountancy, financing and valuation; and
- (f) any such other matter as he may deem necessary.

In order to discharge the onerous duty cast on the Auditor General Article 154 (5) of the Constitution also provides:

"The Auditor General or any person authorised by him shall in the performance and discharge his duties and functions be entitled

- (i) to have access to all books, records, returns and other documents;
- (ii) to have access to stores and other property; and
- (iii) to be furnished with such information and explanations as may be necessary for the performance of such duties and functions."

By these means accountability is discharged and parliamentary control of finance is achieved and often auditor's role in this process is not visible.

THE COMMITTEE ON PUBLIC ACCOUNTS.

The Committee on Public Accounts is a Parliamentary Select Committee, consists of 10 members of elected representatives, which is empowered 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."

The Inquiry carried out by the Committee primarily is by interrogation of the relevant Chief Accounting Officers and Accounting Officers. The Auditor General is in attendance at all meetings of the Committee along with representatives from the Treasury.

The matters discussed generally relate to the propriety, efficiency, and economy of a department's administration. In view of this the Committee has become a powerful instrument for the exposure of waste, inefficiency of all forms of financial maladministration. The report of the Committee covering the accounts, the finances, financial procedures, performance and management generally of any department or Local Authority examined, is thereafter presented to Parliament along with its recommendations.

The Committee on Public Enterprises.

This also is a Parliamentary Select Committee parallel to the Committee on Public Corporations and Business Undertakings vested in the Government and Auditor General's report thereon. The Committee is expected to examine their budgets and annual estimates, the finances, financial procedures, performance and management in addition to the accounts and Auditor General's reports thereon.

As with the Public Accounts Committee, examination by this Committee too is primarily by interrogation of chief Accounting Officer and Accounting Officer who in this case are the Secretary to the Ministry and the Chairman of the Public corporation.

On conclusion of the examination a report on the important issues that arose in the course of the evidence is prepared by the Committee and submitted to parliament along with its observations and recommendations. The Finance Act No. 38 of 1971 requires each Public Corporation to give effect to such recommendations of this Committee as may be determined by the respective Minister.

Relations with Internal Audit:

The Financial Regulations of the Government of Sri Lanka requires that Accounting Officers, Particularly those of large Departments having sub-offices, workshops, stores, etc. and of Departments engaged in development work, should establish internal Audit units in their Departments. In the case of small Departments the Ministry concerned is required to extend the scope of the work of the Ministry Internal Audit Unit to cover the work performed by those small departments. The functions of the Internal Audit have been prescribed as follows:

- (i) Ascertaining whether the system of internal check and control obtaining in the Department for the presentation of errors and frauds is effective in design as well as in actual operation.
- (ii) Ascertaining the reliability of the accounting and other records and seeing that the accounting methods employed provide the information necessary for the preparation of correct financial statements.
- (iii) Appraising the quality of performance of staff in carrying out the responsibilities assigned to them.
- (iv) Ascertaining the extent to which the department's assets are safeguarded from losses of all kinds.
- (v) Ascertaining whether the administrative and financial Regulations of the Government and other supplementary instructions issued from time to time by the Treasury are being followed.
- (vi) Examining the accounting procedure of the Department and its operations which have any financial implications, and verifying the safety, economical and proper use of property and assets of the Department.
- (vii) Carrying out special investigations when necessary.
- (viii) Inspecting and reporting on the operational functions of the Department from a managerial or accounting point of view.
- (ix) Appraisal of the progress of works, schemes, and projects and the extent to which programmes and schedules are on target.
- (x) On the spot investigation into problem areas which delay execution, and
- (xi) Appraisal and review of the controls adopted the supervision of such operations.

The Internal Audit programmes are prepared in consultation with the Auditor General and copies of Internal Audit reports are furnished to the Auditor General. The Audit Department ensures that the departments concerned take necessary action on the Internal Audit reports. If the review of the Internal Audit reports by the Audit Department indicates that further investigation is necessary, such investigation is conducted by the Audit Department. The Auditor General's audit programme is drawn up having regard to the scope and extent of the internal audit programme so that there may not be any unnecessary overlapping of work by a continuous test audit carried out by the Audit Department to judge the efficiency of the internal audit. The suggestion of the Public Accounts Committee training classes for Internal Audit officers are being conducted by the Audit Department and these classes have become very popular.

Very cordial relations continue to exist between the Auditor General's Department and the Internal Audit Units.

Procedure in replying Audit observations, queries etc.

Government Financial regulation 452 requires that an Audit Query Register should be kept in every Department showing the date of receipt of all letters and queries received from the Auditor General, and the date on which a reply was sent.

Government Financial Regulation 455 states as follows:

"It is the duty of Chief Accounting Officers and Accounting Officers to see that letters and queries addressed to them by the Auditor General or his deputies are dealt with promptly and complete answers given. When a final reply cannot be given immediately, an interim report should be made. The Accounting Officer should inspect the Query Register, on first assuming office and at regular intervals thereafter, in order to ensure not only that queries are promptly investigated, but also that steps have been taken to correct any shortcomings which they reveal. The Chief Accounting Officer will also personally inspect the Query Register from time to time, as part of his supervisory functions."

Notwithstanding the above regulations, there are instances where replies to audit queries and letters are long delayed. In such cases the delays are brought to the notices of the Head of the Department by letters addressed personally to him by the Auditor General. If these letters too fail to evoke response the matter is referred to in the Auditor General's report to the Parliament and the Head of the Department concerned is called upon before the Public Accounts Committee to explain his failure to reply the Audit Queries and letters.

To ensure impartiality and fairness in his reporting from the point of view of both Administration on which he reports, the parliament and the Public who are finally interested in the report, the Auditor General really precedes along the following lines:

- (a) Officers of the Administration are given reasonable time to give explanations in respect of matters raised in audit;
- (b) After obtaining the explanation, the draft report for presentation to Parliament is sent to the Chief Accounting Officer or the Accounting officer with a request to state whether there is anything incorrect or objectionable in the draft.
- (c) Further consideration is given to the replies sent in response to the above request and whenever necessary the report is amended;
- (d) However, if from the audit point of view there is any matter in respect of which the Administration point of view cannot be accepted by audit, then, good care is taken to reproduce the Administration's point of view in the report in addition to the audit observation so that Parliament and the Public Accounts Committee may exercise their judgment.

Thus it would be seen that while the State Auditor has wide freedom of action, it is exercised with due care and caution.

References: Literature available in Office of the Auditor General
The Auditing Field by Mr. P. M. W. Wijayasuriya.
State Audit Code of Philippines.

DEFICIENCIES SPOTLIGHTED IN THE PAST AND AVOIDING OF SUCH DEFICIENCIES IN THE FUTURE.

Parliamentary control of finance is exercised through

- (a) Prior approval by Parliament;
- (b) Concurrent control by the executive; and
- (c) Audit by Auditor General
- (d) P A C / C O P E

The three aspects are complementary to each other and have to be equally effective in operation to assure Parliament that it has full control over Public Finance.

2. The report of the Auditor General are tabled in Parliament and these reports are referred to the Committee on Public Accounts and the Committee on Public Enterprises in respect of Government Departments and State Corporations respectively for detailed examination and report. In the exercise of power, the PAC calls for written explanations from the Accounting Officers and the Chief Accounting Officers on the matters referred to in the Auditor General's report and subsequently summons them for oral examination. The presence of Accounting Officers and Chief Accounting Officers is mandatory.
3. The Auditor General releases his reports in installments. This facilitates expeditious examination. The PAC examines reports on the following deficiencies.
 - (a) Excesses under programmes and projects of expenditure.
 - (b) Unauthorised working losses on Advance Accounts.
 - (c) Non-remission of paid vouchers, requisite certificates, receipts, etc. in support of substantial sums of expenditure.
 - (d) Non-reconciliation of Bank balance with the Departmental cash books for considerable lengths of time.
 - (e) Non-reconciliation of Departmental books with Treasury books.
 - (f) Absence of adequate inventory and failure to either conduct annual boards or to finalise action on discrepancies reported by Boards of Survey.
 - (g) Failure to recover substantial sums due from employees.
 - (h) Errors, omissions, etc. in the Appropriation Accounts.
 - (i) Failure either to report on losses or to follow up action on losses.
 - (j) Transactions not supported by adequate authority.
 - (k) Non-remission or delay in the remission of accounts - financial accounts, advance accounts, funds and revenue accounts.
 - (l) Failure to maintain or render proper and correct accounting records.
 - (m) Lack of proper budgeting, programming and forecasting expenditure.
 - (n) Lack of co-ordination with Regional Officers.
 - (o) Charging of expenditure relating to previous years.
 - (p) Non-compliance with advance account limits.

BEST AVAILABLE COPY

1. Unrealistic limits being fixed by Treasury when compared with volumes of transactions.
 2. Insufficient time available to apply for revision of limits.
 3. Failure of CAO and AO to ensure proper maintenance of accounting records resulting in inability to render proper accounts on time take action to obtain approval for variations of limits within the prescribe time frame.
 4. Lack of weakness in -
 - (a) Management information systems
 - (b) Overall supervision of estimates procedure.
 - (c) Follow up action
 5. Insufficient attention paid to audit queries.
 6. Defective planning.
 7. Lack of competent staff.
 8. Non-compliance wit Treasury Circular instructions.
 9. Non-approval of applications for revision of limits by Treasury due to the failure to the CAO/AO to -
 - (a) Furnish relevant information
 - (b) Furnish further information called for by Treasury.
 - (c) Render accounts/ reconciliation statements in time.
 10. Regarding Industrial and Trading Accounts.
 - (a) Lack of effective sales effort
 - (b) Poor credit control
 - (c) Poor debt collection procedure
 - (d) Lack of control over purchases resulting in build up of surplus stocks.
- 4. Avoidance**
1. Establis/a/strengthen internal audit units - to conduct continuous appraisals of financial operations, systems, accounting, etc. To reorganise internal audit functions in Departments and Ministries.
 2. Training in accounting and audit related personnel.
 3. Strictly follow financial procedures laid down and those responsible to exercise the required controls.
 4. Meet with Treasury quarterly in regard to financial administration and Ministries and Departments.
 5. Prompt replies to audit queries.

BEST AVAILABLE COPY

**Authorised Advance Account: Potato extinsior Scheme
Trading Account for the year ended Dec. 31.1988.**

	1987	1987	1987		1988	1988	1987		1988	
	Rs. (000)	Rs. (000)	Rs. (000)		Rs. (000)	Rs. (000)	Rs. (000)		Rs. (000)	
	18,338			Opening Stock			8,052	78,160	Sales	78,189
			39,631	add Local Purchase	60,784				Gross Loss transport to P & L a/c	10,125
		57,644	18,013	Seed Potato Imports	20,534	81,318				
		102		Transport Expenses		87				
			383	B. T. T.	----					
			---	Port and Custom Charges	1,391					
			9	Postal Charges	---					
	58,418	672	280	Seed Potato Certification	110	1,501	82,906			
	<u>76,757</u>			Charges			<u>90,958</u>			
	8,052			Less Stock at Dec. 31			<u>2,644</u>			
	<u>68,705</u>			Cost of Sales			88,314			88,314
	9,455			Gross Profit Transport to P & L						
	<u>78,160</u>							<u>78,160</u>		

1000

BEST AVAILABLE COPY

The main objective of operating this Advance account activity is to extend the cultivation of potatoes in suitable areas in Sri Lanka with a view of achieving self sufficiency in Potatoes sale and of same to farmers.

you are provided with following information.

	Driage		Spoilation	
	Kg.	ValueRs.	Kg.	Value Rs.
Local Potatoes	74,136	1,630,985	1,950	42,900
Imported Potatoes	128,233	3,205,813	312,563	7,814,075
	<u>202,369</u>	<u>4,836,798</u>	<u>314,513</u>	<u>7,856,975</u>
			Rs.	
		Total Driage	4,836,798	
		Total Spoilation	7,856,975	
			<u>12,693,773</u>	

- * Local purchases are made from Private Sector producers.
- * Issues are made direct to farmers and to Co-operative Societies through the Departmental Farms.

you are required to:

- I. Make your observations on the accounts.
- II. Prepare a set of questions to ascertain reasons for the gross loss for the year ended December 31, 1988.

FOURTH REPORT FROM THE COMMITTEE ON PUBLIC ACCOUNTS ON THE REPORT OF THE AUDITOR-GENERAL FOR THE YEAR 1988

03. 03 We have devoted over 155 hours on 49 days to conclude this exercise which commenced in June, 1990 As a result of the increased hours and days of Parliamentary Sittings, the time available for the Committee on Public Accounts to examine the excesses has become limited. Since several excesses had to be examined and re-examined due to the inadequacy of written submissions, the examination became even more protracted.

03. 04 Excesses under Programmes and Projects

03. 01. 01 The Auditor-General has highlighted in his report, Excesses aggregating Rs. 644,650,038 under 38 Programmes relating to 34 Heads of Expenditure comprising a sum of Rs. 271,512,342 under 26 Programmes for Recurrent Expenditure and a sum of Rs. 373,137,696 under 12 Programmes for Capital Expenditure.

03. 04. 02 The Auditor-General has also highlighted Excesses under 104 Projects which had recorded an aggregate of excess expenditure amounting to Rs. 990,351,416 However, after adjustment of a Treasury error under Head 77, Minister of Power and Energy, programme I Project 104 Capital (Excess Rs. 3,000,000) the total Excess was reduced to Rs. 991,351,416 under 103 Projects of which Rs. 346,701,378 had been set off against savings under other projects in the respective programmes resulting in the net excess of Rs. 644,650,038 awaiting covering sanction.

03. 05 Excesses under Personal Emoluments

03. 05. 01 The Auditor-General has highlighted Excesses aggregating Rs. 242,886,035 on account of Personal Emoluments under 57 other Projects relating to 42 Programmes of 41 Heads of Expenditure.

03. 06 As paragraph 04: 06: 02 would indicate persistent efforts of the Public Accounts Committees have resulted in bringing down excess expenditure on Programmes and projects. This is a salutary trend in the Parliamentary control of Public Finance, since it is indicative of an improvement. We earnestly wish the Public service would show greater respect of the Constitutional, Statutory and other legal provision; the tenets of financial discipline sought to be achieved by the Financial Regulations and Treasury Circulars. The institutional arrangement of Parliament, for great and detailed oversight of the financial administration in the Government Sector, is the Public Accounts Committee Therefore we of the Public Accounts Committee wish to draw the attention of the higher management in the Government Sector in general and the Chief Accounting Officers and Accounting Officers in Particular of the eloquently enunciated principles of financial discipline in FR 127

03: 06: 02 Your Committee, indeed, acknowledge The need for some Excesses on expenditure to meet emergency situations and are fully aware that excesses cannot be totally avoided. Nevertheless we would be extremely happy to see if excess expenditure is kept to a minimum of the budgetary provision. We are happy to record that from a 3.75% excess of the total budget in 1986 it had come down to 1.61% in 1987 and in 1988, the current year of review, it had come down to 0.73% denoting a substantial drop of 54.65 per cent. over 1987

03: 07 your Committee's examinations of Excesses was not confined to a mere inquiry into propriety and authority and compliance with constitutional, statutory provisions or rules laid down in Treasury circulars. It was extended to cover a review into economy and control of waste, and where necessary we had advised the managerial personnel since our effort is more constructive and symbiotic rather than fault finding.

03: 07: 01: We are satisfied that the

- (i) Excesses on personal emoluments under 57 Projects relating to 42 Programmes on 41 Heads of Expenditure have been in accordance with the existing salary scales, and involved no element of personal favoritism and
- (ii) Excesses on 36 Programs under 33 Heads of Expenditure have been incurred with proper authority and with due regard to economy.

03: 07: 02 We recommend that they be duly covered by grants.

03: 08: We have resolved again to exclude the Minutes of Proceedings and the Minutes of Evidence from the Report. However, they are kept of record in the Committee Secretariat. Also the written submissions received from the Chief Accounting Officers, Accounting Officers are kept of record in the Committee Secretariat. We also resolved to distribute copies of this Report to all Secretaries of Ministries and Heads of Departments for information and necessary action.

4. Reasons for Excess Expenditure

04: 01 During the course of our examination we found that most of the explanations furnished to your Committee were either incomplete, inaccurate or inconsistent with the explanations given in the Appropriation Accounts furnished for Audit. We have observed that adequate care and caution had not been exercised in furnishing the explanations to the Committee and we are constrained to conclude that this is a serious loss on the part of the Chief Accounting Officers and Accounting Officers. The ultimate result was that some of the Chief Accounting Officers, Accounting Officers had to be examined over and over again. We were on several occasions, compelled to summon the predecessors of certain Chief Accounting Officers / Accounting Officers to explain the excess expenditure.

Specific instances are dealt with in detail in a subsequent paragraph.

04: 02 According to the Explanations furnished and the evidence given before us during the course of examination of Chief Accounting Officers/ Accounting Officers we observed numerous managerial inefficiencies in regard to the financial management the Treasury, Ministries and Departments. Some of these are summarised below.

- (a) Lack of proper planning, forecasting and budgeting of expenditure by Ministries and lack of effective supervision and control over finance function;

FOURTH REPORT FROM THE COMMITTEE ON PUBLIC ACCOUNTS AND THE REPORT OF THE AUDITOR-GENERAL FOR THE YEAR 1988

- (c) Failure to maintain proper and correct accounting records both in the Ministries and to tender them for audit and other appropriate authorities;
- (d) Failure to reconcile accounting records periodically and adjust errors;
- (e) lack of evidence of proper communication with Treasury in regard to applications for transfers made to the Treasury, especially during the latter part of the financial year;
- (f) Lack of a properly organised system of Internal Audit;
- (g) Poor co-ordination with Regional Offices;
- (h) Non-recourse to relevant financial Regulations regarding virement- procedure or delays in such recourse, and
- (i) Failure to assess the capabilities of available staff and deploy them on a rational basis to attend to the task of financial management and accounting.

04: 03 We express our serious concern that most of these excesses could have been avoided if the officers charged with the responsibilities had followed proper procedures laid down in the Financial regulations and Treasury Circulars. Your Committee observe that a laissez-faire attitude has crept into the financial management hierarchy.

05. The Committee observed lapses on the Part of the General Treasury in dealing with applications for transfer of provisions. Such applications submitted close to the dead line were in dispute. However, we found that neither the Treasury nor the Ministries/ Departments had maintained records giving adequate particulars of applications sent to the Treasury. The Committee requested the Director of Budget to take immediate steps to streamline the entire system and submit a report to the Committee. The Director Budget informed the Committee that prompt action had been taken on this matter.

06. Inadequacy of Explanations

06: 01: As stated previously in paragraph 05: 01 above we found that explanations furnished by the Chief Accounting Officers/ Accounting Officers were incomplete in many respects. We were compelled to call for fresh explanations and also the explanations from the predecessors in office. A list of Chief Accounting Officers / Accounting Officers who had been requested to furnish fresh explanations or explanations from the predecessors in office and subjected to re-examinations is given in Annexure. I

07 Excess

07: 01: The excesses under Programmes as reported by the Auditor-General represented 0.73 per cent of the amount voted by Parliament for the year. The excesses and their proportion of the annual Parliamentary appropriations for the last five years are given in the following table.

BEST AVAILABLE COPY

Year	Excesses	Percentage
1984	9,53,01,612	0.18
1985	7,39,80,814	0.72
1986	2,51,41,49,881	3.75
1987	1,16,01,35,420	1.61
1988	64,46,50,628	0.73

07: 02 Despite the comments expressed by the past Committees on Public Accounts time and again in their reports, we are perturbed to note the continuing indifference to the provisions in Chapter XVII of the Constitution relating to Finance.

07: 03 Numerous courses of action were available to avoid the occurrence of most of these excesses. However many were the occasions where procedures laid down in the Financial Regulations had not been resorted to diligently to obviate this situation. The rush for last minute applications for transfers was observed in the majority of the cases. No records of such applications had been maintained by the parties concerned.

08. Unrealistic Budgeting

08: 01: Despite repeated observations made by your Committees in the past we observed instances of unrealistic budgetary estimating in a number of Ministries/ Departments. The virement procedure prescribed in Financial Regulation 69 is very often resorted to cover up the excesses after the close of the financial year.

08: 02: The aggregate of Excesses covered by savings in other projects during 1988 was Rs. 346,701,374. But these savings represented under-utilisation of appropriations by Parliament for specific purposes on the requests of Chief Accounting Officers. However, in view of the recurring under-expenditure, Your Committee are constrained to note that these requests had not been made after careful planning and proper identification of the needs.

09. Internal Audit

09: 01. As reported in page 73 of Parliamentary Series No. 05 of 1989 (First Report of the Committee) most of these excesses could have been avoided if the Internal Audit Functions had been effectively in operation in the institutions. We are constrained to observe that some of the institutions did not even have Internal Audit Units. In view of the complex nature of transactions these institutions are called upon to handle and the massive development programmes undertaken on behalf of parliament and the magnitude of such transactions, properly organised and well staffed Internal Audit directly responsible to the Head of each institution as envisaged in Financial Regulation 134 is a vital step in the process of public accountability. In the circumstances, we reiterate that the Chief Accounting Officers/ Accounting Officers in consultation with the General Treasury and the Auditor-General take definite and effective action to set up Internal Audit Units where there they do not exist now and streamline the functions of those already in existence.

09: 02 Director of Finance of the General Treasury has informed Your Committee that Committee recommendation on Internal Audit has been referred to the Director, Investigations and Internal Audit for report on the action taken. We look forward to an early settlement to this problem.

FOURTH REPORT FROM THE COMMITTEE ON PUBLIC ACCOUNTS ON THE REPORT OF THE AUDITOR-GENERAL FOR THE YEAR 1988

10 Inaccuracy of Information furnished to the Treasury Excesses under Head 18 - District Minister, Malala

10: 01. Excesses on programme I-Recurrent (Rd. 115, 318) and Programme I Capital (Rs. 2, 003, 508) had occurred due to incorrect information being furnished to the Treasury by the Secretary to the District Minister instead of sending a supplementary summary for the month of September along with the summary for December 1988 a fresh summary incorporating the figures already included in the original summary for September 1988 had been sent to the Treasury contrary to Treasury instructions Even the Appropriation Account had been prepared on the basis of the District Ministry Books instead of Treasury Printouts contrary to instructions issued by the Treasury. There was no reconciliation of the Ministry books with the Treasury books. This confused state has caused an excess whereas there was actually a saving. This is a very serious lapse on the part of the of the Chief Accounting Officer and the Accounting Officer in not adhering to treasury instructions.

11. Parliamentary Series No. 05 and 10

Publication of Treasury Minutes and Follow up on Committee Recommendations.

11. 01 At page 17 of our Third Report (Parliamentary Series No. 15 of 1990) we referred to steps taken by the General Treasury in regard to the improvement in the area of public financial management. We are happy to report that the Treasury has subsequently brought to the notice of the Committee further action taken in regard to the implementation of the recommendations of Your Committee.

11. 02. In this connection, the Committee had positive responses from the Secretary, Ministry of Policy planning and Implementation and Secretary, Posts and Telecommunications.

11. 03. We are happy that the Secretary to the Treasury is actively pursuing action on the matters referred to in our Second Report (Parliamentary Series No. 10)

11.04. The Treasury also reported that out of 560 paragraphs in respect of 48 reports of the Committee from 1969 to 1982, Minutes in respect of 270 paragraphs are ready but in their view it is doubtful if the time and effort involved in this exercise would yield commensurate benefits at this late stage. The Treasury therefore proposes to dispense with the requirements for the publication of Treasury Minutes in terms of Financial Regulation 153 in respect of Parliamentary Series up to Parliamentary Series No 47 of 1982 and take expeditious action for the Publication of Treaty Minutes in respect of the subsequent reports.

12. Summary

12: 1. Committees on Public Accounts had, in the past, repeatedly commented on the need for the Chief Accounting Officers and Accounting Officers to give their urgent and adequate attention to the Financial administration in their institutions. However, this continues to be observed in the breach in most instances. Therefore, We reiterate that the Chief Accounting Officers' Accounting Officers to be mindful of this vital aspect of their duties.

12: 02. We also resolved to instruct the Chief Accounting officers and the Accounting Officers that they should, in future, obtain and forward the comments of their predecessors, pertaining to matters scheduled to be examined by the Committee, where necessary. Since we have noted with concern the unwholesome trend of too many Officers spending too much time attending Committee Proceedings in regard to accounting matters and as a measure of infusing closer vigilance and effective control over Finance function by the Chief Accounting Officers and Accounting Officers we have resolved to examine only the Secretary to the Ministry and the Head of the Department and no other in respect of the matters related to their Ministries and Departments.

12: 03. In view of the correct position revealed during the course of our examination in regard to the Excesses reported on Head 18 - District Minister, Matale, Programme 1, we were unable to accept the explanation furnished by the Chief Accounting Officer as there was evidence of lack of care and caution in supplying information to the Treasury.

12: 04. In terms of Standing Order 132 (3) we have satisfied ourselves that the excess expenditure on objet 01 Personal Emoluments were in accordance with the existing salary scales and involved no element of personal favoritism.

12: 05. We have examined at length the excesses by the Auditor General in his Report published as Parliamentary Series No. 66 of 1989 where necessary re-examining the Chief Accounting Officers and the Accounting Officers and also their predecessors on some of the instances. Your Committee see no reason to disallow any of the excesses reported by the Auditor General.

12: 6. We conclude that no recommendation is needed in respect of Head 18, District Minister, Matale.

12: 07. However, we expect the appropriate authorities would pursue follow up action as directed by your Committee, particularly in respect the item listed here.

Head 22 - District Minister, Hambantota

Programme 1 Recurrent.

Head 51 - Minister of Lands and Land Development

Programme 1 Recurrent, Project 1

Programme 1 Capital, Project 101

Programme 2 Recurrent, Project 1

Programme 2 Capital, Project 103

Programme 1 Capital, Project 104

Head 54 - Land Commissioner

Programme 1 Recurrent, Project 6

Head 82 - Department of Labour

Programme 2 Capital, Project 102

A cash fraud totaling Rs. 442,425 had been detected in a Government Department on account of fraudulent withdrawals against 8 cheques drawn for payment of overtime. On the face of the cheques no Fraudulent alternations were noticeable Discuss.

Tenders were called for the supply of equipment to issue high Security Photo engraved Tamper proof Security Driving licenses.

Tender had been awarded to a contractor for Rs. 52,500,000 for the supply of 825,000 Licenses over a period of 5 years at the rate of Rs. 75 per License and ownership of the equipment vested in the Department after 5 years.

A Govt. organization located in Colombo has a number sales out lets in the main cities. Each sales out let is expected to Bank the daily collections, the day following, to the credit of Head office Bank account.

A cash shortage of Rs. 25,000 had been reported in a Branch although the Head Office had been receiving the bank slips in support of daily deposits. Discuss the modus operandi of this fraud.

BEST AVAILABLE COPY

1. DEFICIENCIES IN FINANCIAL ADMINISTRATION AND POOR CONTROL OVER ASSETS

In Parliamentary series No 94 (Part II) of 1986 to 1989, the Auditor General has reported several instances of non- rendition of documents and information to audit, non-compliance's with approved procedures, accounting insufficiencies, absence of adequate control over assets etc., some of which are summarised below:

- * Non- rendition of paid vouchers, requisite certificates, receipts etc. in support of substantial sums of expenditure.
- * Absence of schemes of Delegation of power for financial Control.
- * Non-reconciliation of Bank balances with Departmental Cash Books for considerable lengths of time.
- * Non-reconciliation of Departmental Books with Treasury Books.
- * Absence of adequate Inventory records and failure to either conduct annual boards or to finalise action on discrepancies reported by Boards of survey.
- * Failure to recover substantial sums due from employees.
- * Errors, Omissions etc. in the Appropriation Accounts rendered.
- * Failure to either report on losses or to follow up action on losses.
- * Transactions not supported by adequate authorities.

The Officials who appeared before us generally explained these as casual instances of non-conformity with audit requirements that had occurred due to pressure of work, lack of personnel etc. According to them the specific instances of non-compliance's and deficiencies have either been regularised/ rectified or are in the process of being regularised/ rectified. We, however, note that these are instances of "Indiscipline" vis a vis the procedures prescribed in the financial regulations designed to ensure conduct of Government financial transactions with due regard to Authority, Propriety, Economy, Efficiency and Effectiveness and the ultimate accountability to Parliament. The instances reported by the Auditor General are the results of test audits. Some of these non-compliances and deficiencies had been recurring for a number of years. These observations, therefore, tend to indicate an apparent disregard of the prescribed systems and procedures. But the authorities concerned do not appear to have addressed themselves to this broader aspects of the problem other than paying attention to the specific issues raised in audit. During the course of our examination we also found that the financial administration in most of the institutions have, suffered due to the following:

- (a) Lack of adequately competent accounting staff. In this connection we also note that the treasury classification of institutions into A, B & C classes for purposes of cash management had also been reckoned on the basis of allocation of accounting personnel resulting in the Accountants not being assigned to C class institutions. Some of chief Accounting Officers and Accounting Officers handling even 'A' class institutions expressed the desire for better competent accounting personnel.

In regard to the training of accounting and audit related personnel, the Auditor General also brought to our notice of a project formulated by the Asian Development bank for the training of public sector accounting and audit related personnel that await Government approval.

This is referred to in greater detail in the annexure to this Report.

- (b) Absence of adequately staffed review functions to conduct continuous appraisals of financial operations, systems, accounting etc. to assess the efficacy and efficiency of such operations. For instance, the internal audits which generally conduct such reviews are either non-existent or inadequately staffed, supervised and directed in the institutions.

We would, therefore, recommend that the Treasury and the Ministries concerned take immediate steps to organize effective Internal Audit functions in the Ministries/ Departments."

TREASURY NO: FIN - 1051 - 284 - TM 01 (01)

IN RESPONSE TO THE RECOMMENDATION MADE BY THE COMMITTEE ON PUBLIC ACCOUNTS IN REGARD TO ORGANISATION OF EFFECTIVE INTERNAL AUDIT FUNCTIONS IN THE MINISTRIES AND DEPARTMENTS, A NEW DIVISION FOR INTERNAL AUDIT AND INVESTIGATIONS HAS BEEN SET UP IN THE GENERAL TREASURY AND THIS DIVISION HAS INITIATED ACTION TO IMPLEMENT THE COMMITTEE RECOMMENDATION.

STEPS TO BE FOLLOWED IN INTERNAL AUDIT

1. The preliminary survey: Determining the nature of the operation to be audited..... who does what.....why it is done.....where is done.... how it is done.....how it is administered.... how much it costs what are its objectives..... goals, and standards.... what are the risks to the operation..... what controls have been devised to see that objectives are met and risks are minimized.
2. The audit program: Specifying in writing which activities to review and which transactions to examine..... how to allocate audit resource to the audit steps..... what audit procedures to follow..... how much time each step of the program, should take.....which operating objectives to emphasize.....which standards to measure against.....which risks to be concerned with.
3. Field work: Carrying out the audit procedures called for in the program..... performing all the tests, comparisons, and verifications spelled out in the program.... obtaining evidence for audit conclusions..... determining the validity of objectives, goals and

standards..... assessing the effectiveness of controls..... learning how risks are dealt with.

4. Development of deficiency findings: Determining in specific instances what should have been done and what actually was done assessing the significance of any variances..... isolating the causes..... obtaining management concurrence of the facts..... making recommendations and suggestions.....promoting corrective action.
5. Preparation of working papers: Documenting the results of the audit – describing the audit finding..... preparing a record of what was done in the audit and of the evidence gathered..... demonstrating the scope of the examination.
6. Reporting on the audit :- Presenting audit results both orally and in writing..... expressing audit opinions..... communicating the audit purpose, scope, findings, and recommendations..... acknowledging any corrective action taken.
7. Reviews: Reviewing audit drafts with auditees.... examining replies to audit reports.... assessing the adequacy of any proposed or completed corrective action.....following up to determine the effectiveness of the corrective action taken.

Auditing is the process by which a competent, independent person accumulates and evaluates evidence about quantifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between the quantifiable information and established criteria.

Accounting is the process of assessing recording, classifying and summarizing economic events in a logical manner for purpose of providing financial information for decision making.

Types of Audits:

- (1) Operational
 - evaluating efficiency and effectiveness
 - recommendations expected
 - reviews not limited to accounting
 - management consulting.
- (2) Compliance
 - determine if auditee following specific
 - procedures and rules set down by higher authority.
 - e.g., tax audit
 - reports given to management.
- (3) Audit of Financial Statements
 - Offer opinion as to whether overall
 - financial statements are stated in accordance with a specified criteria (Generally Accepted Accounting Practices)
 - many third party users.

"Information Risk" - information on which business decisions made may be inaccurate.

Causes of information risk:-

- (1) remoteness of information (lack of first hand knowledge)
- (2) bias and motives of the provider (too optimistic)
- (3) too much data
- (4) too complicated for transactions all to be 100% correct.

Reducing information risk :-

- (1) user can verify
- (2) user shares risk with provider
- (3) audit the information.

38 Auditing the performance of Management: The Fundamentals

Table 3.1 Phases of the Audit function for an M-audit, Described by Process

A The Preliminary Survey

1. Obtain in a relatively short period of time background and general information on organization and management activity being considered for examination.
2. Analyze background and general information to obtain relevant evidence-not necessarily sufficient, material or competent - on one or more elements - criteria, causes, or effects - of a possible M-audit objective.
3. Assert the other element or elements in order to have a tentative M-audit objective.
4. Assert alternative criteria and other elements on related management activities to establish possible alternative-M-audit objective.

BEST AVAILABLE COPY

5. If possible alternative objective is to be considered, obtain relevant evidence, if no evidence has previously been obtained, on one or more elements of the possible audit objective in order to have alternative tentative M-audit objective.
6. Summarize evidence and assertions on tentative M-audit objectives.
7. Conclude from relevant evidence and assertions:
 - (a) that original or alternative tentative M-audit objective can be used as the objective for the review phase, if relevant, material, and competent evidence can be obtained on all three elements of the tentative objective, and (1) what types of relevant material and competent evidence will be needed to determine the audit objective, and (2) what types and how much evidence will be needed to determine competency of evidence. Proceed to review, or
 - (b) that tentative objective cannot be used because evidence would not be available or that conditions do not warrant continuation, withdraw from engagement.

B *The Review and Testing of Management control*

1. Obtain any needed additional background information.
2. Obtain relevant, material, and competent evidence-not necessarily sufficient - on tentative M-audit objective by testing management control to determine:
 - a) that there could be a reasonable criteria,
 - b) that some particular person or group of persons at one or more levels of responsibility could cause an inefficient operation, and
 - c) that the effects of the inefficient operation are significant.
3. Obtain evidence from management control system on the competency of evidence that must come from system if additional work is to be done.
4. Determine that evidence could not be obtained on all three elements of the tentative M-audit objective.
5. Summarize evidence and conclude:
 - a) whether the developed tentative M-audit objective can be a firm objective to be used in the detailed examination phase,
 - b) whether evidence that must be obtained would be competent, and
 - c) what additional evidence must be obtained and from what source to have sufficient competent, material, and relevant evidence to come to a conclusion on the audit objective proceed to detailed examination, or
 - d) that auditor should withdraw from examination.

C *The Detailed Examinations*

1. Obtain any additional background data needed.
2. Obtain sufficient competent, material, and relevant evidence to determine:
 - a) the acceptability of the criteria of the M-audit objective and that any argument against the criteria can be rebutted,
 - b) the specific action or lack of action at levels involved in the management activity that caused the effects, and
 - c) the significance of the effects.
3. summarize evidence terms of criteria, causes, and effects.
4. Conclude from the summarized evidence that the effects in the management activity were significantly inefficient when the actions of employees and management are evaluated against the criteria. Proceed to report development
5. Conclude that sufficient evidence could not be obtained to determine an appropriate criteria on the management activity, determinable causes, or significant effects, or that other conditions warrant that the auditor should withdraw form engagement.

D *The report development*

1. Set the scene through background or general information or through scope of audit.
2. Communicate conclusion, stating the significance of effects caused by not following a proper standard. Sufficient evidence on criteria causes, and effects should be given with the audit objective for the reader to come to same conclusion as the auditor.
3. State recommendation, usually that the criteria should be followed in the future to obtain best results.

THE EFFECTIVELY MANAGED NONPROFIT ORGANIZATION

Anthony and Herzlinger in their book "Management Control in Nonprofit Organizations" suggest that an effectively managed nonprofit organization should include the following characteristics:

1. A governing board with an active interest in seeing the organization function efficiently and effectively.
2. Top management that is involved in programming, in performance evaluation and in systems improvement.
3. Well-compensated senior managers.
4. Adequate rewards for good managers accompanied by refusal to tolerate poor managers.
5. Use of an accrual - based accounting system that is consistent with program and responsibility budgets.
6. Zero - based review of ongoing programs on regular basis.
7. Special attention to programming in pure nonprofit enterprises.
8. Use of benefit/cost analysis where practical to do so.
9. Use of revenue centers and designated transfer prices within the organization as much as possible.
10. Special attention given to pricing policy where services are sold to clients.
11. Emphasis on developing output measures wherever practicable to measure performance.
12. Use of cost accounting techniques.
13. Use of variance analysis in evaluating the effectiveness of lower level internal managers.

Lapses/ errors/ omissions may occur once in a way but a full and timely explanation may clear much ground

One should first try to comprehend as to what message is brought home by the above statement. We as Accountants mostly make payments and bring them to account and in the process we may commit errors, omissions, etc. mostly without our knowledge. You must clearly understand that I am not referring to frauds etc. I am only referring to other lapses, we must accept that there are lapses inadvertently occurring in the discharge of our day to-day duties. There is however a postmortem being conducted after our performances which can safely be called auditing. Auditing, as you are fully conscious is a very essential function in the field of accountancy. Auditor General is vested with powers in the constitution of the Democratic Socialist republic of Sri Lanka. Please refer to article 155 of the Constitution. He will get his staff to audit at least 10% of the paid documents and lapses, omissions, etc. will be brought to light in the process of such auditing.

He will issue audit queries and audit letters calling for replies. Such queries and audit letters should be fully replied in time while taking action to make adjustments in our own performances in the future.

I am now going to tell you.

- (a) Why audit queries are raised;
- (b) What adjustments should be carefully planned with a view to saving everybody in a situation.

As you all know in many Govt. Departments there is an Internal Audit Division, normally headed by an Accountant, a Senior Accountant. Sometimes he is designated Chief Internal Auditor or Accountant (Internal Audit) Objects, functions and scope of the Internal Audit are explained in FR 133, and 134. It is normally expected that paid documents are audited by the I. A. staff and queries are raised by them too so that this Internal agency will see that corrective action is taken before matters are raised by the General Audit. There is expected to be rapport between the Internal audit and the General Audit, so that there would be no overlapping of work where both the agencies are concerned. But however according to the powers vested in the Auditor General he can call for any financial document and queries can be raised by him as well.

Since the Auditor General is responsible to the People's representatives in Parliament no department can question the authority of the Auditor General. It would be interesting to note that while Internal Audit is only trying to put its own department to right the Auditor General has to look into the performance of all Govt. Departments. It is in these circumstances that queries are raised by the General Audit.

In my view there are reasons why General Audit should raise queries even when there is an Internal Audit existing.

First reason is that such queries will point out particular lapses such as deviation from an FR where corrective action would be really necessary. This will bring about financial discipline.

Next is that it would be essential to spend within limits authorized by Parliament. Most important limiting factor in any project is financial provision. If excesses occur the problem would be that resources are diverted and it will be really unauthorized expenditure.

Management audit may be another reason. It would be necessary to find out whether by expenditure on the whole, the objectives envisaged have been achieved in a particular organization.

Then we will see how corrective action can be taken. Say for instance some wrong payment with regard to Travelling and combined allowance has been made. Sometimes wrong interpretation has been given to Establishment Code regulations in settling allowances or wrongly calculated or it may be that C. T. A. is wrongly paid. In all such cases while wrong payments are recovered from the

Officers (Payees) first specific office orders should be issued to all concerned as to how such payments should be made in the future. Such orders should be acknowledged by the officers to prevent recurrence. If, however, there is repetition, such matters should be dealt with in order to bring about discipline, of course, without demoralizing the staff.

Now I am going to tell you how best you should deal with an audit query or a letter.

The first and foremost thing is that the query should be entered in the Audit Query Register which should be a permanent record. Sometimes a query may be of a trivial matter but there will be more important queries as well. Matters of a trivial nature may be first referred to the Staff Officer of the unit to which the query is relevant and a report called. But in the case of more important matters first such a query should be submitted to the Head of Department so that he will know that such a query is existing. Before all this and after recording in the A.Q. Register an acknowledgment may be sent to the Auditor General so that he knows that the matter is receiving attention.

Now the appropriate section will have to prepare a draft reply and send to you during a period of a definite number of days so that a final reply to audit will not be delayed.

Now say you are the Staff Officer to whom the query is relevant. Then the query should be carefully read through and fully understood. If the matter raised is on a deviation from a regulation, go through the regulation properly and ascertain precisely whether the query is true. If it is regarding an overpayment to an Officer in the Department that Officer should first be informed and recovery should be effected. Query can then be replied furnishing credit particulars. (At this point I wish to elaborate by producing several examples from the department).

Now the main thing is that once you take over from your predecessor a very important thing is to peruse not only the A.Q. Register but also to go through the outstanding queries and try to find solutions to them. This is a matter which should never be neglected, auditor General should never be made to feel that the query cannot be replied.

VALUE FOR MONEY AUDITING

Purpose: Assess whether resources are managed and utilised with due regard for economy, efficiency and effectiveness.

Assess whether accountability relationships are satisfactorily served through appropriate information flows.

Economy, Efficiency and Effectiveness

- Economy refers to the terms and conditions under which the auditee acquires financial, human and physical resources in appropriate quality and quantity at the lowest cost at the right time.
- Efficiency refers to the relationships between goods or services produced and resources used to produce them and efficient operation produces the maximum out-put for any given set of resources inputs for it has minimum inputs for any given quantity and quality of service provided.
- Effectiveness concerns the extent to which a programme achieves its goals for other intended effects.

Accountability

The obligation to answer for a responsibility that has been conferred. It presumes the existence of at least two parties:

One who allocates responsibility and one who accepts it with the under taking to report upon the manner in which it has been discharged

Audit

The process that is super-imposed on an accountability relationship. It is carried out to establish that a report on the responsibility assumed is a correct or fair one. An audit is usually performed by a third party, primarily serving the interests of the party who delegated the responsibility.

Process

Mainly there are three phases.

1. *Planning*

Planning the audit means determining audit scope, timing, objectives, criteria, methodology to be used, and resources required to ensure that the audit covers the most important organisational activities, systems and controls.

2. *Execution*

Execution involves collecting, testing and analysing evidence that is appropriate in quality and quantity and quantity based on audit objectives, criteria and methodology developed in the planning phase.

3. *Reporting*

Reporting involves communicating the results of the audit to the parties concerned.

Criteria

Criteria are reasonable standards against which management practices, controls and reporting systems can be assessed. They are used to judge the degree to which an audit organisation conform to expectations.

In areas where criteria do not already exist, they can be derived from many sources including pronouncements of professional organisations, government regulations, directives, literature on the subject matters being audited, respected professionals who work in the areas, and common sense which is what a reasonable person would expect of management under the circumstances.

NOTE ON VALUE FOR MONEY AUDITING

Value for Money Auditing is a recent expansion in the traditional scope of government auditing. It aims at the assessment of overall performance of development projects and programmes and is a vehicle to sharpen the process of accountability of the Public managers.

Auditing is an old profession. Since pre-industrial times it has existed in one form or the other. But its scope and approach has been continuously evolving.

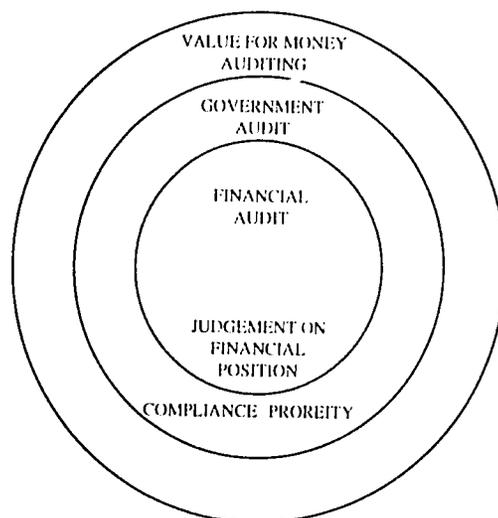
It was in the 20th century that the auditor's role underwent a major change. With the increase in the size of business entities and complexity in their operations it became highly risky and also difficult for the auditor to report on the accuracy of accounts and it was recognised that the legitimate role of auditor was to express an opinion on the financial position of an enterprise.

While these developments were going on in the professional role of auditor in the private sector, the government auditor's role remained fairly stable. He was traditionally expected to report, besides accuracy of accounts, on compliance with rules and regulations and propriety of public expenditure. It was in early seventies of this century that the government auditors assumed a more prominent role in the auditing profession. They started making such innovations in the scope of auditing which invited the attention of auditors in the private sector and the public at large. The innovations related to the expansion in the scope of audit. It was realised that the traditional scope of government auditing was too limited to be of any consequence in a changing environment. The governments' role had expanded manifold. The governments had started performing a number of non-traditional functions. They expressed a growing concern for the socio-economic development of their people. This involved colossal financial outlays. With increasing burden on the tax payers, the public representatives became concerned with the effectiveness of the expenditure and raised questions on the accountability of public managers who handled this resources. The public representative felt frustrated when they found that vital information on public programmes was not forthcoming readily. Need was felt for an independent assessment of the results of public expenditure and also realised that the traditional auditing was grossly inadequate to meet the new challenges. It was in response to the expectations of the legislatures that the Supreme Audit Institutions developed the concept of Value for Money Auditing.

Thus the concept of Value for Money Auditing is based on two important Principles of management in the Public sector.

- (1) Public business should be conducted in a way that makes the best possible use of public funds. Officials responsible for spending public funds must ensure that their decisions are legal and ethical. They must ensure that these decisions result in economical, efficient and effective public services. This means that goods and services of appropriate quality should be bought in appropriate amounts, at appropriate times and at the best price. Resources - people, goods and money should be used as productively as possible, and programmes should achieve their intended results. In other words, good decisions in the public sector are those that are not only legal and ethical but also reflect due regard for value for money.

Expanded Scope of Auditing



BEST AVAILABLE COPY

- (ii) People who conduct public business should be accountable for the prudent and effective management of the resources entrusted to them. This onus of accountability permeates the whole of the public sector, from elected representatives who are accountable to the public, to officials who are accountable to elected and public service superiors. At every level there is an obligation to demonstrate that good management practices are being followed.

Value for Money Auditing can be defined as an independent assessment of the extent to which an organisation operates. It is, of course, management's responsibility to secure value for money. The auditor's role is to examine and, as necessary, report on how well that responsibility has been discharged and not to diminish or undermine it in any way. In this definition

Assessment means that the auditor tries to formulate an opinion on the basis of available evidence and that it does contain a certain amount of subjectivity which all judgments prone to have.

Organisation means that the auditor looks at the entity as a whole.

Economy means acquiring resources at the lowest cost keeping in view the objectives of the organization. Lowest cost means life-cycle cost and implies an analysis of alternatives.

Efficiency refers to optimum utilisation of resources keep in view the objectives of the organization.

Effectiveness refers to the achievement of objectives. It involves assessment of outcomes of programmes or projects which are usually external to the organization.

Objectives

Value for Money Auditing has the following main objectives

- (i) To provide information to the public (through Parliament) about the extent to which public servants obtained value for money spent out of public exchequer and also their success in collecting all the government dues. Thus it is a mechanism for ensuring greater public accountability.
- (ii) To improve the quality of the public administration by encouraging and promoting better management practices and by cultivating an awareness about self-assessment in public managers.
- (iii) To suggest ways to reduce probabilities for improper decisions and to help managers improve decision making.

Criteria:

No auditing is possible until there are criteria against which an auditor has to report. In financial auditing the audit criteria have evolved in the form of Generally accepted Accounting Practices. In Public sector auditing the auditors apply government policies, rules, regulations and canons of propriety as additional criteria. In Value for Money Auditing, so far no generally accepted criteria available for all situation instead it is tailor-made according to each organisation, programme or project. The criteria in value for Money Auditing derived from the following sources:

- Mandate of the organisation or basic plan documents;
- Applicable laws and regulations;
- Policy documents;
- Generally accepted management practices
- pronouncements of professional bodies;

Basic Characteristics

* Basic Auditing Standards

Generally understood and accepted attributes of traditional financial auditing i. e. evidence, due audit care, fair reporting and independence are equally essential value for money audits as well. The presence of these attributes ensures that the audit report is objective and reliable, prepared independently of those who are responsible for the Programme or activity under review and based upon a disciplined examination of appropriate evidence.

* Independent and Objective

The credibility of value for money audit is dependent in large part on the professionalism of those undertaking it and therefore on the independence and objectivity with which they approach their task.

* Comprehensive

Breadth of scope is the characteristic that most clearly distinguishes value for money auditing from financial auditing. At the planning stage VFM audit identifies all the major activities controls and systems of the organization and select from among them those that are essential to the judicious use of the organization's resources.

* Cyclical

It is a characteristic of VFM auditing that the major activities, systems, procedures and controls of an organization are usually examined over the course of several audits, creating an audit cycle within an organization. This approach recognizes that it would probably be unproductive to repeat detailed examinations of the same aspects of the same organizational unit year after year.

- * **Co-ordinated**
To the extent possible, external auditors conducting VFM audits co-ordinate with and rely on work done by personnel within the organization.
- * **Co-operative**
The ultimate benefits of VFM auditing are likely to be achieved only if there is a spirit of cooperation and interest among all parties concerned.
- * **Constructive**
A VFM audit does more than identify weaknesses in management systems and it makes constructive suggestions about the ways that improvements can be made. These audits are intended to be helpful and future oriented and not simply analytical.
- * **Multidisciplinary**
The broad scope of VFM auditing calls for audit personnel with a variety of skills and disciplines. For example conducting a VFM audit may require an Engineer to review capital acquisitions, an Economist to audit information about the impact of regional development programmes etc.

Reference :

- * Publications at Canadian Office of the Auditor General
- * Public Audit Manual of U. K. audit Office
- * Elements of Performance Auditing - Publication of Pakistan Audit Office.

FUNDAMENTAL ISSUES RELATING TO PUBLIC EXPENDITURE

Authority?	Does the activity to be investigated come under relevant legislation or regulations? (This is not a regularity aspect but the overall authority for the activity concerned)
Need?	Is there a need for public sector expenditure or use of resources on this activity?
Alternatives?	Has there been proper consideration of the alternative means of meeting the need? Has the best alternative been selected for implementation?
Method?	Have activities been planned, organised and implemented in an acceptable way?
Standard?	Were the requirements / specifications appropriate, at the right level and are they being met?
Timeliness?	Did matters proceed at the appropriate rate avoiding delay and unnecessary costs (both direct and consequential, financial and non-financial)?
Control?	Are there adequate controls to ensure the achievement of satisfactory VFM?
Cost?	Were resources used economically and efficiently?
Recovery?	Were receipts/ returns optimised ?
Achievement?	Were the intended objectives properly defined and communicated; and were they fully achieved; were there significant adverse effects or unintended impacts?
Implications?	Were there any other significant VFM implications of the activity concerned?

POSSIBLE INDICATORS OF IRREGULARITY

- Missing assets
- Missing document
- Altered document
- Lack of agreement between control records
- Unsatisfactory explanations
- Unusual accounting entries
- Unexplained items on reconciliations or expense accounts

other

- Indications of lavish lifestyle
- Gossip
- Tip off.

BEST AVAILABLE COPY

COMMON FORMS OF FRAUD

Cash Income:

- Stealing small amounts of cash from funds or registers.
- Issuing unofficial receipts for miscellaneous income and pocketing cash received.
- Delaying banking and 'borrowing' cash not banked (a type of teeming and lading) Possibly coupled with amendments of paying in dates on bank paying in slips to cover this up.
- Making round sum deposits and delaying banking of significant collections.
- Cancelling or destroying cash sales tickets and pocketing cash.
- Understating amount due on cash sales invoices but collecting and keeping the full amount.
- Re use of old pre printed invoices.
- Withholding cash receipts by maintaining false credit arrangements.
- Recording unwarranted cash discounts and concessions.
- Selling scrap for cash and keeping proceeds.
- Failing to record sales of supplies of a service and pocketing cash.
- Rigging of cash registers or otherwise under-recording income thereby creating overages which can be pocketed.
- Teeming and lading on collection accounts e. g. Rates, rents, debtors.
- Collecting money, pocketing it and writing off the accounts.
- Pocketing money collected in respect of written off debts
- Charging 'customers' for items stolen.
- Issuing credit for false customer sales.
- Recording unwarranted discounts.
- Billing stolen goods to fictitious accounts.

Petty Cash:

- Pilfering stamps
- False invoices or personal invoices
- Taking cash without providing an invoice.
- Borrowing cash floats.
- Overcasting expenses columns.

Payments:

- Overstating personal expenses e. g. travelling and subsistence
- Using copies of previously paid invoices or changing dates on actual invoices.
- Paying false invoices by colluding with suppliers
- Increasing suppliers invoices by collusion.
- Charging personal purchases to the organisation by misuse of orders.
- Arranging for deliveries to home rather than the office address.
- Stealing cheques payable to a person or a Company
- Obtaining bank cheques and forging the signature.

Payroll

- Maintaining 'ghost' employees on the payroll
- Overstatement of hours worked or bonus worked.
- Hiding leavers on payroll after they have left.
- Withholding unclaimed wages

Assets:

- Stealing stock, tools, supplies and other items of equipment
- Using assets for own use vehicles, computers, equipments.
- Stealing residential assets.
- Falsifying inventories, stock books on assets registers to cover up thefts.
- creating credit balances on ledgers and converting them to cash.

Accounting Records:

- Making fictitious entries.

- Inserting fictitious ledger sheets.
- Overcasting or undercasting on manual ledgers or cash books.
- confusing postings between accounts.
- confusing journal transfers or raising false entries.

Corruption :

- Planning consents (provide accommodation)
- Supplies contracts
- Capital contracts.

IRREGULARITIES

Types

1. Theft
2. Misappropriations
3. Falsification of accounts.
4. Corrupt practices

Definitions

- Theft
- 'Taking with intent to permanently deprive'
 - Robbery, burglary
 - Removal of articles from places open to the public
 - Dishonest abstraction of utilities.

Misappropriation :

- Obtaining property by deception
- Obtaining pecuniary advantage by deception
- Suppression of documents (income recording)

Falsification of accounts -

- Destruction, defacement, concealment or falsification of an accounting document.
- Use of an accounting document of information knowing it to be false or misleading.

Corruption

- Obtaining property by in documents.

BEST AVAILABLE COPY

AN OVERVIEW OF IMPORTANT IN ACCOUNTING AND FINANCIAL MANAGEMENT IN GOVERNMENT INSTITUTIONS

- Accounting entity.
- Delegation of Authority - Accounting Officer / Chief Accounting Officer.
- Accounting period.
- Authority for raising of revenue and incurring of expenditure.
- Maintenance of Accounting Records.
- Revenue and Expenditure classification.
- Resource Control.
 - Cash
 - Circulatory Liquidity in hand
 - Bank
 - Petty Cash
 - Materials
 - Stationery
 - Inventories and
 - Boards of Survey
 - Wages and other remuneration
 - Leaves
 - Increments
 - Output
 - Vehicles
 - Buildings
 - Furniture
 - Equipment
 - Machinery
- Control processes involving planning, programming, estimating, monitoring and accounting for appropriations - Excesses and Savings.
- Procurement procedures and tenders.
- Wasteful (Expenditure and Other) practices
 - Fuel
 - Water
 - Power
 - Stationery
 - Furniture
 - Labour

PRINCIPLES OF INTERNAL AUDITING AND INTERNAL AUDIT ORGANISATION

DEFINITION

Internal Auditing is an independent appraisal activity established within an organization as a service to the organization. It is a control which functions by examining and evaluating the adequacy and effectiveness of other controls.

Internal Auditing is a systematic, objective appraisal by internal auditors of the diverse operations and controls within an organization to determine whether:

- i. financial and operating information is accurate and reliable,
- ii. risks to the enterprise are identified and minimized,
- iii. External regulations and acceptable internal policies and procedures are followed,
- iv. satisfactory standards are met,
- v. resources are used efficiently and economically,
- vi. the organizations objectives are effectively achieved.

all for the purpose of assisting members of the organization in the effective discharge of their responsibilities.

"Systematic, Objective appraisal" implies a thorough knowledge of internal auditing, independence from the activities being audited and sufficient organizational status to ensure objectivity in performance. It calls for an independent state of mind that is not swayed by external forces or compromised by participation in the development or implementation of operational procedures which the internal auditor may be called upon to audit.

"Diverse Operations" rejects any limitations on the internal auditors professional activities. It contemplates reviews of all operation, both financial and nonfinancial, as well as unlimited access to people, products, facilities and records.

"Accurate and reliable information" implies review of the financial and operating information on which managers make their decisions - review for accuracy, completeness, reliability, timeliness and usefulness.

"Risks are identified and minimized" refers to potential losses to the organization, though inadequate or ineffective controls, are legion: they run the gamut from failure to separate significant duties or to safeguard stocks of blank cheque books to failure to establish a corporate conflict-of-interest policy. Internal Auditors must maintain surveillance over all such hazards until the risks identified in audit findings are minimized.

"External regulations and acceptable policies and procedures are followed" refers to an audit determination that applicable laws and regulations are being obeyed. Beyond that, Internal Auditors should determine that enterprise policies, procedures and rules are adequate and serve a useful purpose.

An organization anticipates compliance with its directives. Auditors seek to assess that compliance as well as the appropriateness of the directives.

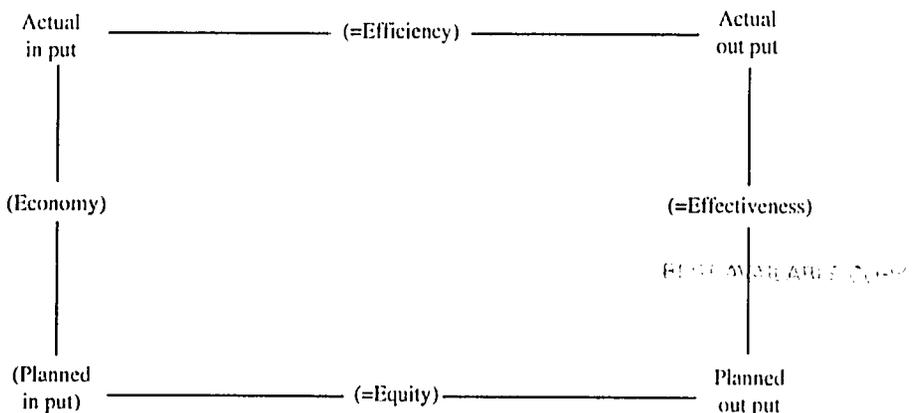
"Satisfactory standards are met" implies a determination that performance meets appropriate operating standards and criteria. Beyond that, the auditor should determine that the standards are acceptable. Also, if appropriate standards have not been established, the internal auditor should see that they are developed.

"Resources are used efficiently and economically" means that the auditor should obtain assurances that management's stewardship of the resources entrusted to it - people, funds, materials and facilities - is carried out in the best way at the least cost. This includes physically safeguarding assets as well as devising means to evaluate their use.

"Organization's objectives have been effectively achieved", refers to a determination that the established aims, goals, and objectives of the organization and its various parts are in the best interest of the organization and are being met. This is the third of the three Es of modern internal auditing efficiency, economy and effectiveness. It means that the entity is accomplishing what it has been established to do, that the results correspond with the plans. This is intrinsically value for Money auditing in the public sector.

There is a fourth E that is added - equity - social responsibility.

This might be called the concept of modern Internal Auditing.



HISTORY AND DEVELOPMENT

The roots of auditing reach deep into antiquity. All of the auditing practiced today has a common ancestry; but as enterprises became larger and more complex, and as the need for different forms of audit was perceived, different branches grew from the same trunk.

One was External - financial auditing. Another was Internal Auditing with its own off-shoots.

- primarily concerned with accounting and financial controls and transactions
- concerned with controls and operations throughout the enterprise, referred to as operational auditing, performance auditing, program auditing, results auditing, comprehensive auditing and management oriented auditing.

Audits were conducted as far shown tiny marks at the side of numbers relating to financial transactions. Internal controls, systems of verification and the concept of division of duties probably originated at that time.

Early Egyptian, Persian and Hebrew records have revealed similar systems. The Greeks were strong believers in control over finances. Ancient Rome employed the "hearing of accounts". Hence the term audit from the Latin auditors (hearing). An expanding Italian commerce during the 13th century demanded more sophisticated record-keeping giving birth to the double entry system of book keeping. This system helped merchants to control transactions, with customers and suppliers and to check on the work of employees.

Auditing as we know it, began during the Industrial Revolution in England. Companies hired accountants to check the records. More than a mere "hearing" audit verification became matter of scrutinizing written records and comparing entries in the books of account with documentary evidence.

It might be said that Internal Auditing commenced with the first self-employed owner of a small shop recruiting an assistant. In that instance, the owner would have, in addition to dealing with customers himself, had an eye on his employee to see how he was dealing with customer, conducting sales and so on.

ORGANISATION

The Organisational structure of an Internal Audit Department will be conditioned by the following factors:

- (1) The permanent terms of reference granted to the department by higher management. These will include the level at which the chief internal auditor is to report and the freedom granted for investigation.
- (2) The nature of the organisation which the internal audit department is to serve, e. g. the degree of decentralisation, whether its divisions are geographical or by nature of product, and the amount of autonomy granted to these divisions.
- (3) The size of the organisation as measured by such criteria as the number of employees, the value of the annual turnover, whether the revenues are collected in small amount at numerous points and the design of the accounting procedures (in particular the degree of standardisation).
- (4) The complexity of the industry or trade in which the organisation is engaged.
- (5) The efficacy of the systems of internal check. This will determine the extent of the auditing work.
- (6) The support received from the external auditors which will largely depend in the long run on the confidence that the department engenders.

SOURCES:

Sawyer's Internal Auditing:

The practice of modern Internal Auditing

Chambers, Selim, Vinten: Internal Auditing

Bigg and Davies : Internal Auditing

Internal Audit Seminar Papers Colombo Chapter Institute of Internal Auditors Inc. New York.

THE INSTITUTE OF INTERNAL AUDITORS

CODE OF ETHICS

PURPOSE: A distinguishing mark of a profession is acceptance by its members of responsibility to the interests of those it serves. Members of the Institute of Internal Auditors (Members) and Certified Internal Auditors (CIAs) must maintain high standards of conduct in order to effectively discharge this responsibility. The Institute of Internal Auditors (Institute) adopts this Code of Ethics for members and CIAs.

APPLICABILITY : This Code of Ethics is applicable to all Members to all members and CIAs. Membership in the Institute and acceptance of the Certified Internal Auditor designation are voluntary actions. By acceptance, Members and CIAs assume an obligation of self-discipline above and beyond the requirements of laws and regulations.

The standards of conduct set forth in this Code of Ethics provide basic principles in the practice of internal auditing. Members and CIAs should realize that their individual judgment is required in the application of these principles.

CIA's shall use the "Certified internal Auditor" designation with discretion and in a dignified manner. Fully aware of what the designation denotes. The designation shall also be used in a manner consistent with all statutory requirements.

Members who are judged by the Board of Directors of The Institute to be in violation the standards of conduct of the Code of Ethics shall be subject to forfeiture of their membership in the Institute. CIA's who are similarly judged also shall be subject to forfeiture of the "Certified internal Auditor" designation.

STANDARDS OF CONDUCT

- i. Members and CIA's shall exercise honesty, objectivity, and diligence in the performance of their duties and responsibilities.
- ii. Members and CIA's shall exhibit loyalty in all matters pertaining to the affairs of their organization or to whomever they may be rendering a service. However Members and CIA's shall not knowingly be a party to any illegal or improper activity.
- iii. Members and CIA's shall not knowingly engage in acts or activities which are discreditable to the profession of internal auditing or to their organization.
- iv. Members and CIA's shall refrain from entering into any activity which may be in conflict with the interest of their organization or which would prejudice their ability to carry out objectively their duties and responsibilities.
- v. Members and CIA's shall undertake only those services which they can reasonably expect to complete with professional competence
- vi. Members and CIA's shall undertake only those services which they can reasonably expect to complete with professional competence.
- vii. Members and CIA's shall adopt suitable means to comply with the Standards for the Professional Practice of Internal Auditing.
- viii. Members and CIA's shall be prudent in the use of information acquired in the course of their duties. They shall not use confidential information for any personal gain nor in any manner which would be contrary to law or detrimental to the welfare of their organization.
- ix. Members and CIA's when reporting on the results of their work, shall reveal all material facts known to them which, if not revealed, could either distort reports of operations under review or conceal unlawful practices.
- x. Members and CIA's shall continually strive for improvement their proficiency, and in the effectiveness and quality of their service.
- xi. Members and CIA's in the practice of their profession, shall be ever mindful of their obligation to maintain the high standards of competence, morality and dignity promulgated by the Institute. Members shall abide by the Bylaws and uphold the objectives of the Institute.

STATEMENT OF RESPONSIBILITIES

OF INTERNAL AUDITING

The purpose of this statement is to provide in summary form a general understanding of the role and responsibilities of internal auditing. For more specific guidance, readers should refer to the Standards for the Professional Practice of Internal Auditing.

NATURE

Internal auditing is an independent appraisal activity established within an organization s a service to the organization. It is a control which functions by examining and evaluating the adequacy and effectiveness of other controls.

OBJECTIVE ANDS COPE

The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analysis, appraisals, recommendations, counsel, and information concerning the activities reviewed. The audit objective includes promoting effective control at reasonable cost.

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. The scope of internal auditing includes:

- * Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- * Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports, and determining whether the organization is in compliance.
- * Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets
- * Appraising the economy and efficiency with which resources are employed.
- * Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

BEST AVAILABLE COPY

RESPONSIBILITY AND AUTHORITY

Internal auditing functions under the policies established by management and the board. The purpose, authority and responsibility of the internal auditing department should be defined in a formal written document (charter) approved by management, and accepted by the board. The charter should make clear the purposes of the internal auditing department, specify the unrestricted scope of its work, and declare that auditors are to have no authority or responsibility for the activities they audit.

The responsibility of auditing is to serve the organization in a manner that is consistent with the Standards for the Professional Practice of Internal Auditing and with professional standards of conduct such as the Code of Ethics of the Institute of Internal Auditors, Inc. This responsibility includes coordinating internal audit activities with others so as to best achieve the audit objectives and the objectives of the organization.

INDEPENDENCE

Internal auditors should be independent of the activities they audit. Internal auditors are independent when they can carry out their work freely and objectively. Independence permits internal auditors to render the impartial and unbiased judgments essential to the proper conduct of audits. It is achieved through organizational status and objectivity.

Organizational status should be sufficient to assure a broad range of audit coverage, and adequate consideration of and effective action on audit findings and recommendations.

Objectivity requires that internal auditors have an independent mental attitude, and an honest belief in their work product. Drafting procedures, designing, installing, and operating systems are not audit functions. Performing such activities is presumed to impair audit objectivity.

The statement of Responsibilities of Internal Auditors was originally issued by the Institute of Internal Auditors in 1947. The current Statement, revised in 1981, embodies the concepts previously established and includes such changes as are deemed advisable in light of the present status of the profession.

Controls should be seen as a positive means of helping managers achieve objectives and goals. They can also activate individuals to improve their performance - not just get by with what they are doing. Controls also can help to remove temptation, by adequate control, the opportunity to embezzle can be removed or diminished. An employee's need to steal must be so desperate, indeed, before he or she will seek to break a thoroughly controlled system. But when funds are left wide open, an employee can readily rationalize that he or she has been invited to "partake of the feast".

Good controls not only protect the enterprise, they protect the employee as well. Management is morally obligated to see that temptation is not placed in the way. Most employees will respect a well-controlled operation.

characteristics of a good control system:

timeliness : controls should detect potential or actual deviations early enough to limit costly exposures.

economy: controls should pass the "cost-benefit" rule; that is, the cost of a particular control should be less than the benefits it provides.

accountability : controls should help people demonstrate their accountability (responsibility) for tasks assigned.

placement : controls should be placed where they are most effective.

flexibility: controls that can accommodate changes in plans and procedures without themselves requiring change are preferable to controls that cannot accommodate such changes

cause identification : prompt corrective action is facilitated if controls identify not only the problem but also the cause.

appropriateness : controls should meet management's needs. They should help achieve the objectives of management's plans and they should fit into the personnel and organizational structure of operations.

problems : controls can bring problems if the controls are excessive and redundant.

Controls can become obsolete, so they must be monitored for continued relevance.

People generally resist controls. This is particularly true if they had no part in the development of the controls or do not understand the objective to be met. One way to address this is

- 1) Preventive controls are installed to prevent undesirable outcome before they happen.
- 2) Detective Controls are designed to identify the undesirable outcomes when they do happen.
- 3) Corrective controls are designed to make sure that corrective action is taken to reverse the undesirable outcomes or to see that they do not recur.

Preventive controls are more cost-effective than detective controls. When built into a system, preventive controls forestall errors and thereby avoid the cost of correction. Preventive controls would include, for example: trustworthy, competent people; segregation of duties to prevent intentional wrongdoing; proper authorization to prevent improper use of government resources; adequate documentation and records as well as proper record-keeping procedures to deter improper transactions; and physical controls over assets to prevent their improper conversion or use.

Detective controls are usually more expensive than preventive controls, but they too are essential. First, they measure the effectiveness of the preventive controls. Second, some errors cannot be effectively controlled through a system of prevention; they must be detected when occur. Detective controls include reviews and comparisons, such as records of performance and independent checks on performance. They also include such control devices as bank reconciliation's, confirmation of bank balances, cash counts, reconciliation's of accounts receivable details to accounts receivable control accounts, physical counts of inventories and analyses of variances, confirmation with suppliers of accounts payable, and systems of review like internal auditing.

Corrective controls take over when improper outcomes occur and are detected. All the detective controls in the world are valueless if the identified deficiency remains uncollected or can be permitted to recur. So management must develop systems that keep the spotlight on an undesirable condition until it is corrected and, where appropriate, must set up procedures to prevent recurrence. Documentation and reporting systems keep problem under management surveillance until they have been solved or the defect corrected. Corrective controls thus close the loop that starts with prevention and passes thorough detection to correction.

Auditors should understand that no system of control will eliminate the possibility of irregularities. Internal control is essentially people. A system of internal control is made up of people and procedures. People are expected to act and follow procedures in a normal fashion. But people are subject to pressures. They may, on occasion, not act as intended. Then the system breaks down.

අභ්‍යන්තර විගණන වැඩ සටහන් සැකසීමේ දී සැලකිල්ල ගත යුතු කරුණු

1. අරමුණ

ආයතනයක පවත්නා අභ්‍යන්තර පාලන ක්‍රියාවලිය (මූල්‍යමය හා අනිකුත්) සාර්ථක අත්දැමින් ක්‍රියාත්මක වෙමින් පවතීද, එහි අඩුපාඩු කිසිවක් තිබේද, යන කරුණු පිළිබඳව තක්සේරුවක් කිරීමෙන් ඉහළ කළමනාකාරිත්වයට ඔවුන්ගේ වගකීම් ඉටු කිරීම සඳහා සහාය වීමයි.

2. විෂය පථය

ඉහළ කළමනාකරණය විසින් තීරණය කරනු ලබන විෂය පථය ඉක්මවා යා නොහැක.

3. අභ්‍යන්තර විගණන වාර්තාවකින් ආවරණ වියයුතු කරුණු සමරහක්

- 3.1 ආයතනය විසින් කරගෙන යන කටයුතු එහි අරමුණුවලට එකඟ ද?
- 3.2 ගණුදෙනු හා ක්‍රියාකාරකම්, නීති රීති රෙගුලාසි කළමනාකාරිත්ව තීරණවලට අනුකූලව සිදු කර තිබේ ද?
 උදා :- i. මුදල් රෙගුලාසි, ආයතන සංග්‍රහ විධිවිධාන, අනුමතියක අය වැය සීමා, භාණ්ඩාගාර / අමාත්‍යාංශ / දෙපාර්තමේන්තු ව්‍යුත්පන්න උපදෙස්.
 ii. ගණුදෙනු ස්වභාවය අනුව අදාළ වන වෙනත් බාහිර නීති, වංචා වැළැක්වීමේ පනත, කාල බාධක නීති, මුද්දර ආඥා පනත, පිරිවැටුම් බදු පනත ආදිය.
- 3.3 කිසියම් ගණුදෙනුවක් හෝ කටයුත්තක් දෙපාර්තමේන්තුවේ හෝ ආර්ථික ක්‍රියාවලියේ ව්‍යුහාත්මක වෙනස්කම් හේතුකොට ගෙන තවදුරටත් ගනානුගනිතව කරගෙන යායුතු ද?
- 3.4 එක් එක් කටයුතු මගින් අපේක්ෂිත ප්‍රතිඵල ලැබී තිබේ ද? (පළදායිකත්ව)
- 3.5 ගණුදෙනු හා කටයුතු පිරිමැසුම්දයක අත්දැමින් සිදු කර තිබේ ද?
- 3.6 ගණුදෙනු පිළිබඳ යථා තත්ත්වය ගිණුම් ක්‍රියාවලිය මගින් සතුටුදායක සටහන් වේද?
 ඒවා පිළිගත් ගණක මූලධර්මවලට එකඟ ද? තොරතුරු රැස්කිරීම් හා ඒවා විශ්ලේෂණය කිරීම් ආදිය නිවැරදිවත්, කාලීනවත් සිදු කෙරේ ද?
- 3.7 ආයතනය සතු වත්කම් පුරප්පාඩු ද?
- 3.8 ආයතනයේ ක්‍රියා කටයුතු මගින් සමාජ සාධාරණත්වය ඉටුවේද? යනාදිය.

4. ආවරණ විය යුතු කරුණු පිළිබඳ තොරතුරු ලබාගැනීමේදී අධ්‍යනය කළ යුතු ලියවිලි ආදිය.

- * ආයතනයට බලපාන නීති රීති රෙගුලාසි හා ආයතනයේ මූලික පරමාර්ථ හඳුනා ගැනීම;
- * ආකනයේ සංවිධාන ව්‍යුහය;
- * බලතල පැවරීම් හා රාජකාරී ලැයිස්තු;
- * ඉකුත් විගණන වාර්තා හා වාර්ෂික පාලන වාර්තා;
- * ආයතන විසින් අනුගමනය කරන ගිණුම් පරිපාටිය හා ගිණුම් පොත් පත් ලේඛණ.

5. තොරතුරු ලබාගැනීමේ ක්‍රියාවලිය

ඉහත සඳහන් කරුණු අධ්‍යනය කිරීමෙන් අනතුරුව, (විශේෂයෙන් ඉකුත් විගණන වාර්තා, බලතල හා රාජකාරී බෙද හැරීම්) අභ්‍යන්තර පාලන ක්‍රියාවලියේ දුර්වල අංශ කෙරෙහි අවධානය යොමු කරමින් පරීක්ෂාවට ලක් විය යුතු අංශ පිළිබඳ ප්‍රමුඛවේ. ලැයිස්තුවක් සැකසිය යුතුය. අනතුරුව එක් එක් විෂය අලලා ලබා ගත යුතු තොරතුරු පිළිබඳ ප්‍රශ්නාවලියක් මගින් කමත්ගේ පරීක්ෂණ වැඩ සටහන සැකසිය හැක.

නිදර්ශණ - ණය ගැනියෝ

මතු කළ හැකි ප්‍රශ්ණ සමරහක්

- ආයතනයේ සවභාවය අනුව ණයට දීමේ අවසර තිබේ ද?
- එවැනි අවසර දීම සඳහා උපරිම මට්ටම් හා බලතල සීමා පනවා තිබේ ද?
- අනුමත ණය ගැනි කාල සීමාව කෙරෙහි කවද?
- ණය ගැනි කාලය ඉක්මවීමට පෙර ණය අය කර ගැනීම සඳහා පසු විපරම් ක්‍රියාවලියක් තිබේ ද?
- ණයගැනි ලේඛන තබාගැනීම, පාලන ගිණුම් පැවැත්වීම එකම නිලධාරීන් විසින් කරනු ලැබේ ද?
- කාලීනව ණයගැනි ශේෂ පාලන ගිණුම් ශේෂ සමග සැසඳීම් කරනු ලැබේද?
- ණයගැනි ශේෂ වරින් වර කාල විශ්ලේෂණයක් කරනු ලැබේද?
- ණයගැනි ශේෂ දෙපාර්තමේන්තු, සංස්ථා සහ වෙනත් යනාදී වශයෙන් වර්ග කර තිබේද?
- ණයගැනියන් පිළිබඳ ඇපකර හෝ වෙනත් පුද්ගල ලබාගැනීමක් පවතීද?
- කල් ඉකුත් වූ ණය අදාළ පුද්ගල හෝ ඇපකර මගින් කාල බාධක සීමා ඉක්මවීමට පෙර අයකර ගැනීමේ ක්‍රියාවලියක් වේද?
- මකහේදයට ලක්වන ශේෂ පිළිබඳ විමර්ශන පිළිවෙත සතුටුදායකද?

NATIONAL BUDGETING IN SRI LANKA

2. DEFINITION OF BUDGETARY UNITS

- 2.1 Ministry - All the functions of Government (excepting a few functions due to special reasons) are assigned to Ministers of Cabinet and Administrative Units called Ministries (some-times referred to as line Ministries) are formed under a Secretary. Secretary is the executive head of the Ministry and he is appointed as the Chief Accounting Officer of the Ministry under his purview. He is responsible for the supervision of the departmental financial transactions subject to directions of the Treasury. Therefore the main budgetary unit of appropriation is the Ministry. In addition to the Administration and Management functions of the Ministry, certain Ministries are performing operating functions too. The Departments and the public institutions relating to the functions of the Ministry are grouped under the Ministry. For budgetary purposes each Ministry is assigned a group of twenty numbers starting from 200 in order to identify the Heads of Expenditure under that Ministry. However, the first twenty numbers (i. e. 200-219) are reserved for the Departments not grouped under Ministries.
- 2.2 Department - Departments are statutory sub-section of a Ministry preferring specific functions and are assigned numbers to denote Heads of Expenditure Head is the principal Accounting Unit of budgetary appropriation. Except where other arrangements are made by the Treasury the Head of each Department is appointed the Accounting Officer directly responsible to the Secretary to the Ministry (Chief Accounting Officer) for all financial transactions of his Department. For budgetary purposes each Ministry office including the offices of the Subject Specific Ministers and State Ministers are treated as one Department. The first number ending with a zero in the group assigned to the Ministry is given to the Ministry office and the subsequent numbers in the group excepting the one ending with a zero are assigned to Departments under the Ministry.
- 2.3 Programmes - 2.3.1. A Head of Expenditure is broken into Programmes. A Programme represents a major function of a Department and comprises of activities which are conducted towards the achievement of major objectives of the Department. A Programme of Expenditures serves as a unit of classification of work performed by a Department which produces an end product or service, as well as a budgetary unit of Appropriation. Classification of a Head into Programmes facilitates listing of functions performed under that Head. Functions are tied up with costs and therefore Program classification aims at a functional breakdown enabling the pin-pointing of expenditure earmarked for fulfilling each function. Eight those in mind programme structure of Heads of Expenditure should carefully be reviewed.
- 2.3.2 Programme should be numbered consecutively 1,2,3,4,5 etc. Programme 1 is reserved for "General Administration" including Planning, Organisation, Staffing, Training of staff, General Supervision and Financial Management. The intention of this standardization is to differentiate between the expenses on the Management of the establishment and the expenses on the services rendered by the Department. Another objective is gradually to facilitate functional classification of expenses. Departmental services may come under one or more of the following groups:
- (a) General Public Services
 - (b) Social Development and Welfare
 - (c) Economic Services
 - (d) Public Debt
 - (e) Unallowable and other services

This grouping too should be taken into consideration when formulating Programmes of expenditure.

- 2.4 Projects - 2.4.1 Project is a sub-division of a Programme covering homogeneous group of activities and describes the work to be done under that unit. The purpose of a Project is the performance of the activities for the fulfillment of the Objectives of the Programme. In other words Projects are the work plan of the Programme. It is being used for connoting, monitoring and work measurement purposes rather than for parliamentary Appropriations.
- 2.4.2 There is no clear-cut general definition of the term Project. In respect of recurrent expenditure a Project is an activity or group of activities perpetual in nature and the end-product is not tangible or quantifiable. On the other hand a Capital Project is an activity or a series of activities time-bound creates a new asset or add to the value of an existing tangible asset and the output is quantifiable. If we look from the planning angle normally a Recurrent Project is an "Activity" sanctioned by government and a "Capital project" is aimed at developing the resources or assets.
- 2.4.3 Recurrent Projects should be numbered consecutively commencing with numeral 1 and numerals 1 to 100 are reserved for them.

The Capital projects have three digit numbers each commencing with numeral 101. The first three capital Projects are standardised for:-

101 - Rehabilitation and Improvement of Capital Assets

102 - Acquisition of Equipment

103 - Construction of Buildings

When any of these activities are not carried out in a certain Programme Capital Projects should be numbered from 104 onwards.

Larger Projects should be broken into items and shown as items under the project.

BEST AVAILABLE COPY

2.4.4 Various studies have shown that most of the recurrent projects have not been properly planned or forecasting and feasibility studies like cost-benefit analysis have not been undertaken before budgeting, resulting over-estimation or underestimation. Therefore, the Ministries and Departments are requested to pre-plan the activities to be undertaken during the budget year in accordance with policy frame-work of Government and due sanctions be obtained from the relevant authorities to change or vary the scope of activities. New activities to be undertaken should have been approved by government and if necessary legal sanction has been obtained before estimate proposals are forwarded. Mere estimation on an incremental basis should be done away with.

2.4.5 Capital projects are of various types. Need for acquisition of assets should be well explained and necessary approvals be obtained. In respect of developmental or construction activities Projects should be prepared as prescribed by the National Planning Department. Firm total Cost Estimates should be drawn up, and duly approved by the authorities. Revisions too should similarly be approved before provisions are sought.

Any Works or Procurement Costing Rs. 5 M. or more which is to be financed through block provision in a Project should be separately itemised and should have a Total Cost Estimate approved in terms of Financial Regulations.

All developmental or construction projects should be formulated in accordance with the procedure laid down by the National planning Department. No major projects will be accepted for financing by the Treasury unless such procedure has been gone through and included in the Medium Term Investment Programme (Public Investment Programme)

If after a project has been accepted for financing, the executing agency observes the necessity to radically alter the scope of the project or anticipates a major increase in the total cost estimates the executing agency should undertake re-appraisal of the project and submit it to the appropriate financing authority for approval, and after such approval only the variations in budgetary appropriations be undertaken.

It is essential that full and proper investigations be undertaken to ensure that variations in cost due to varying site conditions are minimal so that they could be absorbed in the Contingencies item in the estimate. To ensure that responsibility could be fixed in regard to these investigations the implementing agency should issue a certificate to the effect that the cost estimates have been based on full and proper investigations.

2.5 Objects of Expenditure - 2.5.1 The inputs for each Project is given in terms of aggregates of cost components each of them identified as an Object of Expenditure. Since these objects tend to recur in every project, their classification has been standardised. Objects of expenditure indicate the economic classification of the government expenditure under each project and are basic accounting units. Accounting records are to be maintained under object codes.

2.5.2 Standardised Objects of Expenditure regarding Recurrent Expenditure are classed into the following categories and are coded and described as follows:

Category	Code No	Object Legend
1. Personal Emoluments	1101	Salaries and Wages
	1102	Overtime and Holiday Pay
	1103	Cost of Living Allowance
	1104	Uniform Allowance
	1105	Holiday Warrants
	1109	Other Allowances
2. Travelling Expenses	1201	Travelling Expenses - Local
	1202	Travelling Expenses - Foreign
	1209	Other Travelling Expenses
3. Supplies	1301	Stationery and Office Requisites
	1302	Fuel and Lubricants
	1303	Uniforms
	1304	Mechanical & Electrical Goods
	1305	Medical Supplies
	1306	Diets
	1309	Other Supplies
4. Contractual Services	1401	Minor Repairs & Maintenance Light Vehicles, Machinery and Equipment
	1402	Minor Repairs & Maintenance Buildings & Structures
	1403	Transport
	1404	Communication
	1405	Utilities
	1406	Rentals and Hire charges
	1407	Rates and Taxes
	1409	Other Contractual Services

5.	Current Transfers	1501	Transfers to Households (Welfare Payments)
		1502	Pensions, Retirement Benefits and Gratuities
		1503	Transfers to Non Profit Oriented Public Institutions
		1504	Transfers to Public Enterprises
		1505	Transfers to other Levels of Government
		1506	Subscriptions, Contributions and Membership Fees - Local
		1507	Subscriptions, Contributions and Membership Fees - Foreign
		1508	Consumer Subsidies
		1509	Other Current Transfers and Subsidies
6.	Current Grants	1601	Recurrent Grants to Non-Public Institutions and Private Individuals.
		1609	Other Recurrent Grants
7.	Other Recurrent Expenses	1701	Interest Payments - Domestic
		1702	Interest Payments - Foreign
		1703	Awards and Indemnities
		1704	Losses and Write-offs
		1709	Other Recurrent Expenses

Details to be given

2.5.3 Objects of capital expenditure are also standardised, classes into following categories and are coded and described as follows.

Category	Code No.	Object Legend
1. Equipment Outlay, Land, land Improvements & Structures Outlay	2101	Furniture, Office and Household Equipment
	2102	Plant and Machinery
	2103	Implements, Tools, Instruments and Apparatus
	2104	Vehicles
	2105	Purchase of lands and Buildings
	2106	land Improvements and Structures Outlay
	2107	Communication
	2109	Others
2. Capital Transfers and Subsidies	2201	Transfers to Public Enterprises
	2202	Transfers to Non Profit Oriented Public Institutions
	2203	Transfers to Other Levels of Government
	2204	Transfers to Financial Institutions and Organisations Abroad
	2205	Development and Production Subsidies
	2209	Other Capital Transfers and subsidies
3. Capital Grants	2301	Capital Grants to Non-Public Institutions and Individuals for Development Expenditure
	2309	Other Capital Grants i. e. Intangible Assets
4. Financial Assets	2401	Equity contributions
	2402	Loans Outlay
	2509	Other Financial Assets
5. Repayments	2501	loan Repayment - Domestic
	2502	loan Repayment - Foreign
	2503	Other Repayment
6. Maintenance of Capital	2601	Rehabilitation, Improvement and Major Capital Assets Repairs to Building
	2602	Rehabilitation, Improvement and major Repairs to Plant and Machinery
	2603	Rehabilitation, Improvement and major Repairs to Structures
	2604	Rehabilitation, Improvement and major Repairs to Heavy Vehicles
	2609	Rehabilitation, Improvement and major Repairs to Other Capital Assets

BEST AVAILABLE COPY

7. Other Capital Expenses 2709 Other Capital Expenses

2.5.4 Coding and description should not be changed and monetary provision should strictly be classified under the relevant Objects.

2.6 Financing details of object classes - Each object is sub-divided into standardised units of financing thus:

Appropriation law:

- 1. (1) Consolidated Fund
- 1. (2) Foreign Aid - loans
- 1. (3) Foreign Aid - Grants
- 1. (4) Reimbursable Foreign Aid - Loans
- 1. (5) Reimbursable Foreign Aid - Grants
- 1. (6) Foreign Aid Counterpart Funds - Loans
- 1. (7) Foreign Aid Counterpart Funds - Grants

Special law

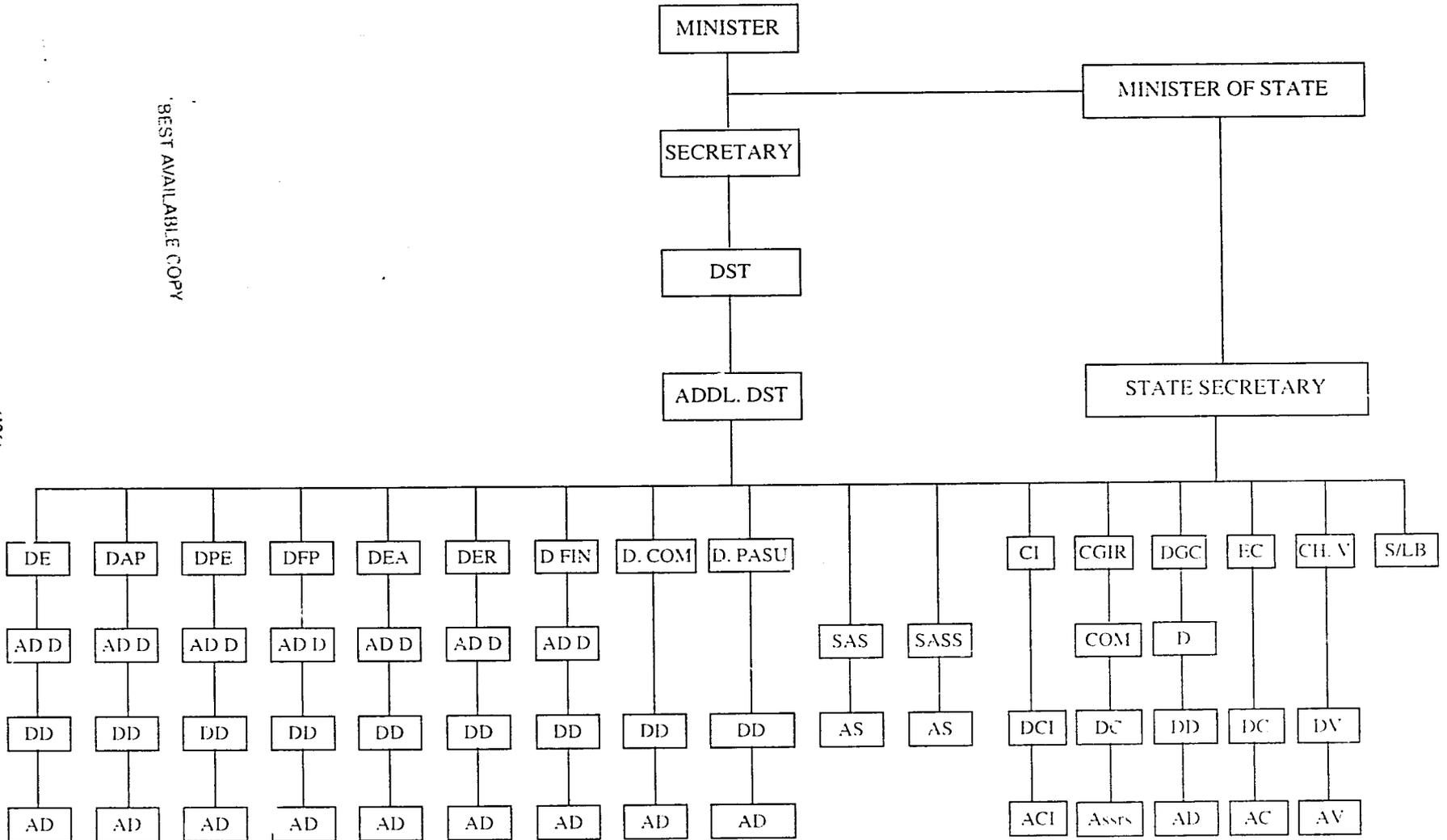
- 2. (1) Consolidated Fund

In all cases source and reference to law or agreement should be indicated, The intention of this classification is to identify the source of funding and to facilitate accounting of appropriations.

BEST AVAILABLE COPY

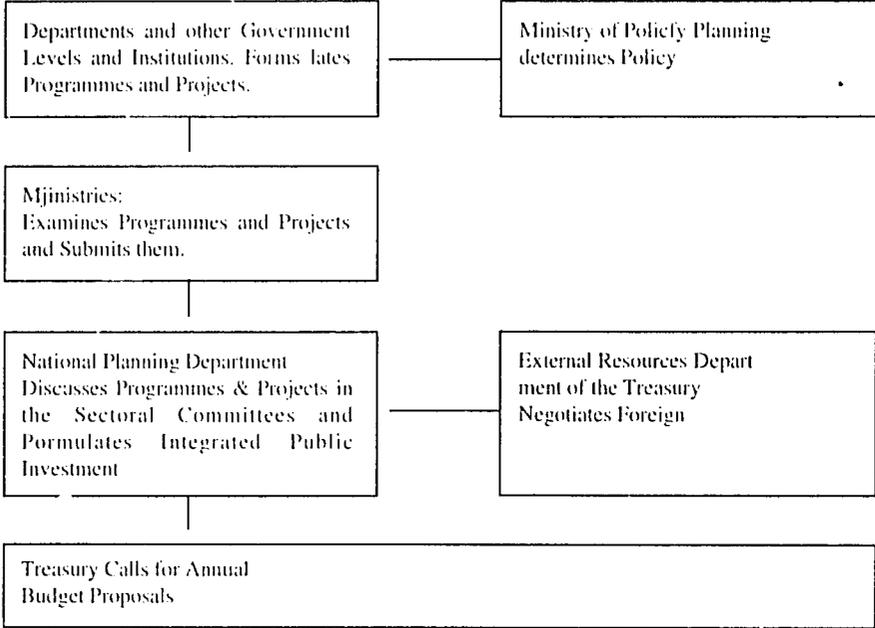
BEST AVAILABLE COPY

(126)

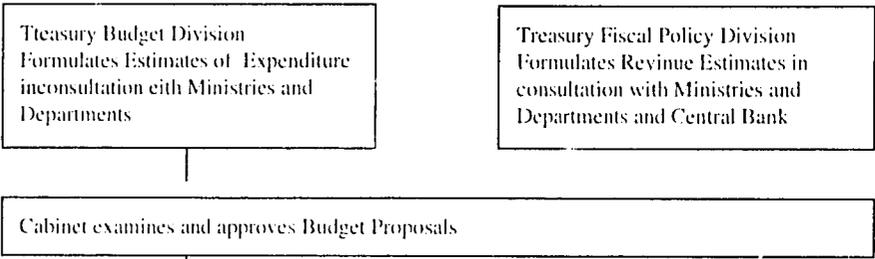


B U D G E T C Y C L E

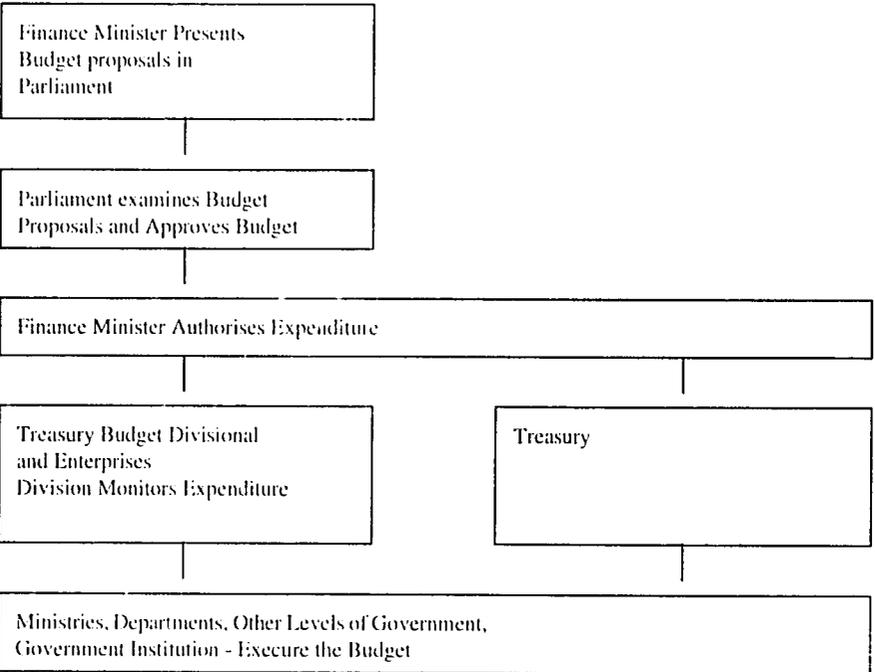
First and Second
Quarter of
the Previous Year



Third Quarter of
the Previous Year



Fourth Quarter of
the Previous Year



Modified Programme Budgeting System

It is generally accepted that Management is concerned with the use of resources judiciously for the achievement of the objectives. The objectives may be short - term, medium, medium-term or long-term. Budgeting is a Management exercise.

In our administrative system the budget aims at :-

- (a) Facilitating the Control of Public Finance by the legislature
- (b) Providing base for accounting
- (c) Providing Managers a management tool
- (d) Facilitating allocation of scarce resources between competing needs, that is decision making
- (e) Assisting the overall economy for performance of economic activities.
- (f) Facilitating comparison of the effectiveness of our activities with other economies.

with the above aims in view we introduced programme Budgeting System in 1972. Due to various reasons implementation and continuance of the system failed and we had to revert to the earlier traditional system, of course, with some rudiments of Programme budgeting system.

The allocation of resources were not related to a well appraised plan. It was not possible to provide date for future planning. Effectiveness of government expenditure was not quantified, evaluated or measured. Expenditure could not, be systematically analysed and produced in a way acceptable to international community. Therefore it was, the consensus of all concerned that innovations are pertinent.

An attempt has been made to alleviate the above weaknesses to a certain extent in the new system. The first step is the revision of the Classification of Expenditure and presentation of information in the Budget.

EARLIER SYSTEM

- | | |
|--|--|
| 1. The expenditure is grouped into Ministries. | No change |
| 2. Appropriation Heads are identified on the basis of organization structure Department. | No change, Except the grouping of identification numbers on the basis of Ministries. |
| 3. Objectives and functions under each Head is given in a narrative form. | No change. However, narration has been made more specific, simple and shorter. |
| 4. Each Head is broken into Programmes, in some heads functionally and in others in accordance with organization structure. | Retained.
A clear distinction is made between the expenditure for institution-building and the expenditure for carrying out the functions assigned to the Department by standardising the Programme 1. The classification is expected to be functional. |
| 5. Each Programme is made up of Projects - Recurrent and Capital Analysis of output was not possible and total Cost of the Programme was not measurable. | Classification of Programmes into Projects has been retained. Project formulation has been rationalised by providing for Cost-benefit analysis and other common techniques. Content of projects are originated from the bottom and filtered at each level above and connected to the central plan with the approval of the apex authority of Policy making, the Cabinet.

Total Cost Estimates are splitted into activities enabling the costing, measurement of performance, and monitoring of implementation. Three capital Projects are standardixed. |
| 6. Cost of each project is separated into cost units called objects. There were twelve standardised objects, Each object is splitted into smaller cost units called Object Details. As the classification was indigenous to Sri Lanka, international comparison was difficult. | Economic cost units were grouped into broader categories and cost units were identified closer to international standards thus enabling comparisons and economic Analysis. |
| 7. Object details were splitted into smaller units called items to facilitate Management. | This classification is retained. |

Planning of Expenditure

(1) All activities of government should be pre-determined and set out in Plans and Programmes. The annual estimates of expenditure for a particular financial year are the financial expression of the government's Programmes of activity during such year. Plans and Programmes are composed of projects. The Incorporation of Capital Projects in the Annual estimates of Expenditure will be on the basis of the Public Investment Programme where allocations will be indicated under two categories namely on going (Continuation) and New Projects.

(2) Project Planning and the two Stage Approval Procedure

(i) For the Purposes of planning and approval, projects are classed into

(a) **Sectoral Plans & Programmes**

Sectoral Plans are multi year (Normally 5 years) programmes of a particular sector. They are prepared by the line Ministries or Departments, in consultation with the assistance of the National Planning Department. Such Plans or Programmes will normally form the basis for identification of new projects, (many of which may, in themselves, be quite small) and should therefore be submitted for Preliminary Approval to the Cabinet of Ministers through the National Planning Department and the Committee of Development Secretaries.

(b) **Large Projects**

A large project is one the initial cost of which is not less than Rs. 10,000,000 and the recurrent annual operation and maintenance cost exceeds Rs. 500,000. Such projects should pass through the full two stage procedure. However, in the case of large projects which are parts of a sectoral Plan or Programme and have received Preliminary approval of the Cabinet during the last five years, such projects will be accepted as having received the preliminary approval. The National Planning Department and the Central Environment Authority should however be informed and comments be obtained before detailed formulation of the project commences.

(c) **Small Projects**

Small Projects are defined as projects with a capital cost less than Rs. 10,000,000 and recurrent cost less than Rs. 500,000 per annum. It is not permitted to break down a project into separate components in order to classify it as a small project. Small projects need not pass through both stages of the two-stage procedure if the project is not part of an approved sectoral Plan or programme. It must be submitted for preliminary approval to the Committee of Development secretaries in the usual manner. Once such approval has been granted the project will be included in the Public Investment Programme.

(ii) Project Planning should pass through the following stages :-

- (a) Identification
- (b) Preliminary Appraisal
- (c) Preliminary Approval (Approval-in-Principle)
- (d) Preparation
- (e) Full Appraisal
- (f) Final Approval (Final Round Approval)
- (g) Inclusion in the Public Investment Programme
- (h) Incorporation into the Budget
- (i) Implementation
- (j) Evaluation

(iii) Two Stage Approval Procedure

Two Stage Approval Procedure of Projects consists of Preliminary Approval and Final Approval.

- (a) The relevant Department or Public Institution shall identify the project and prepare a pre-Feasibility report with the assistance of the possible Aid Donors and submit it to the Sponsoring Ministry.
- (b) The Sponsoring Ministry if accepted will submit the project in the Preliminary Approval Form to the National Planning Department and the Committee of Development Secretaries.
- (c) National Planning Department will do a preliminary appraisal and report to the Committee of Development Secretaries.
- (d) Committee of Development Secretaries if necessary in consultation with the other Ministries recommends the project to the Cabinet for Preliminary Approval.
- (e) When the Preliminary Approval is granted by the Cabinet the Pre-Feasibility report of the Project is passed on to the Sponsoring Ministry and if necessary to the External Resources Department.
- (f) Then the Sponsoring Ministry along with Department / Public Institution should do a feasibility study, formulate the project with the assistance of the possible aid donors and in consultation with the Inter-Disciplinary Committee if any; and submit it to the Committee of Development Secretaries in the Final Approval Form.
- (g) National Planning Department will do the final appraisal of the project and report to the Committee of Development Secretaries.
- (h) The Committee of Development Secretaries will consider the Project proposal along with the Final Appraisal Report and in consultation with other relevant Ministries and recommend to the Cabinet who will grant the Final Approval.

The Programming of Expenditure

- (1) It is the responsibility of the Chief Accounting Officer and the Accounting Officer to ensure that the funds to be authorised by Parliament in the Annual Estimates is restricted to the programme of work that can be achieved during the financial year.
- (2) The Programming for Implementation should normally be done when projects are formulated. In any case it should be done before the Financial year of expenditure commences. No Financial commitment or liability should be incurred until the relevant warrant is issued.
- (3) Feasibility studies regarding recurrent expenditure should be under taken and expenditure forecasted before budgeting. Target, output and objectives of recurrent expenditure should clearly be defined to restrain undue expansion of expenditure. Ways and means of eliminating waste and effecting strict economies should be adopted. Organization should be structured to ensure closer monitoring and accountability. For this purpose each project and object class may be divided into suitable smaller units or components.
- (4) When the capital projects are duly approved, the implementing agency should prepare the detailed Total cost Estimate indicating the sources of financing and also draw up a programme of implementation indicating the time span. Each project and object class may be Broken into items, works, tasks, activities or any other convenient cost units to facilitate monitoring and progress control. A suitable technique like the Network Analysis may be used for the implementation programme.
- (5) A Progress/ Monitoring committee should be set up in each implementing agency to ensure that the output is achieved as programmed. For this purpose, the committee should among other things:-
 - (a) Maintain a detailed breakdown of the projects into items work, tasks, activities.
 - (b) record progress according to predetermined target dates.
 - (c) attempt to identify constraints relating to materials, personnel or organisation which may delay progress and take timely remedial action.

The progressive compilation of work-norms and the formulation of units costs will also be an important part of the Committee's duties. The committee shall report regularly to the accounting officer and the Chief Accounting Officer.

When other departments are involved in the completion of particular aspects of departmental projects, officers such other departments may also be co-opted as members of the Committee. This should be done in consultation with the Secretaries concerned.
- (6) The Chief Accounting Officer should exercise general supervision over the detailed programming of expenditure and should wherever necessary, co-ordinate the activities of the several departments under his control.

Estimation of Capital expenditure

- (1) **Rehabilitation and Improvement of Capital Assets -**

Nature of rehabilitation or improvement and the need for rehabilitation or improvement should be fully explained. Where vehicles and equipment are involved their age composition should be furnished. The estimated cost of each object under this group should be stated.
- (2) **Equipment outlay land, land Improvement and Structures Outlay -**

If an increase is sought on this object of expenditure, the need for the increase should be explained e.g., questions like whether is it by way of increase in number of men and therefore increase in furniture requirements or is there an increase in the level of activities using various equipment or is it for replacement should be covered by explanatory notes. If the equipment is for specific project it should be stated whether provided for under the project, whether the requirement of the particular project cannot be met out of the available Machinery, Equipments, Vehicles, Buildings, Structures, etc., and what is proposed to do with such capital assets when the project is over.
- (3) **Constructions and other Development Projects -**

Particulars regarding Projects which have been already commenced and continued in the budget year and having a Total Cost Estimate should be forwarded to the Treasury (Budget Division) with explanatory notes for inclusion in the Annual Estimates. Particulars regarding new projects which have been duly approved should also forwarded with explanatory notes along with references to project documents like Project Reports, Funding Agreements, implementation Programmes, etc.

Advance Accounts Activities

- (1) The Estimates relating to Advance Accounts show four types of limits, viz.
 - (a) Maximum limit of expenditure
 - (b) Minimum limit of Receipts credited to the Accounts.
 - (c) Maximum limit of Liabilities.
- (2) Capital Expenditure of Advance Account activities is not included in these limits. Such expenditures are provided under the appropriate Programmes / Projects in the General Estimates. The replacement of depreciated asset will however, be met from the Depreciation Reserve fund. The replacement cost will, in addition, be shown under the Capital Project, in the Estimates, but no monetary provision will appear. Such replacement cost should be shown by way of a footnote indicating that the expenditure will be met from Reserves.

Grants & Subsidies

- (1) Financial provision for grants to non Public sector bodies over which Parliament has no control is voted by Parliament for certain specific purposes and subject to prescribed conditions. Provision for grants as appearing in the Estimates cannot be altered without Parliamentary authority.
- (2) Financial provision for subsidies will be in respect of payments to be made by Government to meet the difference between the actual cost of a supply or service and the price at which the Government has directed that such supply or service should be sold or rendered.

Special law Services

- (1) As expenditure on special law Services is a charge on the Consolidated Fund, already imposed by law, it is not included in the Appropriation Act.

Examples of such services are -

- (a) Salary Allowances and pension of the President Article 36 of the Constitution.
 - (b) Salaries of Staff and Government share of Contributions, etc., of the Public Service Provident Fund - P. S. P. F.
 - (c) Repayment of medium and long term foreign loans (Foreign Loans Act 29 of 1987)
- (2) However, provision for such expenditure is shown in the Annual Estimates, and Particulars of the law under which the expenditure is authorised, are also distinctively indicated against the legend of the relevant budgetary unit. Such expenditure should be included in the Programme / Project Structure.
 - (3) In providing for Special Law Expenditure, any terms and conditions of the Law under which the expenditure is met, are taken into consideration, e. g, the law may prescribe a limit on a grant. In this case, if the grant is paid in annual installments, provision should not be made after the full grant has been paid.

Total Cost Estimates

- (1) The Total Cost Estimates (if revised the revised total cost Estimate) of any capital work should be shown in a special column in the Annual Estimates. In addition, information should also be provided in separate columns as follows :-

- (a) Anticipated date of completion of work.
- (b) Actual expenditure up to the end of the year prior to the year in which the draft estimates are being prepared.
- (c) The actual expenditure in the year prior to the year in which the draft estimates are being prepared.
- (d) Estimate for the year in which the draft Estimates are being prepared.
- (e) Estimate for the budget year.

The total of (b) plus (e) should not exceed the approved Total Cost Estimate.

- (2) The Total cost Estimate of Each project should be determined on the basis of a carefully priced Bill of Quantities which is supported by detailed schedules showing requirements of material, labour, plant, and equipment utilization and schedules of prices on which the Bill of Quantity rates were arrived at. There should be supporting documents to monitor Price changes and translate them to rate changes, as a matter of routine, for use if needed. The Total Cost Estimate prepared for Treasury Examination of works Proposals in terms of F. R. 37 (2) should be prepared on this basis adding 10 percent for Contingencies and a further 10 Percent to allow for calculating of prices within that year. If the work has to be phased over more than one year, the allowance for price escalation should be 10 percent for the first, 20 percent for the second year, 30 percent for the third year and so on, in respect of the work to be done in each year. The allowances for Contingencies and price escalation should be indicated separately in the preparation of Total Cost Estimates and should not be disclosed even at the time of calling for tenders or at negotiation with the Contractors, when the exact approved Total cost Estimate (excluding these percentages) should be used.

- (3) Authority for approving a Total Cost Estimate will be either the Cabinet or National Planning Dept. or the Treasury as the case may be.

BEST AVAILABLE COPY

RESOURCE ALLOCATIONS

1. General

In modern societies and particularly in the context of Governmental activity resource allocation is always in the form of financial allocation. That is all resources are collected, measured and expended in terms of money.

Thus material resources are acquired and expended in terms of money. Human resources expended are measured and costed in terms of money as labour cost or personal emoluments. So are all expenses, 'overheads' or other supplies, hire, services or duties and obligations costed.

2.1 *Resource allocation by Government*

In Sri Lanka, as in many Parliamentary democracies, Resource allocation is made through

- (i) Annual appropriation procedure (Appropriation Acts)
- (ii) Supplementary Appropriation Procedure (Supplementary estimates passed by Resolution of Parliament)
- (iii) Special law

- e. g. (a) Constitution (e.g., Art 36 - Salary allowances etc. Of office of President;
- (b) Ordinance No. 29 of 1926
Grant to Coconut Research Institute)
- (c) PSPF Ordinance No. 18 of 1942 - Salaries of staff and Government share of Contribution etc.

2.2 As expenditure on Special law Services is a charge on the Consolidated Fund, already imposed by law, it is not included in the Annual appropriation Act. This is covered by the article 150 (2) of the constitution.

3.1 *Distinction between Recurrent Expenditure and Capital Expenditure*

From the mid-fifties a distinction has been made between capital expenditure and recurrent expenditure and has assumed increasing importance in the allocation of resources.

Till recently in addition to spelling out the nature of expenditure that would be recognised an 'Capital' Monetary limit had also been mentioned in Annual Estimates circulars.

But now Capital expenditure is understood as 'expenditure that creates an asset or makes for permanent improvement of an asset or develops resources'.

4.1 *Format of Resource allocation*

From 1972 Government's resource allocation is on a Programme Budget format. Programme Budgeting is a technique of allocating the limited resources to optimise the long and short term Economic and social objectives of the Government. These objectives are set in a hierarchy corresponding to the organisational structure of the Government viz.

- (a) at national level
- (b) at the Ministerial level
- (c) at the corporation level - Departmental level
- (d) at the Distinct level
- (e) at the Divisional level
- (f) at the Project level etc.

The higher level objectives co-ordinate and regulate the lower level objectives.

4.2 *Programmes*

PPBS recognises allocation in terms of Programmes Projects and objects.

Programmes are major functions of a Department and comprises all activities which are carried out to achieve the major 'Function' or 'Objective' of the Department.

4.3 *Projects*

The activities within a programme are referred to as 'Projects' which is a homogeneous set of work operations or tasks that are carried out to attain programme goals.

4.4 *Objects*

The cost components of a project, and to a larger scale, of a Programme are called 'Objects' of expenditure. There are usually standard objects classes - (20 Standard objects)

Object - detail

Objects may be further sub-divided into object details - eg. local traveling and Overseas Travelling.

5.1 *Stages in the Resource allocations*

Financial resources are necessary for Government's recurrent or on-going activities as well as their expansion or their increase in cost.

funds have also to be formed for new activities and prospects

Budgetary Process

Annually the Departments / Ministries and other 'offices' fall into an 'estimating Procedure' of all their requirements both capital and recurrent for the ensuing year.

Generally the Government (in practice, the Treasury) is to (find money) and approve expenditure on the continued operations of Government Departments on the 'present scale of operations'.

5.2 *New Proposals*

For expanded activity

To create new posts or category of officers

To create new advance a/c activities

To revise scales of salaries etc.

Prior Treasury approval is necessary in the form of 'new proposals' Unlike in 1970 & earlier now 'Cadre' is also determined by the Budget Division

6.1 *Resource allocation*

Resources are allocated to each "Programme" in the first instance. And in turn re-allocated or apportioned to the various projects comprising the Programmes.

6.2 *Selection*

Programmes and Projects are selected on the basis of studies which include

- (a) Financial feasibility
- (b) Technical feasibility
- (c) Economic feasibility
- (d) Commercial feasibility
- (e) Managerial feasibility

Each programme and project will have two budgets

- (a) Capital budget; and
- (b) An operating and Maintenance budget

i. e. Recurrent Budget or Revenue Expenditure Budget

New projects

In respect of each new programme or project the Capital budget is formulated separately for

- (a) the seed capital showing the sub-totals for each phase of development
- (b) the Capital budget for expansion of production

Capacity in each of 5 years subsequent to commencing production installation.

6.3 *Justification of Capital budgets*

Each capital budget should be supported by

- (i) a justification statement
- (ii) statement of anticipate constraints
- (iii) Technical feasibility report
- (iv) A net work diagram or Bar Chart
- (v) Schedule of phasing expenditure etc.

BEST AVAILABLE COPY

7.1 *Planning Cycle*

- (i) National Planning Department issues a circular regarding formulation of projects.

Projects that incur over Rs. 5 million are considered 'major' projects and these incurring below Rs. 5 million considered

Minor Projects

- (ii) Formulation is on a specified Form, and the project is first appraised by the National Planning Division of the Treasury.
- (iii) If the project is favorably appraised it is submitted to the Committee of Development Secretaries. This Committee's approval is "in principle". This is the First Stage Approval.
- (iv) The Project "Approved in principle" is sent back to the Department (or Ministry) for preparation of detailed Programmes and Scheduling of Expenditure.
- (v) After that the Project again comes up for recommendation regarding financing by the National Planning Division of the Treasury.
- (vi) Where the Division recommends financing and the manner of financing the Project is submitted for Cabinet approval.
- (vii) After Cabinet approval is given it is included in the Public Investment Programme.

7.2 *Budgeting*

The Project may be scheduled for one year or of several years of expenditure. The particular component of expenditure for the ensuing year is included in the Estimates of that year. This expenditure is estimated on the 'B' form.

7.3 *Recurrent expenditure*

The treasury goes by the actual expenditure of past two years and the current year's estimate in granting approval for any recurrent expenditure provision for the ensuing year.

Discussions are had with the Department if necessary. If the Treasury and the Department cannot agree on allocations discussions is also had with the Chief Accounting Officer. (i. e. the Ministry in charge of the Department).

8.1 *Ceilings on Expenditure*

Nowadays certain ceilings are also observed in respect of both Recurrent expenditure and Capital expenditure. These ceilings are imposed by the IMF to which Sri Lanka subscribes as a member country and also obtain financial assistance.

Overall Recurrent expenditure and Capital expenditure is managed within these limits.

During the year if expenditure is likely to exceed these limit allround cuts are imposed.

8.2 *Foreign Aid Resource financing*

All Foreign Aid financing is now negotiated by the External resources Division of the Treasury.

9.1 *Public Investment Programme*

The "P. I. P." is prepared for 5 years, the last one being for 1988-1992 and is revised every year along with the budget for any changes it is therefore also called a Rolling Plan. This is a guide to the Budget Division in agreeing to allocation of resources among various Depts. and Projects.

10.1 *The P.I.D Is prepared according to FIVE sectors.*

Agriculture crops fisheries, etc.	- Depts. of Agriculture, Animal Production & Health	Export
Industries	- Large scale Industries Medium scale Industries Small scale Industries	
Economic Overheads	- Transport, Communication, IRDF etc.	
Social Infrastructure	- Education Health Social services etc	
Human settlement	- Housing Construction Water supply Town & country planning etc.	

BEST AVAILABLE COPY

PREPARATION OF ANNUAL ESTIMATES

Annual Estimates reflect the "*Financial Expression of the Govts. Policies & programmes of activity*" During the Financial year, preparation of which is a matter of "*crucial importance*" and requires "attention to detail".

Annual Estimates comprises *Revenue Estimates* and *Estimates of Expenditure*. Both are equally important, but the emphasis is on the latter, in view of massive development work since independence. Expenditure always exceeds Revenue and the phenomenon of "*Deficit Budgeting*" in continuing with us.

As regards Estimates of Expenditure we have to distinguish Recurrent from Capital Expenditure clearly. The former has to be *strictly controlled* while the latter has to be *closely monitored* to achieve targets.

The preliminary stage marks the *allocation of Resources* to Ministries on the basis of the Public Investment Programme (1992-1996 the current 5 year plan). *New projects, or revision of T. C. E.* should receive approval 6 months prior to inclusion in the Draft Estimates. (1994 Est. by 1st July 93)

The preparation of the Annual Estimates exercise starts with the issue of the Treasury Circular around March each year, which spotlights *new features* to the existing procedure. As for new projects preliminary work should have commenced long before that date with *feasibility Reports*, inclusion *in the Plan* etc. complete so that by July 1st prior approvals would have been finalised. The Minister of planning has prepared a booklet to be a guideline in preparation of Projects.

The latest instructions re preparation of estimates are shown in *Appendix I to Budget Division Circular No. 52 of 5.3. 92.*

Some of the highlights are as follows :-

Organisation oriented units of budgeting should be converted to *functions oriented budgetary units*, taking into account the devolution of power to Provincial Councils under the 13th Amendment to our Constitution. You will have a *National Budget* providing *grants or contributions* to other levels of government, e. g. *Provincial Councils* through the Ministry of Provincial Councils, with a Block grant for staff.

The Secretary to the M. / P. C will formulate the *Budgets of Provincial Councils* with the respective Chief Secretaries and finance Commissions.

Projects in the P. I. P. coming within the purview of *Provincial Councils* will be provided for under the relevant Ministry of the National Budget.

It is interesting to note the different "*Financing authorisations*" through Consolidated Fund is still the main source.

- Appropriation Acts
- Resolutions (Supplementary Estimates)
- Constitutional authorisations
- Ordinances and Acts of Parliament other than Appropriation Acts.
- Special statutory Funds.
- Advance Account Activities.
- Supply services
- Special law services.

OBJECT-WHY DO YOU SAY NO MONEY WHEN THERE IS ROOM FOR FLEXIBILITY?

(VIREMENT PROCEDURE/ SUPPLEMENTARY ESTIMATES)

1. PLANNING FOR GOVERNMENT EXPENDITURE

Particularly after independence, successive Governments have been concentrating more on planning Government expenditure in a systematic basis even though resources available fell short of revenue collected. Massive development projects undertaken to fulfil aspirations of a free nation demanded this course of action. Deficit budgeting and resorting to loans and aid to balance the budget became a phenomenon.

Government expenditure is planned well ahead of the beginning of a financial year. Such planning becomes necessary in any large organizational setup. Such as the Government, as information has to be fed by the periphery, and processed at departmental/ ministerial/ Treasury levels.

PROVISION FOR FLEXIBILITY

One of the recommendations of the Rajendra Committee, that went into administrative reforms in the 1960s, among others, was the revision of Financial Regulations for carrying out of the Government financial transactions in an orderly manner without being an obstruction to the execution of the Government's programme of work. The revised regulations that came into effect in 1966 has provided

for variations to estimated of expenditure. These provisions seek to create flexibility in utilization of funds by the executive, within approvals granted by the legislature. One can understand the need for such a procedure when the time lagre planning for expenditure is considered. Situations and needs change and new demands arise with time. Therefore if a system is to be considered satisfactory it should include inbuilt procedures to meet such situations and change.

3. CLASSIFICATION OF VARIATIONS

Variations to estimates of expenditure arise in the following manner.

- (1) Virement Procedure. "Virement" derived from a French term, viror meaning to turn, means the power to transfer items from one financial account to another. This procedure includes three things.
 - (a) Transfer of "definite to" saving of a Programme under a particular Head of Expenditure to anther Programme of the same Head of Expenditure.
 - (b) Transfer saving from one Project to anther Project in the same Programme.
 - (c) Creation of a new Project.
- (2) Approval of additional posts and alteration of salary scales.
- (3) Approval of increase in the total cost estimate of a work
- 4) Approval of increase in the prescribed limits of Advance Accounts.

4. LEGAL PROVISION FOR TRANSFER OF FUNDS.

In the early stages, transfer of founds was criticized as undermining supremacy of Parliament over public financial management. This matter was pointed out by the Auditor General, deliberated at the P. A . C. and referred to the Attorney - General for advice. Following his advice Virement Procedure mentioned above is legalised year after year by a specific provision in the Appropriation Act. It confers power to the Secretary to the Treasury or any other officer authorized by him to transfer unexpended money allocated to recurrent expenditure to another allocation within the same programme or to another programme under the same Head of Expenditure. It specifically prevents capital under the same Head of Expenditure. It specifically prevents capital expenditure under any programme under any Head being transferred out of that allocation.

Similarly, even in regard to Item 4 that is Advance Accounts the Appropriation Act confers power to the Minister to vary the limits. However, it lays down that Parliament has to approve such variation by resolution.

5. WHEN VIREMENT'S IS NOT APPROPRIATE

The regulations specify further instances when Virement Procedure is not appropriate.

- (a) Creation of a project for new special law service.
- (b) Transfer of savings from special law service to supply service and vice - versa (Transfer within special law service is allowed by ST. or D.S.T.)
- (c) Creation, increase or transfer savings from any grants in the nature of subsidies, except to educational institutions under the Education Department.
- (d) Transfer savings from foreign aid projects.
- (e) Transfer of savings which have been provided for working losses of Advance Account Activities.
- (f) Transfer of savings in between loan scheme expenditure items shown in Part III of the estimates.

6. SOME PRINCIPLES TO BE OBSERVED

The following principles also should be observed in applying Virement Procedure.

- (a) As regards creation of new posts and alteration of salary scales, etc., and also revision of total cost estimates the prescribed procedure in the F. R. should have been followed before the transfer of funds.
- (b) It must be ensured that any additional or new expenditure contemplated should be properly considered as coming within the ambit of the programme. In other words one has to justify inclusion in that particular programme, objectively.
- (c) Savings should be definitely available and should not have arisen through the postponement of an activity which could be implemented during the financial year.

7. FURTHER CONSIDERATIONS

There is another important consideration particularly as Accountants you should consider before recommending Virement Procedure in regard to additional or new expenditure.

- (a) Not consistent with economy.
- (b) Involves a drastic change in the scale of operations presented in the estimates.
- (c) You feel that it is better for Parliament to have been consulted in advance in the matter.
- (d) You also feel that the new venture will commit the Government to large scale expenditure in future years.

Although this type of consideration is normally focused at a central point like the Treasury, we are expected to look at proposals from these angles and advise the Accounting Officers.

8. TRANSFERS - DURING THE FINANCIAL YEAR

The following details of delegations may be noted.

Details	Form of Application	Authority
(1) Between Programmes under the same Head of Expenditure.	form Gen. 271	S/T. or his nominee.
(2) Between Projects of a Programme	Form Gen. 233	
(a) Recurrent Exp.		C. A. O.
(b) Capital Exp.		S/t. or D. S. T.
(3) Between Objects of a Project	From Gen. 233	
(a) Recurrent Exp. (Should be reported to the Treasury)		A. O.
(b) Capital Exp.		S/T. or D. S. T.
(4) Between Codes of the same Object.	From Gen. 233	
(a) Recurrent Exp. (Should be reported to the Treasury)		A. O.
(b) Capital Exp.		D. S. T.

9 NEW CREATIONS DURING THE FINANCIAL YEAR

- (1) Programme - Approval of Parliament is necessary.
- (2) Project - Normally not allowed. S/T. could authorize on the recommendation of a C. A. O.
- (3) Object - C. A. O. could create under Recurrent Expenditure while S/T. could create under a Capital Expenditure Project.
- (4) Object Codes - Recurrent Expenditure - A. O.
Capital Expenditure - S/T. or D.S.T.

10. EXCESSES DISCOVERED AFTER CLOSE OF FINANCIAL YEAR

Normally, if proper appropriation (Votes) Ledger control is exercised, unknown excesses cannot appear. However, due to the time lag involved in getting inter - departmental transactions recorded and reflected in the Treasury books, and the time taken to draw computer printouts, which in turn should be reconciled with the Treasury books there is provision to accommodate appropriate transfers, after the end of the financial year but before the Treasury books are closed. This is facilitated by a Try. Book Keeping Br. Circular requesting applications to be sent to the Budget Division. The procedure involved for such transfers is laid down in Try. S & C Division Circular, No. 24 of 07. 01. 1975 which is consulted up to date.

A C. S. O. could authorize such transfers between Object Codes of a Project under Recurrent Expenditure.

While all the other transfers should be authorized by the S/T/D.S.T.

11. FORMAT OF TRANSFER

The relevant Forms General set out the format which are in the nature of Book Keeping Journal Entries with All appropriate details. Each transfer should carry an "Authority" which has to be quoted in the Appropriation (Votes) Ledgers and later in the Appropriation Account. Copies should be extended to the Secretary to the Ministry, Director, Budget, Director, Accounts & payments, and the Auditor General (2 copies)

12. UNAUTHORISED EXCESSES

It is very important to note that we should be very careful not to exceed expenditure beyond approved allocations. There is no alternative to strict control of Appropriation (Votes) ledger. Without waiting for the end of the financial year we should periodically examine the cumulative position and apply to cover likely excesses in time, adducing reasons. If a case is built - up that way we will have time till about the end of the first quarter of the following financial year to have the excesses covered as the Treasury books will be open.

Excesses, without authority will be treated as unauthorised excesses, will be reflected in the Appropriation Account, reported on by the Auditor General and examined by the P. A. C. Those require a supplementary vote by Parliament.

13. SUPPLEMENTARY ESTIMATES

We have discussed variations to estimates of expenditure under paragraph 3 - Classification of Variations. We must bear in mind that the Treasury discourages supplementary estimates as a general rule and expects Ministries and Departments to submit annual estimates for all foreseeable expenditure. However, unforeseen circumstances may arise and the Cabinet may want certain expenditure incurred, which may not fall within the ambit of any existing programme in a Department, or even if it comes within such ambit, excesses may occur which cannot appropriately and fully be covered by Virement Procedure. In such circumstances supplementary estimates become necessary.

Supplementary estimates normally arise on Supply Services but Special Law Services and Loan Schemes - 1937, may also require, supplementary provision.

14. PROCEDURE TO BE FOLLOWED

The A. O. submit to the C.A. O. a report indicating the nature and extent of the service, its total cost and additional financial provision necessary. The C. A. O. will submit it to the Minister with his comments and if the Minister approves of it the Supplementary Estimate should be prepared. In regard to an existing Programme relevant information should be furnished indicating clearly whether

- (1) additional financial provision is required to the full extent, or whether
- (2) part of the additional expenditure could be met from savings, or whether
- (3) only token provision is required as the full extent of the additional expenditure can be met from savings.

15. FORM OF SUPPLEMENTARY ESTIMATE

A supplementary estimate can be one of three forms depending on the three matters mentioned at 14, i. e. (1) for full additional financial provision, (2) for part additional provision and for (3) token provision. Appendix 4 to the F. R. shows specimens of each of these forms. In the case of token provision each separate Project should contain a token of Rs. 10/= each. There should also be a Motion in the name of the Minister concerned. You will note that in the Motion it is mentioned that the debit of the supplementary provision is made chargeable to the "Consolidated Fund or any other Fund, or monies or at the disposal of the Government, or from the proceeds of any loans for the service of the financial year" This provision had been included to overcome legal problems enabling the Treasury flexibility in utilization of funds at its disposal.

16. APPROVAL OF SUPPLEMENTARY ESTIMATE

The Minister in charge forwards the Supplementary Estimate to the Minister of Finance who will place it before the Cabinet with his observations. When the Cabinet approves the proposal, the C. A. O. concerned will forward to the Secretary - General of Parliament 410 copies of the Supplementary Estimate along with the Motion attached, in all the three languages, signed by the Minister. It will then appear in the Order Paper with Cabinet approval signified, debated by the House and adopted by the House. Thereafter, the Minister of Finance will sign a Special Warrant for release of money from the provision.

As regards Special law Services not provided for in the annual estimates, the Minister of Finance has to issue a warrant for release of funds. Even if the Special law Service is already provided for in the estimates, funds can be released in the same manner on the strength of a warrant signed by the Minister of Finance. Release of supplementary provision in items under Loan Scheme - 1937 will also be authorized by the Minister of Finance, upon application.

PASGODA ADMINISTRATION BLOCK

Mr. Jagathsena, was for about six years the Director of Education, Pasgoda. On 1st December 1987 he received a promotion and assumed duties in the Head Office in Colombo. The Department did not fill this vacancy by January 1988 and the Director post lay vacant for some time.

During January and February 1988 rumour spread at different times of different persons being likely to take charge as Director. Meanwhile the office staff got used to getting urgent papers, and communications to the Ministry signed by Mr. Lankasiri, who was the more senior of the two Chief Education Officers. Mr Lankasiri naturally thought he was discharging a vital obligation by the department in attending to such duties.

This Regional Office from its inception was housed in buildings, that earlier belonged to a secondary school, Makeshift improvements had been made which provided no proper canteen facilities. The office branches were dispersed at different locations. Those long-standing shortcomings led to lethargy on the part of clerical and other staff. However, funds had been provided in the 1988 estimates for an Administration Block which was to accommodate a canteen in its ground floor.

On January 1st, 1988 Mr. Janakapala assumed duties on transfer, as Accountant in this office. He was observed to be an energetic officer and was sympathetic to grievances of minor employees and difficulties faced by clerical staff. Therefore he became popular in the Regional Office.

The Annual General Meeting of the Welfare Association of this Regional Office was held on 17th January, 1988. Many officers and minor employees believed that someone who held the purse and also had a say over supplies would be an ideal choice for the post of President of the association. So it was not a surprise when Mr. Janakapala was elected President and Mr. Herath was re-elected Secretary at the meeting.

At the A.G.M. many speakers dwelt on difficulties caused by lack of proper accommodation and canteen facilities. This was made an urgent task for the incoming Committee and Mr. Janakapala in his Presidential address promised to do his best to rectify this shortcoming. He felt the new year definitely would see a change as financial provision had already been made for a building. Mr. Lankasiri who was elected Vice-President also voiced the same sentiments.

Though the Education Ministry made no appointment for the Director's post, it also raised no objection to letters addressed to the Ministry being signed by Mr. Lankasiri. By March 1988 everyone believed that Mr. Lankasiri had sufficient seniority to be given an Acting Appointment. Difficulties were also caused by 'Zoning' of the Education Region. This added to the already aggravated

accommodation problem. Therefore the Welfare Association at an urgent meeting summoned for the purpose, appealed to the Accountant and Chief Education Officer as President and Vice-President of the Association, to initiate some action regarding the building construction particularly in order to provide canteen space. Thus on March 13th Mr. Lankasiri consulted the school works Engineer Mr. Pathmasiri on the matter. The Engineer commented that work was urgent on Lahura College building in which the District Minister was interested and advised that the Department could call for Tenders for the Administration block along with the tender for the Lahura College Building. Both Mr. Lankasiri and Mr. Janakapala agreed to this proposal.

Departmental specifications and building plans for the Administration block were already available and they had the approval of Superintending Engineer, School Works, Colombo.

The estimate for the office block was Rs. 1,080,000. The Accountant verified that the allocation from the Ministry amounted to Rs. 1,200,000. On 7th March Mr. Lankasiri called in Mr. Janakapala and Mr. Pathmasiri they sat as a Tender Board and Mr. Lankasiri chaired the meeting. They decided to call for Tenders giving 3 weeks notice. Other formalities as regards tender deposits etc. were to be included in the tender notice.

On March 20th to save time tenders were called from the contractors who had registered with the Department. Tenders were examined on 31st March and the lowest tender was found to be Rs. 1,457,000. All the contractors present pointed out that the Cement Corporation which had the monopoly of Cement Supplies had increased the prices recently by 80% and the Engineer agreed that the Departmental estimate should now be revised in view of this price increase. Tenderers were informed that the award will be announced within a week.

On 2nd April Mr. Lankasiri, attended a Conference called by the Government Agent. The District Minister too was present on this occasion and Mr. Lankasiri was able to revive the District Ministers' memory on the 4th February, Independence Day celebration at which he had promised to give priority to Educational buildings in the current years. District Budget. The District Minister turned to the Government Agent, who was also the Secretary for the District Budget, and both agreed that about Rs. 8 lakhs could be made available to the Regional Education Office.

On 3rd April the tender was awarded to Mr. Gaurawapala whose estimate was the lowest. Though his worth certificates came to Rs. 1,090,000 only, he claimed that he had undertaken major construction contracts for the Irrigation Department Anuradhapura. He was asked by the Engineer to forward written evidence of this early.

The Contractor commended clearing of land, and earth cutting for foundation on 1st April. By April 25th work had proceeded to foundation level whereupon he claimed an advance of Rs. 375,000. This was recommended by the Engineer and paid. The first part payment was claimed in the 2nd week of May, when some of the walls were completed.

At this stage the Accountant inquired whether the agreement had been signed but the Engineer was satisfied that in any case as the Contractor was proceeding on schedule on another school building the payments may continue to be made.

Construction work proceeded fast on the administration block. The ground floor area was completed by October. This enabled the opening of the new canteen on October 20th by the officer attending to duties Mr. Lankasiri. All members of the staff and Principals, teachers and members of the public who visit the Regional Office were happy at this event.

On the October Pay day Mr. Janakapala and Mr. Pathmasiri happened to meet Mr. Lankasiri in the Director's room.

Mr. Janakapala commented "Weda hithuwatath wadaa ikmaning keruna, Gaurawapala hithuwata wadaa dakshaya? The Engineer agreed "MATATH HARI SANTHOSAI "

But Mr. Pathmasiri said it was the who make this possible as the Contractor was allowed to use Cement and iron brought in for other school works he had contracted for to be used on the building. "MAMA ITHING OYA PRODEDURES BELUWE +++++++".

A heavy advance payment had also been made to the Contractor on the Lahura College building, with the knowledge of the District Minister, and this work also was being fast completed.

By the end of October 89 the Regional Education Department was able to persuade the District budget to release Rs. 4 1/2 lakh out of savings on other projects. The Accountant was persuaded to buy a refrigerator and other electrical equipment for the canteen out of funds left in the financial allocation for the Administration Block.

On January 1st 1989 Mr. Lankasiri was appointed Acting Director as the Department was understood to be awaiting the return of an Education Officer who was abroad on scholarship, to make a permanent appointment.

In February, 1989 the Building Construction was completed and the Contractor claimed the value of all his work certificates, of these payments, retention was made of 10%, only of the final payment. The Contract had not included Water Supply and Drainage but Water Supply was effected by extension from the existing buildings.

The District Minister opened the building ceremoniously on February 15th and promised further financial assistance to the cause of Education.

With the onset of monsoonal rains in May 1989 cracks began to appear in the 1st and 2nd floors of this Administration Block. Number of windows had + broken due to warping of window frames made of low quality timber. By June the roof of the 2nd floor was leaking and had caved in at a number of points. **COST INFORMATION FOR PRODUCT COSTING -**

TRADITIONAL METHOD

A manufacturing company with machining and assembly departments seeks your advice about methods of absorbing production overhead.

From the information given below you are required to

- list four methods of absorbing production overhead and show the rates for each department in respect of the four methods.
- compile a comparative statement showing, for each of the four methods chosen in (i) above, the total production cost attributable to job 1987.
- state for EACH department which rate you recommend should be used and why.
- re-calculate (or re-state) the total production cost attributable to job 987 on the basis of your answer to (i) (ii) above.

Data for the year.

		Machining Department		Assembly Department
Direct material	£	100,000	£	40,000
Direct labour	£	250,000	£	480,000
Production overhead	£	300,000	£	120,000
Direct labour hours		120,000		180,000
Machine hours		100,000		50,000

Data relating to Job 987

Direct material	£	8,000	£	2,000
Direct labour	£	2,500	£	4,500
Direct labour hours		1,000		1,500
Machine hours		800		300

2. Cost Information for product Costing Activity Based Costing Method.

from the following data

- calculate the manufacturing cost per unit of products X, Y, Z using the Activity Based Costing method.
- compare the overhead cost per unit of these products calculated in (a) above, with those of the traditional costing system and comment briefly on your results.

Data	X	Y	Z	Total
Direct Labour cost per unit	£ 8.00	£ 12.00	£ 6.00	
Material cost per unit	£25.00	£ 20.00	£ 11.00	
Machine hours	1 1/3	1	2	76,00 hrs
No. of production runs	3	7	20	30
No. of receipts	15	35	220	270
No. of deliveries	9	3	20	32
No. of production orders	15	10	25	50
Production and Sales Units	30,000	20,000	8,000	

Overhead costs

	£
Machines	760,000
Receiving	435,000
Engineering	373,000
Set - up	30,000
Packing	250,000

Lobelia Ltd, a toy manufacturer, is considering whether to accept an order for a New product for a trail period of one year. The following statement has been prepared, using data from conventional cost accounting records.

Sales volume		12,000 units
Sales Revenue (at price agreed with customer)	£	36,00
Costs :-		
Material X (historical cost)		5,000
Material Z (contract price)		9,000
Manufacturing labour		10,000
Depreciation of machine		4,000
Variable overheads (30 per unit)		3,600
Fixed overheads (80% of manufacturing labour		8,000
Total cost	£	39,600
Loss from new product	£	3,600

- (1) Past Costs : Enough material X is in stock to produce 12,000 units of the new product. This material is included at its original cost of £5,000. It cannot now be sold or used for another product if it is not used, a disposal cost of £200 will have to be paid.
- (2) Committed Costs Each unit of the new product required two kgs. of material Z. Lobelia has a long - term contract to buy 24,000 kgs. of Z each year, at \$ 37.5 per kg. (ic. £9,000 per annum in all). The current buying price is \$ 17.5 per kg. The material is used regularly by the company.
- (3) Depreciation :
 - (a) The machine that will be used to manufacture the new product was purchased 3 years ago for £ 22,000. At that time its life was estimated at 5 years and its scrap value at the end of its life as £ 2,000. Lobelia Ltd. uses the straight line methods of depreciation.
 - (b) At present the machine cannot be used elsewhere in the company. If the new product is not manufactured, the machine will be sold immediately for £ 7,000 It could be sold for £ 4,000 after being used for one year on the manufacture of the new product.
- (4) Fixed Overheads : In past years fixed overheads, which include items such as rent, rates and other administrative expenses, have equaled approximately 80% of manufacturing labour. Allowance has been made for fixed overhead cost at that rate. All expenses included under this heading are expected to remain unchanged whether or not the contract is accepted.
- (5) Other Opportunities: The labour to be used on the new product under consideration by Lobelia Ltd. is skilled, and the company is not able to replace it during the coming year, If the new product is manufactured, the company will lose cash profit on some other activities amounting to £ 11,000.

4. Cost Information for Performance Evaluation

The following figures were taken from the annual accounts of two electricity supply boards working on uniform costing methods.

Mater reading, billing and collection costs :	Board A	Board B
	£000	£000
Salaries and Wages of:		
Mater readers	150	240
Billing & collection Staff	300	480
Transport and Travelling	30	40
Collection agency charges	-	20
Bad debts 10	10	
General charges	100	200
Miscellaneous	10	10
	600	1,000
Units sold (millions)	2,000	9,600
Number of consumers (thousands)	800	1,600
Sales of electricity (millions)	£ 18	£ 50
Size of area (Sq. miles)	4,000	4,000

Prepare a comparative cost statement using suitable units of cost. Brier notes should be added, commenting on likely causes for major differences in unit costs so disclosed.

Performance Evaluation of Electricity Boards Using LOTUS 123

A	B	C	D	E	F	G	H	I
						Board A		Board B
						£ 000		£ 000
Salaries & Wages of Meter Readers						150		240
Billing & Collation Staff						300		480
Transport, Travelling Collation Agency						30		60
Total Direct Expenses						@SUM (G6.G8)		@SUM (16.18)
General Charges						100		200
Total Direct Expenses & General Charges						(G10+G11)		(110+111)
Bad Debts						10		10
Miscellaneous						10		10
TOTAL EXPENSES						@SUM(G13..G15)		@SUM (113 ... 115)
Units sold (Millions)						2,800		9,600
Number of consumers (Thousands)						800		1,600
Sales of electricity (Millions)						18		50
Size of area (Sq. miles)						4,000		4,000
Cost Unit - 100 Consumers								
1) Sales & Wages of Meters					£	(G6/G21) + 100		(16/121) + 100
Reader / cost Unit								
2) Salaries & Wages of Billing & Collation Staff / cost unit					£	(7/G21) + 100		(17/121) + 100
3) Transport, Travelling & Collecting Agency / cost unit					£	(G8/G21) + 100		(18/212) + 100
4) General Charger / cost unit					£	(G11/G21)+100		(11/121)+100

Answer

Performance Evaluation of Electricity Boards Using LOTUS 123

	Board A	Board B
Salaries and Wages of Meter Readers	150	340
Billing & Collection Staff	300	480
Transport, Travelling & Collection Agency	30	60
Total Direct Expenses	480	780
General Charges	100	200
Total Direct Expenses & General Charges	580	980
Bad Debts		10
Miscellaneous		10
TOTAL EXPENSES		600
Units sold (Millions)		2,800
Number of consumers (Thousands)		800
Sales of electricity (Millions)		18
Size of area (Sq. miles)		4,000

Cost Unit - 100 Consumers

(1) Sales & Wages of Meter Readers/cost unit	£	18.75	15.00
(2) Salaries & Wages of Billing & Collection Staff/cost unit	£	37.50	30.00
(3) Transport, Travelling & Collecting Agency/cost unit	£	3.75	3.75
(4) General Charges/cost unit	£	12.50	12.50

**DEVELOPMENT OF INTERNAL COST INFORMATION
FOR
COST CONTROL, PRICING, DECISION MAKING & PERFORMANCE EVALUATION**

1. The Need for Cost Information.

In any organisation, whether it is an industrial or commercial company, a commercial public corporation, statutory board or a department of central, provincial or local government, for its activities cost information is essential. Routine cost information is required for operational activities such as procurement of materials, components and sub-assemblies, employment of managers, workers and other staff and provision of services which include transport, power supply, insurance etc. Specific cost information is essential for tactical and strategic managerial activities such as cost control, pricing, decision making and performance evaluation.

2. Cost Information for Government Departments

In industrial and commercial enterprises, the emphasis is on running production units and warehouses at maximum cost and ensuring a required level of profit.

However, in Government Departments the outlook is different. Functions and activities of most of the Government Departments are to provide services which are necessary and socially desirable for the well being of the community. Most of these services are not normally provided by the private sector because they are usually of a non-profit making nature, and if a profit were to be made the general public probably would not be willing to pay. Thus the objectives of Government Departments are to provide the required services as efficiently as possible in order to minimise the burden the tax payer.

In Sri Lanka, only certain Government Departments such as Department of Small Industries, Department of Commodity Purchases, Government Factory etc. are engaged in commercial activities. Other Government Departments perform wide range of activities such as National Defence, Justice and Courts Administration, Education, Health, Tax collection, Agrarian Services, Religious and Social Activities etc.

Even though budgetary provisions are made through annual estimates and accounts and related schedules are submitted for accountability, detailed cost informations are not available in most of these Government Departments.

Properly designed and operated costing systems in Government Departments would provide the following details and information for managerial decision making and action.

- (a) Classification and analysis of cost of products, services, cost centres and profit centres, where appropriate.
- (b) measurement of the cost of every unit of goods or services and the development of relevant cost standards.
- (c) determination of prices so as to cover costs and generate an acceptable level of profit, where appropriate.
- (d) canvassing for subsidies if costs are high and therefore not socially desirable to sell at higher prices.
- (e) provision of comparative cost data for different periods and activity levels.
- (f) provision of actual figures of cost information with estimates and to serve as a guide for future estimates.
- (g) identification of the areas of inefficiencies and the extent of the various forms of waste, whether of materials, time or expenses or in the use of machinery, equipment and other facilities.

The purpose of suitable costing systems in Government Departments is not only to ascertain cost information of various functions and activities as stated above, but also to have control over costs to be cost effective and to develop suitable performance indicators such as.

- Cost of a case settled and the time taken for settlement by Courts,
- Cost per pupil for schools.
- Cost per bed day of indoor patients for hospitals
- Average BTT paid by companies and the cost of collection.
- Average Tax paid by companies and the cost of collection.
- Average Income Tax paid by personal tax payers and the cost of collection.
- Rates collected per household for Local Authorities.
- Cost of a ton of refuse collected by Local Authorities
- Cost per letter delivered
- Cost per telegram handled
- Cost per farmers problem settled
- Cost for a new variety of seed developed etc.

These performance indicators would help to measure the performance of functions and activities of Government Departments and to decide the resource allocation patterns for the preparation of annual budget estimates.

3 Development of Internal Cost Information

3.1 Organisation of Cost Systems - Creation of Cost Centres, Profit Centres and Investment Centres.

The fundamental elements of a costing system include the creation of Cost Centres, profit Centres and Investment Centres. Investment centres are the subsets of the organisation, profit centres are the subsets of investment centres, cost centres are the subsets of profit centres. The centres are determined on the basis of the organisation structure, staffing, product mix, service mix and activities. Cost centres are of two types, the first the "main" cost centre which may be either a production cost centre or service cost centre as the case may be, the second are the "support" cost centres i.e. all the supporting services such as stores or maintenance which cater to the main cost centre. Suitable units of measurement which are known as "cost units" are determined and then related to each main cost centre.

The definitions of cost unit, cost center, profit centre and investment centre based on the Terminology published by the Chartered Institute of Management Accountants (CIMA) of the U. K. are as follows:

- * Cost Unit : a Quantitative unit of product, or service in relation to which costs are ascertained.
- * Cost Centre : a location, function or items of equipment in respect of which costs may be ascertained and related to cost units for control purposes.
- * Profit Centre : a segment of the business entity by which both revenues are received and expenditures are caused or controlled, such revenues and expenditure being used to evaluate segmental performance.
- * Investment Centre : a profit centre in which inputs are measured in terms of expenses, and outputs are measured in terms of revenues, and outputs are measured in terms of revenues, and in which assets employed are also measured - the excess of revenue over expenditure then being related to assets employed.

3.2 Traditional methods of Cost Allotment

3.2.1 Cost Allocation :

The allotment of whole items of cost to cost centres or cost unit, i.e., items of cost are directly identified with a cost centre without dividing (splitting) and allocated to that cost centre or cost unit.

3.2.2 Cost Apportionment :

For certain types of overhead cost, it is not possible to identify the whole of cost with one cost centre and therefore, it is necessary to divide these costs over several cost centres on some agreed basis. e.g., rent and rates are apportioned on the basis of floor area.

3.2.3 Cost Absorption :

On completion of allocation and apportionment of overhead costs, these costs would accumulate with production / operation cost centers. Finally, these costs should be allotted to cost units by means of rates (mostly pre-determined) separately calculated for each cost centre.

Most commonly used absorption rates are,

- * Direct Labour Hour Rate for a labour intensive cost centre.
eg. an assembly department.
- * Machine Hour Rate for a capital intensive cost centre.
eg. a machine department.
- * Cost Unit Rate For a cost centre with a single product or for a finishing department.

In addition, absorption rates based on percentages, such as direct material percentage rate and direct wages percentage rate, are also in use.

3.3 Latest Philosophies of Cost Allotment

The major criticism of traditional systems is that they are not "adaptive" with the changes taking place in the industrial, commercial and service sectors. Rather, it is argued that these cost accounting systems can mislead and misdirect.

The following changes in the commercial environment are clearly noticeable :

- * In manufacturing, direct labour decreases in importance, overhead costs in design, development, marketing etc. become more important.
- * Products and services become obsolete more quickly and it is necessary to respond and more quickly to the demands of the market.
- * Quality of goods and services receives increasing emphasis.
- * Just In Time (JIT - see NOTE below) philosophies are increasingly adopted incorporating flexible manufacturing systems and greater automation.

NOTE : Just-in-time manufacturing is all about organising the production process so that inventories of raw material, work-in-progress and finished goods are really kept under control and driven down to a minimum. The primary goal of a just-in-time approach is to have no more material than is absolutely necessary arrive at the plant exactly when it is ready to be used.

Traditional Cost Accounting systems have been criticised for the following reasons :

- * Direct labour is often used as an overhead absorption base. As the importance of direct labour diminished, this practice, which has been criticised on academic grounds, becomes unsustainable on practical grounds.
- * Inclusion of overhead costs in stock encourages stock building, discourages stock reduction - hardly appropriate in a company wishing to adopt a JIT philosophy !
- * Cost accounting has concentrated on control of manufacturing costs but it is the 'fixed' costs in the business, design, development, marketing etc. which are becoming increasingly important, Product costs are often 'locked in' to the product during design and development and these costs need to be managed early in the product lifecycle, not reported later against standards which incorporated existing technologies and production constraints.

There have been a number of philosophies / approaches to tackle the above criticisms and two of which, the Activity-based Costing and the Japanese Costing Systems are described below complex production management environment. The 200 products must be scheduled through the plant, and this requires frequent setups, inventory movements, purchase receipts and inspections. To handle this complexity the support departments must be larger and more sophisticated.

Kaplan and Cooper use the above example to illustrate that many costs vary not with the volume of items manufactured but with the range of items produced (i.e. the complexity of the production process). Complexity-related costs do not normally vary significantly in the short-term with the volume of production. If a change in volume does not alter the range of products then it is likely that long range variable costs will not alter but if volume stays constant and the range of items produced changes then support - department costs will vary accordingly.

b) Transaction-based Cost Drivers

The output of a support department consists of activities such as set-ups, inspections, materials handling and scheduling. Under most circumstances these costs will not vary in the short-term but will eventually begin to rise as the increasing complexity of the production process places additional demands on support-departments. Thus support departments grow intermittently. Kaplan and Cooper believe that the key to understanding what causes overhead costs (i.e. what drives these costs) is the transactions undertaken by the support departments. Thus transactions undertaken by support departments. Thus transactions undertaken by support department personnel are the appropriate cost drivers. The following are some of the transaction based cost drivers which have been recommended by various writers :

1. the number of production runs undertaken drives production scheduling, inspection, material handling and set-up cost.;
2. the number of goods received orders drives the costs of the receiving department;
3. the number of purchase, supplies and customers orders similarly drives the costs associated with raw material inventory, work-in-progress and finished goods inventory.

Other cost drivers which Kaplan and Cooper are experimenting with include average number of engineering change orders per month, total number of vendors, the number of parts in an average product and the number of customer calls that are being made.

Cost Centres in ABC

With an activity-based costing system a cost centre is established for each cost driver. For example, the total cost of all set-ups might constitute one cost centre. To arrive at a charging-out rate, the total cost centre would be divided by the number of transactions that generated those costs. For example, if there were 100 set-ups during a period and the total cost traced to the cost centre was \$ 100,000 then the charging-out rate would be \$1,000 per set-up. To determine the set-up cost for a particular product, the number of set-ups for the product would be multiplied by \$1,000. Activity-based costing would trace other non-volume related overhead costs to products using a similar approach.

3.3.2. Japanese Costing System-an "influencing" role.

Japanese companies tend to use their costing systems not to identify precisely the resources which a particular product has consumed, but to 'influence' workers and management so that they work in harmony with company strategy.

Highlevel Japanese managers seem to worry less about whether an overhead allocation system reflects the precise demands each product makes on corporate resources than about how the system affects cost-reduction priorities of middle managers and shop-floor workers.

Labour may still be used as an overhead absorption base because this encourages automation. Head office costs may be (partly) allocated to divisions on the basis of headcount in order to encourage headcount reductions. some overhead costs might be attributed to product on the basis of part count (where unique parts carry a higher weighting than common parts) thus encouraging commonality and simplification.

Another technique used in Japanese System is "Target Costing" This technique addresses the trends of shortening product lifecycles and a heavy proportion of costs 'locked in' to the product during its early design and development stages.

A target price is first derived which is in line with marketing strategy and hence a target cost is established. This cost may be substantially in excess of that which is currently achievable but an iterative process involving design engineering, manufacturing engineering, procurement strategy etc. gradually reduces the cost toward target. The philosophy is very different from that of 'standard' costing, which may enshrine existing technology and production practices in the 'standard'.

4. Cost Information for Cost Control

Costing information systems could be developed to control costs in all possible areas of the organisation. By means of planning and budgeting procedures, introducing proper documentation, and suitable monitoring procedures detailed cost control procedures could be introduced in the following areas of a manufacturing concern.

- Research and Development
 - Testing the prototype
 - Test marketing
- Purchasing of materials
- Storage of materials, components and sub assemblies
- Material usage
- Recruitment and maintenance of personnel records
- Direct labour utilization
- Allocation of supervisors and foremen
- Labour training and Management Development
- Production planning
- Plant and machinery utilization
- Usage of tools
- Power consumption
- Usage of lubricants, oils and other consumable
- Maintenance of plant, machines, buildings and other equipment
- Storage of spare parts and consumable
- Material handling and other production support services
- Administration
- Finance
- Other supporting functions
- Storage of finished goods
- Disposal of substandard items and rejects
- Identification of fast moving and slow moving items
- Disposal of surplus and obsolete items
- Allocation of salesmen and delivery vehicles
- Salesmen Travelling and calls made
- Advertising and publicity
- After sales services

Similar areas for cost control could be developed for trading organizations and service industries.

One of the specialized cost accounting techniques is known as standard costing and variance analysis could be used in most of the areas of cost control mentioned above. This technique relates to the concept of "management by exception" or exception reporting, that is, whether favorable of adverse, only wide variances would be reported, for corrective action, Variance analysis could be made either in absolute terms or relative terms the latter by using percentages. If variances are analyzed in relative terms, parameters need not be changed from time to time, for the purpose of exception reporting. This is one of the main advantages of variance analysis in relative terms. Mathematical or quantitative models could also be used in most of the areas of cost control mentioned above. Examples of popular applications are given below :

- * Stock Control Model - to set stock control parameter, Reorder Levels, Maximum Levels, Minimum Level etc., and to determine the Economic Order Quantity with a view to minimize costs.
- * Transportation Technique - to minimize the internal transport costs.
- * Linear Programming Techniques - to allocate jobs and workers to machines.
- * Network analysis - for production, planning and control. However, these are relatively sophisticated techniques, which may be attempted, once the simpler ones are mastered.

5. Cost Information for Pricing

Whether in public enterprises or private sector organizations pricing is one of the important aspects in the competitive environment. It is an absolute must that management should continuously monitor changes in prices taking into account the impact of both internal and external variables.

Whether the pricing is cost based or otherwise, correct costing and timely cost information reports are important in order to know the profit or loss of a product or service and to take suitable and timely action. In other words, whether the organization is operating under perfect competition, monopoly or monopolistic competition, finding correct and timely costs of its products or services is a vital aspects for short term profitability and long term viability. Cost based pricing could be of three types, variable cost plus markup, production cost plus markup and total cost plus markup

6. Cost Information for Decision making

As stated in para 1) & 2) above, Cost information could well be used at all levels of managerial decisions. Day to day cost information is used in operational decisions. Information systems related to periodic monitoring procedures possibly incorporated with mathematical or quantitative models could be used in tactical decisions. Marginal cost information, Relevant cost information etc., could be used for certain strategic decisions. Examples of such strategic decisions are as follows :

(a) Accepting or Rejecting a Special Order.

From time to time the management of a company may be approached with an order to produce products at a price lower than full absorption cost. It may be considered that special orders should be accepted provided the selling price exceeds variable cost thus yielding a contribution.

(b) Shut Down Decisions

In shut down decisions we avoid the inclusion of fixed costs into product costs. Shut down decisions are usually of two types :

1. discontinuance of a product line or product in a multi product situation.
2. total discontinuance of production in the short-term.

(c) Make or Buy Decisions

Frequently management are faced with the decision whether to make a particular product or component or whether to buy it in. Apart from overriding technical reasons, the decision is usually based on an analysis of the implications.

In general the relevant cost comparison is between the marginal cost of manufacture and the buying in price. However, when manufacturing the component displaces existing production, the contribution must be added to the marginal cost of production of the component before comparison with the buying in price.

(d) Extra Shift Decisions

Extra shift decisions are concerned with whether or not it is worth opening up an extra shift for operations, typically from 8 hours a day to a 24 hour round - the - clock service, or from a weekday-only service to Saturday services as well.

Departmental stores and super markets opening on Sundays and some clearing banks opening branches on Saturday morning are certain examples of "extra shift" working in non-manufacturing sector.

(e) Product Mix Decisions

Where a company produces more than one product, and is operating at or near full capacity, decisions have to be made, as to what products to concentrate on or what orders to accept. Marginal costing, with its contributory approach, supplies the correct data for this type of decision making, because overall profitability is determined by the product which makes the largest total contribution to

iii) all overheads absorbed. Fixed overhead absorption is always irrelevant, since it is overheads to be incurred which affect decisions. However, variable overhead costs are usually relevant.

(c) A relevant cost is one which arises as a direct consequence of a decision. Thus, only costs which will differ under some or all of the available opportunities should be considered, relevant costs are therefore sometimes referred to as, incremental costs or differential costs.

Cost Information for Performance Evaluation

The performance evaluation of cost centres, profit centres and investment centres could be measured in the following bases.

- i. On a time series basis

Variable cost plus markup pricing is based on marginal costing principles which treat fixed costs as period costs to be written off from the contribution earned during the period under consideration. Contribution is defined as the sales revenue less variable costs. Since the fixed costs (ie. all fixed costs, production, administration and marketing costs) are not taken into consideration in ascertaining variable costs plus markup pricing, it is necessary to have an adequate markup to cover all fixed costs. In this method of pricing, at the end of the accounting period, it is necessary to have an analysis to check whether the markup was adequate to cover the fixed costs and the targeted profit.

The production costs plus markup pricing is based on the absorption costing principle. By this method the fixed production overhead should be absorbed using one of the bases of overhead absorption mentioned in para 3. 2. 3 .above. The markup should be set to cover administration and marketing overheads and profit.

The total costs plus markup pricing is similar to production costs plus markup pricing. In this case, in addition to the absorption of production overheads, administration and marketing overheads should be absorbed (or charged) to find the total cost of the product. Since the total cost is covered the entire markup would be for profit margin. In this method of pricing the administration and marketing overheads would be absorbed using a percentage related to production cost or selling price. For an accounting period this percentage would be determined based on past experience. In the cases of cost based pricing particularly for the total cost plus method, it is essential to use correct bases and methods to apportion (both primary and secondary apportionments) and to absorb common costs.

Best Available Document

BEST AVAILABLE COPY

compare the performance of a particular period with the previous or the same period of the previous year. On this basis, the trend of performance also could be observed over a long period.

ii. On a cross section basis

compare the performance of one centre with another centre. In this case it would be possible to compare the performance of two or more centers with same or similar activities.

Cost Information & Formulae

Performance Evaluation of Electricity Boards Using LOTUS 123

A	B	C	D	E	F	G	H	I	
					Board A			Board B	
					£'000			£'000	
Salaries & Wages of Meter Readers						150			240
	Billing & Collection Staff					300			480
Transport, Travelling & Collection Agency						30			60
	Total Direct Expenses					@SUM (G6..G8)			@SUM (I6..I8)
General Charges						100			200
	Total Direct Expenses & General Charges					(G10+G11)			(I10+I11)
Bad Debts						10			10
Miscellaneous						10			10
	TOTAL EXPENSES					@SUM(G13..G15)			@SUM (I13.. I15)
Units sold (Millions)						2,800			9,600
Number of consumers (Thousands)						800			1,600
Sales of electricity (Millions)					£	18			50
Size of area (Sq. miles)						4,000			4,000

Cost Unit - 100 Consumers

(1) Sal & Wages of Meter Readers / cost unit	£	<u><u>(G6/G21)*100</u></u>	<u><u>(16/I21) *100</u></u>
(2) Salaries & Wages of Billing & Collection Staff/ cost unit	£	<u><u>(G7/G21) *100</u></u>	<u><u>(17/I21)*100</u></u>
(3) Transport, Travelling & Collecting Agency / cost unit	£	<u><u>(G8/G21)*100</u></u>	<u><u>(18/I21)*100</u></u>
(4) General Charges / cost unit	£	<u><u>(G11/G21)*100</u></u>	<u><u>(I11/I21)*100</u></u>

profits. It involves identifying the limiting factor which constrains the ability to produce output and concentrating on the product which maximises contribution per unit-of this limiting factor.

Limiting Factor

A factor which at any time or over a period may limit the activity of an entity. often one where there is shortage or difficulty of supply.

(f) Decisions Based on Relevant Cost

Costs appropriate to aiding the making of specific management divisions CIMA Terminology.

A relevant cost is a future cash flow arising as a direct consequence of a decision

(a) Relevant costs are future costs.

- i) A decision is about the future : it cannot alter what has been done already.
- ii) The concept that by-gones are by-gones relates not only to labour, but also to all historic costs or materials, machinery and other items.

- iii) Costs that have been incurred include not only costs that have already been paid, but also costs that are the subject of legally binding contracts, even if payments due under the contract have not been made. These costs are known as "committed" costs.
- (b) Relevant costs are cash flows :
- Only cash flow information is required. This means that costs or charges which do not reflect additional cash spending should be ignored. These include:
- i) depreciation, as a fixed overhead incurred;
 - ii) notional rent or interest, as a fixed overhead incurred.

COST INFORMATION FOR PRODUCT COSTING - TRADITIONAL METHOD

A manufacturing company with machining and assembly departments seeks your advice about methods of absorbing production overhead.

From the information below you are required to :

- (i) list four methods of absorbing production overhead and show the rates for rates for each department in respect of the four methods.
- (ii) compile a comparative statement showing, for each of the four methods chosen in (i) above, the total production cost attributable to job 987;
- (iii) state for EACH department which rate you recommend should be used and why;
- (iv) re-calculate (or re-state) the total production cost attributable to job 987 on the basis of your answer to (c) (ii) above.

Data for the year

	Machining Department	Assembly Department
Direct material	£ 100,000	£ 40,000
Direct labour	£ 250,000	£ 480,000
Production overhead	£ 300,000	£ 120,000
Direct labour hours	120,000	180,000
Machine hours	100,000	50,000

Data relating to Job 887 :

Direct material	£ 8,000	£ 2,000
Direct labour	£ 2,500	£ 4,500
Direct labour hours	1,000	1,500
Machine hours	8,000	300

Cost Information for Product Costing

Activity Based Costing Method

From the following data,

- (a) calculate the manufacturing cost per unit of products X, Y, Z using the 'Activity Based Costing' method.
- (b) compare the overhead cost per unit of these products calculated in a) above, with those of the traditional costing system and comment briefly on your results.

Data :	X	Y	Z	Total
Direct Labour cost per unit	£8.00	£ 12.00	£ 6.00	
Material cost per unit	£ 25.00	£ 20.00	£ 11.00	
Machine hours	1 1/3	1	2	76,000hrs
No. of production runs	3	7	20	30
No. of receipts	15	35	220	270
No. of deliveries	9	3	20	32
No. of production orders	15	10	25	50
Production and Sales Units	30,000	20,000	8,000	

Answer

PERFORMANCE EVALUATION OF ELECTRICITY BOARDS USING LOTUS 123

	Board A	Board B
	£'000	£'000
Salaries & Wages of Meter Readers	150	240
Billing & Collection Staff	300	480
Transport, Travelling & Collection Agency	30	60
Total Direct Expenses	<u>480</u>	<u>780</u>
General Charges	100	200
Total Direct Expenses & General Charges	<u>580</u>	<u>980</u>
Bad Debts	10	10
Miscellaneous	10	10
TOTAL EXPENSES	<u><u>600</u></u>	<u><u>1000</u></u>
Units sold (Millions)	2,800	9,600
Number of consumers (Thousands)	800	1,600
Sales of electricity (Millions)	£ 18	50
Size of area (Sq. miles)	4,000	4,000

Cost Unit - 100 Consumers

1) Sal. & Wages of Meter Readers / cost unit	£	<u>18.75</u>	15.00
2) Salaries & Wages of Billing & Collection Staff / cost unit	£	<u>37.50</u>	<u>30.00</u>
3) Transport, Travelling & Collecting Agency / cost unit	£	<u>3.75</u>	<u>3.75</u>
4) General Charges / cost unit		<u>12.50</u>	<u>12.50</u>
Overhead costs :			

£

Machines	760,000
Receiving	435,000
Engineering	373,000
Set-up	30,000
Packing	250,000

3. Relevant Cost Information for Decision Making

Lobelia Ltd, a toy manufacturer, is considering whether to accept an order for a new product for a trial period of one year. The following statement has been prepared, using data from conventional cost accounting records.

Sales volume		12,000 units
Sales Revenue (at price agreed with customer)	£	36,000
Costs :		
Material X (historical cost)		5,000
Material Z (contract price)		9,000
Manufacturing labour		10,000
Depreciation of machine		4,000
Variable overheads (\$30 per unit)		3,600
Fixed overheads (80% of manufacturing labour)		8,000
Total cost	£	39,600
Loss from new product	£	3,600

- 1) Past Costs : Enough material X is in stock to produce 12,000 units of the new product. This material is included at its original cost of £5,000. It can now be sold or used for another product; if it is not used, a disposal cost of £200 will have to be paid.

- 2) Committed Costs : Each unit of the new product required two kgs. of material Z. Lobelia Ltd. has a long-term contract to buy 24,000 kgs. of Z each year, at \$37.5 per kg. (ie. £9,000 per annum in all) The current buying price is \$17.5 per kg. The material is used regularly by the company.
- 3) Depreciation:
- The machine that will be used to manufacture the new product was purchased 3 years ago for £22,000. At that time its life was estimated at 5 years and its scrap value at the end of its life as £2,000. Lobelia Ltd. uses the straight line methods of depreciation.
 - At present the machine cannot be used elsewhere in the company. If the new product is not manufactured, the machine will be sold immediately for £7,000. It could be sold for £4,000 after being used for one year on the manufacture of the new product.
- 4) Fixed Overheads : In past years fixed overheads, which include items such as rent, rates and other administrative expenses, have equalled approximately 80% of manufacturing labour. Allowance has been made for fixed overhead cost at that rate. Allowance has been made for fixed overhead cost at that rate. All expenses included under this heading are expected to remain unchanged whether or not the contract is accepted.
- 5) Other Opportunities : The labour to be used on the new product under consideration by Lobelia Ltd. is skilled, and the company is not able to replace it during the coming year. If the new product is manufactured, the company will lose cash profit on some other activities amounting to £11,000.

4 Cost Information for Performance Evaluation

The following figures were taken from the annual accounts of two electricity boards working on uniform costing methods.

Mater reading, billing and collection costs :	Board A	Board B
Salaries and Wages of Meter readers	150	240
Billing & collection Staff	300	480
Transport and Travelling	30	40
Collection agency charges	--	20
Bad debts 10	10	
General charges	100	200
Miscellaneous	10	10
	<u>600</u>	<u>1,000</u>
Units sold (millions)	2,800	9,600
Number of consumers (thousands)	800	1,600
Sales of electricity (millions)	£ 18	£ 50
Size of area (Sq. miles)	4,000	4,000

Prepare a comparative cost statement using suitable units of cost. Brief notes should be added, commenting on likely causes for major differences in unit costs so disclosed.

WORD PROCESSING

AND COMPUTER

Word Processing is the use of
Computer as a typewriter.
Computer keyboard is the same as
the typewriter keyboard,
with some additional keys.

It is possible to type in

SINHALA

ENGLISH or

TAMIL

with the same Computer, same keyboard !

Computer offers many facilities
which the typewriter will not

Some of them are:

a Dictionary for spell check,

a Thesaurus for getting

similar words,

ability to have pictures in documents.

COMPUTER

AND IT'S CAPABILITIES

COMPUTER IS A VERY FAST
CALCULATOR

IT CAN DO VERY COMPLEX
ARITHMETIC OPERATIONS
ACCURATELY!
QUICKLY!

IT CAN STORE INFORMATION
IN LARGE VOLUMES!
IN A SMALL SPACE!
AT A LOW COST!

WE CAN GET BACK INFORMATION
STORED IN THE COMPUTER
QUICKLY!
IN DIFFERENT FORMATS!

INFORMATION STORED IN THE COMPUTER IS SHARABLE!

COMPUTER FILES

AND DATABASES

FILE is a collection of information stored in the computer.

A collection of files is called a DATABASE

Computers can have very large databases.

From databases we can get;

- Selected information we need,
- In a particular format we need,
- In a particular order we need,
- Information created using information already we have in the database,
- Quickly and easily.

A set of easy to use English like commands is enough to get this information out.

One example is

DISPLAY ALL PEOPLE, AGE, SEX, VILLAGE

When you are using a database of people, which contains age, sex and village etc.

SPREADSHEET

PROCESSING

Many of the common calculation problems can be in a table form,

i. e. Rows and columns.

Spreadsheet allows to create a table in the computer.

An electronic set of

Rows and Columns.

In this electronic sheet you can have

WORDS and PHRASES

NUMBERS and FORMULAS,

and do calculations fast.

When you change numbers results of calculations in the sheet will change automatically

This will avoid the problem of recalculation.

COMPUTER

GRAPHICS

COMPUTER GRAPHICS ARE PICTURES
DRAWN USING THE COMPUTER

USING THE COMPUTER IT IS POSSIBLE
TO DRAW THE FOLLOWING QUICKLY, EASILY:

- PICTURES IN MULTIPLE COLOURS
- LINES, BOXES, CIRCLES ETC.
- BAR CHARTS ETC TO REPRESENT INFORMATION
- MOVING PICTURES
- PICTURES WITH SOUNDS
- SIGN BOARDS
- BANNERS WITH SLOGANS ETC.

LOTUS

STARTING LOTUS

INSERT DOS DISKETTE and press ENTER key.

When a> is displayed

REMOVE DOS DISKETTE and INSERT LOTUS DISKETTE.

Type LOTUS and press ENTER key.

You will be viewing a screen with the following commands appearing on the top.

1-2-3/PRINT GRAPH / TRANSLATE / INSTALL / VIEW / EXIT.

Highlighted bar is the menu pointer. The menu pointer now highlights 1-2-3, Below this choice is the description of the highlighted menu items, sometimes referred to as sub menu.

WORKSHEETS / GRAPHS / DATABASE PROGRAM

You can move the menu pointer to other menu items by pressing the right and left ARROW keys/

Note changes in description as highlighted item is changed. To select any menu item move the menu pointer to that menu item and press ENTER.

To start work on the worksheet highlight 1-2-3 from the access system and press ENTER. Then your screen displays the blank worksheet.

WORKSHEET

There are 256 columns labeled a through IV.

8122 rows numbered 1 through 8192

Each column is described by a LETTER / LETTERS.

Each row is described by a NUMBER.

CELL POINTER

Now the cell pointer in A1. The top line reads where cell pointer is currently located.
Cell pointer is the highlighted bar in the worksheet.

The intersection of a column and row forms a cell. e. g. A and 1.

MOVING AROUND THE WORKSHEET

You can move the cell pointer to different places in a worksheet by using ARROW keys.

Note change in reading of top line as cell pointer moves to another location.

At the upper right corner you get mode indicator. If mode indicator is READY you can enter text or numbers in the worksheet.

ERASE

The computer will request you to enter the range you want to copy to. Type B2..H2 and press ENTER. Copying takes place.

COLUMN WIDTH

Keep the cell pointer in column A to increase the column width.

Select the main menu and execute the WORKSHEET command and sub-command COLUMN. Select the option given SET WIDTH and give the width number as is and press ENTER. TYPE ROW 3, ROW 4, DETAILS

Now type A5 to C7 details.

FORMULAS

Formula must begin with a + sign i. e. +B5*C5

Select MAIN MENU

Select COPY command.

Enter range to copy from. It will indicate D5..D5. This is correct then press ENTER. Enter range copy will appear. It will now read D5 Type a. you will see D5...D5 and then press down ARROW key to highlight range to copy to and then press ENTER.

Keep the cell pointer at B9 and type the formula +B5+B6+B7

Keep the cell pointer at D9 and type the formula +D5+D6+D7

ERASE OR CORRECTING ERROR IN CURRENT CELL

To erase cell contents keep the cell pointer in that cell and press the SPACE BAR key and then press ENTER key. You will notice that the cell contents will be blank.

Correct an entry in a cell keep the cell pointer in that cell and type the new entry. You will notice that the new entry will replace earlier entry.

SORTING

	A	B
	NAME	ADM. NO
1.	MIHIRI	1
2.	SURESHI	2
3.	HARSHI	3
4.	DHARSHI	4
5.	CHANDRIKA	5
6.	JOY	6

BEST AVAILABLE COPY

Enter the above data in your 1-2-3 worksheet. i. e. column A, B

Student name and the admission number is given for each student. Now we will sort above records in ascending order to names.

SORT

Select the MAIN MENU. Move the menu pointer to menu item DATA.

In the sub menu i. e. line 3 you will see the SORT command available.

Execute DATA command and then execute SORT command Select DATA-RANGE to be sorted i. e. A2....B7 and press ENTER.

Again precious. The menu will appear on top.

Now you select the PRIMARY KEY.

The Computer will request primary sort key.

Specify one key in the data to be sorted. i. e. A2 or A5 and press ENTER key.

Computer will request sort order ascending or descending.

Type sort order say A and press ENTER.

Then execute the GO command.

NOTICE THAT YOUR DATA IS SORTED IN ASCENDING ORDER OF STUDEN

RAISING YOUR ENTIRE 1-2-3 WORKSHEET

Select the MAIN MENU execute the WORKSHEET command and the sub-command ERASE

Now the prompt will display

NO YES

DO NOT ERASE THE WORKSHEET; RETURN TO READY MODE

The menu pointer is in menu item NO. Move the menu pointer to menu item YES and press ENTER key to erase the entire 1-2-3 worksheet.

GRAPHS

POPULATION GROWTH YEAR 1950 TO 1980

	A	B	C	D	E
1					
2					
3					
4		1950	1960	1970	1980
5	COUNTRY				
6.	SRI LANKA	750000	950000	1100000	1300000
7.	INDIA	1500000	1800000	2000000	2175000
8.	CANADA	900000	1100000	1300000	1500000
9.	AUSTRALIA	600000	700000	800000	900000

GRAPH

Enter the above details in your 1-2-3 worksheet.

After entering data type / to select the MAIN MENU and execute GRAPH command and subcommand TYPE.
You will notice 5 different types of graphs.

TYPE

(1) LINE

ie. LINE, BAR, XV, STACKED-BAR, PIE

Now the menu pointer lies on the LINE graph.

Press ENTER key to select LINE graph. (default type is line)

After you press ENTER key the menu will display the sub menu and the cell pointer lies on subcommand TYPE.

X-RANGE

Move the menu pointer to X (X-range)

X indicates X AXIS

Now your menu pointer is on X. We will select X as:

YEAR. Press ENTER to select X axis range. Specify the X axis ranges and press ENTER. B4..E4.

Since you are using the graph type as line it will take x axis as label. If it is XY graph then it will take it as VALUE.

DATA RANGES.

There are altogether 6 data ranges available (A, B, C, D, E, F) on Y AXIS.

To select Y axis move the menu pointer to menu item A and press ENTER key.

Now specify the first data range and press ENTER key ie. B6..E6.

Move the menu pointer to next data range and press ENTER key. Follow the same procedure for other data ranges also.

VIEW

Select the command VIEW to draw the graph now you will notice that each line on your graph will have a particular symbol. this is to differentiate one line with another.

NAME THE SYMBOL

You have to give name for each symbol to identify which symbol represents which line.

To give a name first press ESC to come out from graph screen.

LEGEND

Now you are in the worksheet. Execute the command OPTION and select the function LEGEND by press ENTER key.

Now you will see 6 data ranges.

Select the first data ranges A by press ENTER key.

Here you should give a name to identify data range A.

ie. SRI LANKA

After entering the name press ENTER key.

Your menu pointer is still on LEGEND function.

Now press ENTER key and select the data range B and give a name.

Follow the same procedure for other data ranges also.

Press ESC to go to the previous menu and execute the VIEW command. Your graph is displayed on the screen.

You will notice that each symbol name is given under the X axis.

TITLES

Press ESC key.

To give titles execute the OPTION command and select the function TITLES.

Menu will display FIRST, SECOND, X-AXIS, Y-AXIS.

a. FIRST

Press ENTER key to select the function FIRST. Give a name for the graph. This name will appear as heading. After giving the name press ENTER key.

b. SECOND

You are in the TITLES function again. Press ENTER to select the TITLES again. Select the function SECOND and give a name. This name will appear as sub heading.

FILES HANDLING

STUDENT	NUMBER
ARUL	1
RAJU	2
JACKY	3
ANJALO	4
ROJER	5

Enter the above details on your 1-2-3 worksheet.

SAVE

FILE

To save a worksheet select the MAIN MENU and execute FILE command and the subcommand SAVE.

At the prompt you will see a statement

ENTER SAVE FILE NAME :A:\

(remember that your system disk is in drive A)

To save the file in a working diskette input the formatted diskette in drive B. Since you want to save it in drive B press ESC key.

Now Type the file name and press ENTER key.

ie. B: HELLO (HELLO is the name of the file)

(File name can go up to 8 characters, you can use character A to Z and O to 9 to name a file)

You will notice a sound and the red light on drive B.

QUIT

Select the MAIN MENU and execute QUIT command to leave the 1-2-3 worksheet.

Move the menu pointer to YES and press ENTER key to exit from the worksheet.

RETRIEVE

Now we will retrieve our worksheet to see weather our file name HELLO is saved.

If your menu pointer is in 1-2-3 then press Enter to go in to the 1-2-3 worksheet.

To retrieve a worksheet first select the MAIN MENU and execute FILE command and the subcommand RETRIEVE.

At the prompt you will see a statement.

NAME OF FILE TO RETRIEVE :A:\

Since you want to retrieve a file from drive B press ESC key.

c. X-AXIS

Again execute the TITLES and select the function X-AXIS Give a name to refer the X axis. ie. YEAR.

D. Y-AXIS

Follow the same procedure and give a name to Y-AXIS.

ie. POPULATION.

Press ESC and VIEW the graph. You will see a completed GRAP

Press ESC to come out from the graph screen.

(2) BAR

Now execute the TYPE command. Move the menu pointer to BAR and press ENTER to select the BAR graph. Execute the view command. The screen displays a BAR graph.

You can do the same procedure to select

(3) STACKED-BAR graph

In this lesson we will learn how to save, retrieve, replace, erase a file. We are assuming that you don't have a HARD DISK.

FILES HANDLING

Type B: and press ENTER key.

Your prompt displays

NAME OF FILE TO RETRIEVE :B:* . wk?

Between the above message and the horizontal border you get the file names displayed.

Type the name of file to be retrieved and press Enter key or use the right ARROW key to locate the pointer. at your file and press ENTER key.

(If your file name is not displayed on the screen then use the RIGHT arrow key to see more files)

Your file is now displayed on the screen.

Now include the following details in your 1-2-3 worksheet.

SIDU	6
DIAS	7
DILIP	8

REPLACE

Now we will save the additional data in the game file.

To do that select the MAIN MENU and execute FILE command and subcommand SAVE.

At the prompt you will see a statement

ENTER SAVE FILE NAME :B: HELLO

(HELLO is the file name)

Now you can save the changes in the same file. To save the changes in the same file press ENTER key.

Your menu displays two commands CANCEL and REPLACE. Select the REPLACE command to replace the changes that you have made to the file.

If you don't want to replace then select the command CANCEL

When it is replacing your file you will here a sound and the red-light on drive B.

HOW TO ERASE A WORKSHEET FILE

To erase a file select the MAIN MENU and execute FILE command and subcommand ERASE.

Since you want to erase a worksheet file select the function worksheet.

The prompt displays

ENTER NAME OF FILE TO ERASE :A:\

Since you want to erase a file that is in drive B press ESC key.

Now type the drive name ie. B: and the name of the file to be erased. ie. HELLO and press ENTER key.

Now the prompt displays

NO YES

CANCEL COMMAND - DO NOT ERASE

Move the menu. pointer to YES and press ENTER key to erase your file.

CHECKING YOUR FILE IS ERASED

To check your file is erased select the MAIN MENU and execute FILE command and subcommand retrieve. Press ESC key and type B:

Enter the name of the file to be retrieve.

If your file is erased at left down corner you will see a message FILE DOES NOT EXIST and at top right a message ERROR will appear.

Now press ENTER key.

SAVING A FILE WITH PASSWORD

Enter some data in your worksheet.

To save select the MAIN MENU and execute FILE command and the subcommand ASVE. Press ESC key.

Now enter the file name and leave a space and then type P and press ENTER key.

ENTER PASSWORD:

Type 12345 and press ENTER key.

(when you type password you can use character as well as numbers. In the case if you forget the password you can't retrieve the file.)

The prompt displays

ENTER TO VERIFY:

Now type the password again and press ENTER key.

Your file is saved with password.

RETRIEVE A FILE THAT IS PROTECTED BY THE PASSWORD.

Select the MAIN MENU and then execute the FILE command and the subcommand RETRIEVE.

Now enter the file name and press ENTER key..

The prompt displays

ENTER PASSWORD.

Type the password and press ENTER key

INTEGRATED DIVISIONAL SECRETARIAT

The Government has decided to take the administration to the people by further decentralising the functions to the local level. With this in mind, a new administrative system has been set up to achieve the following objectives:-

- (a) The delivery services to the people undertaken at the Local level.
 - (b) The people get their needs attended to at the level closest to where they live.
 - (c) Increase the accountability to the people.
 - (d) Provide a means at the local level for the Implementation of national and Provincial Policy on matters that must concern the people.
02. Most of the subjects and functions which have direct bearing on the day - today life of the people have already been devolved to the provincial Council under the 13th amendment to the constitution.
- Implementation of these activities are effected through the Divisional Secretaries under the direction of the Chief Secretaries.
03. Under the new system it is proposed to further decentralise;
- (a) The activities currently performed at the District level,
 - (b) Operational activities touching the day-today life of the people currently performed at national level Ministries and Department,
 - (c) The activities that are still remaining with the
Hindquarters of the Provincial Council but could be attended to effectively at the local level.
04. The functions of the Divisional Secretary would be;
- (1) Co-ordination of activities of Ministries and Department at Divisional level.
 - (2) Co-ordination of activities of the Provincial Council at Divisional Level.
 - (3) Carrying out of functions decentralised by line Ministries, Departments and Provincial Council.
 - (4) Collection of Revenue.
 - (5) Performance of Welfare activities.
 - (6) Planning and Implementation of Development work at Divisional Level.

05. If the decentralisation to be successful, a proper accounting system should be installed at the I.D.S. Most of the Provincial Councils have appointed Divisional Secretaries as Accounting Officers and treated the organisation as an 'A' Class Department. They would be appointed as Accounting Officers for Central Government functions as well. Separate Bank Account should be opened by Divisional Secretaries in respect of financial activities decentralised by the Government Agents and line ministries. The General Treasury should devise a method of supplying the monthly imprest. This could be done in three ways.
- (1) Sending the imprest direct,
 - (2) Through the Chief Secretary,
 - (3) Through the respective line Ministries or Departments as the case may be.
06. The third one would be really cumbersome and unviably but has to be continued for some time till a suitable arrangement is made. Treasury should also arrange a reporting system for Divisional Secretariat. The Kachcheri System with modifications could be adopted if the imprest is given by the Treasury direct. There is no clear-cut decision as yet whether the Divisional Secretary would be given a separate Head of Expenditure.

FUNCTIONING OF THE DIVISIONAL SECRETARIATS

DISCUSSION ON PRACTICAL PROBLEMS.

The Divisional Secretariats were set-up with the following main objectives in view :-

1. The delivery of services to the people is undertaken at the local level in direct response to the needs of the people.
2. Implementation of National and Provincial Policies, Plans, Programmes and Projects at the Divisional Level.

In order to achieve the above objectives the following functions are carried-out by the Divisional Secretariat :-

1. Administrative and Regulatory functions.
2. Preparation and implementation of an Integrated Development Plan.
3. Agency functions of Govt. and Provincial Council
4. Co-ordination of Administrative and Development activities.

Staffing :

The staff working in the Divisional Secretariat at present consists of;

1. Staff originally approved by the Salaries and Cadre committee. and appointed by the Provincial Council.
2. Officers appointed by the Provincial Council and transferred to Divisional Secretariat with further decentralisation of functions.
3. Officers appointed by the Govt.
4. Officers transferred by line Ministries with the decentralisation process.
5. Officers deployed by statutory bodies.

The common problem facing the Divisional Secretariat is that they are not being provided with adequate staff in relation to the work load particularly for subject such as, Pensions, Central Govt. Accounts, Motor Traffic, A. D. R.'s work, Information Unit etc. There is a need to study carefully the real need of staff in line Ministries, Provincial Council and identify the excess cadre and deploy them at Divisional Secretariats where the work is very heavy.

The existing staff in the Divisional Secretariat needs continuous training since most of the Accountants and supporting staff working in these institutions have been appointed recently. It is also observed that there is no proper supervisory control over these institution by higher level. They work in isolation in far away places and no one to get proper advice when the necessity arises. It would be essential that a selected team of experienced Accountants should visit these officers regularly and guide the Officers until they become competent. In addition, there should be continuous training programmes of short duration conducted at district level.

The following are the main functional sections in the Divisional Secretariats - vide Chart (1)

1. Administration
2. Finance
3. Planning & Development
4. Engineering

The co-ordination among the sections of the organisation seems to be poor.

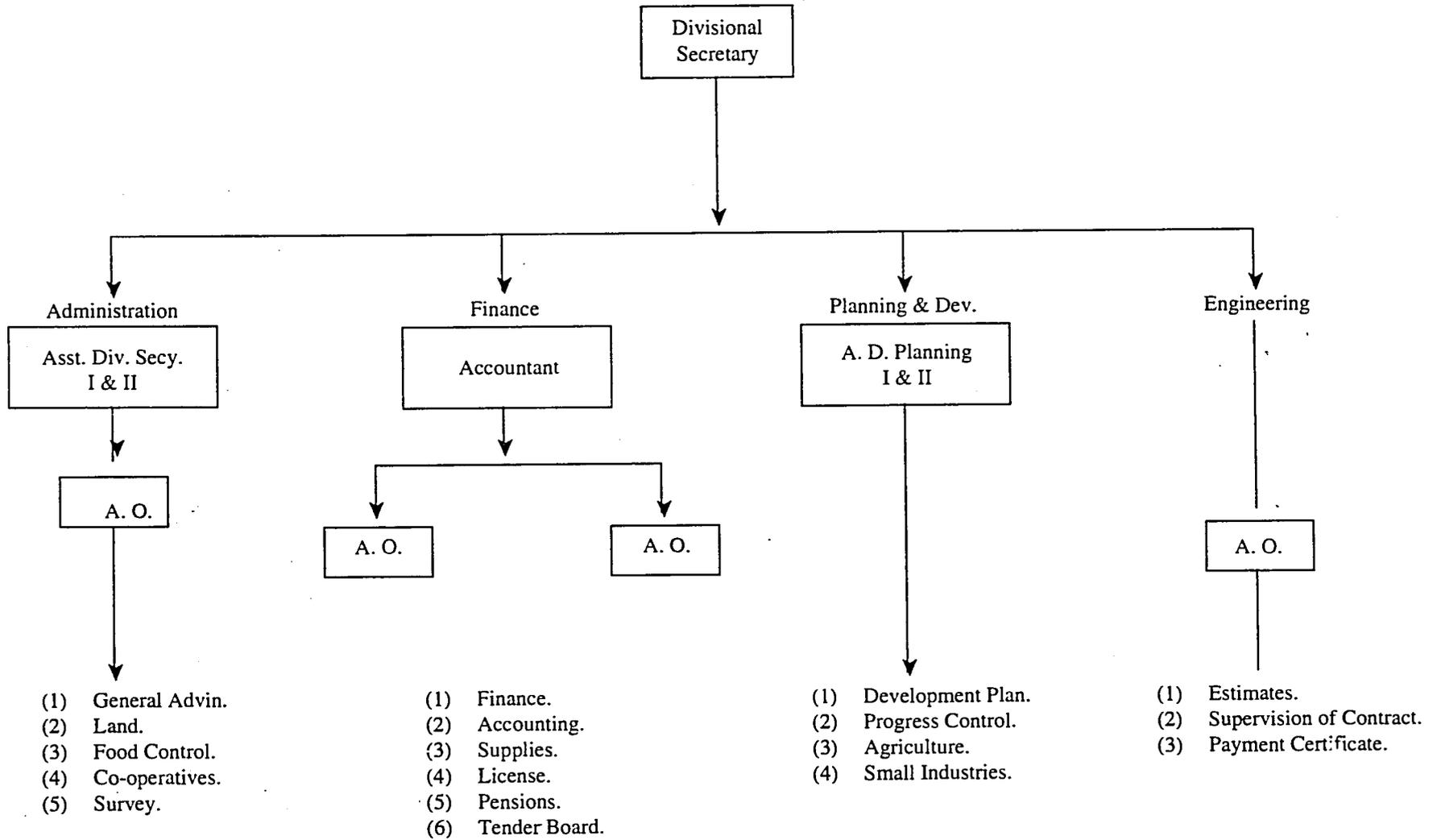
The delay in preparation of the Annual Development Programme at the Divisional Offices has become a problem and resulted under expenditure and large number of projects being carried forward as continuation work. The preparation of the programme should be commenced at least 6 months prior to the commencement of the financial year so that the programme is ready to implement by January.

The attached chart (II) indicates the Provision and Fund flow for capital work. There appears to be a long delay in getting the funds required for capital work, specially Medium Term Investment Projects. The offices should pay special attention in rendition of various account- instatement in time so that the required documents reach the ultimate end.

Delegation :

- (i) All statutory functions discharge hitherto by Govt. Agents in the District have been delegated to Divisional Secretaries within the Division by Act No. 58 of 1992 - "Transfer of powers (Divisional Secretaries)"
- (ii) Administrative delegations have been made in respect of Provincial Council and Central Govt. Functions by way of Gazette notifications and appointments. Already the Divisional Secretaries have been appointed as;
 - (1) Deputy Commissioners, Co-operative Development.
 - (2) Asst. Commissioner, Local Govt.
 - (3) Deputy Commissioners, Agrarian Services.
 - (4) Additional District Registrar.
 - (5) Deputy Collector of Customs.
 - (6) Deputy Commissioner, Internal Trade.
 - (7) Deputy Food Commissioner,
 - (8) Deputy Director, Fisheries etc.

Organisation Chart (I)



පළාත් සභාවේ මූල්‍ය පාලනය

ලැබීම් හා ආදායම්

වියදම් පාලනය

මුදල් ලැබීම්

පළාත් සභා

මුදල්

ප්‍රභවය

අරමුදල

යෙදවීම

2 වන නියමය

1 වන නියමය

පළාත් සභාවට අයත් සියළුම ලැබීම්
හඳුනාගෙන පාලනය කළයුතු වීම

සියළුම වියදම් පළාත් ආභාව
විසින් අනුමත කර තිබීම.

පළාත් සභා පනතේ
19 (1) වගන්තිය

පළාත් සභා පනතේ හා 25
(1) 19 (2) වන වගන්තිය

සෑම පළාත් සභාවක් සඳහාම
පළාත් සභා අරමුදලක් පිහිටවිය
යුතු අතර, එයට:

- (1) පනතේ විධිවිධානයන්ට අනුකූලව,
- (1) නිශ්චිතව දැක්වන කරුණු වලට පමණක්
- (III) පනතේ දැක්වෙන ආකාරයට මිස
කිසිම වියදමක් නොදැරිය යුතුයි.

- (1) සභාව පනවන බඳු
- (2) රජයෙන් ලැබෙන ප්‍රදාන
- (3) ඒකාබද්ධ අරමුදලින් ගන්නා ණය
- (4) අනෙකුත් ලැබීම්
බැර කළ යුත්තේ ය.

මේ සඳහා මුදල් වර්ෂය ආරම්භ කිරීමට යටත්
පිරිසෙයින් මාස 3 ප්‍රථම වාර්ෂික මුදල්
ප්‍රකාශයක් සභාවට ඉදිරිපත් කර අනුමැතිය
ලබා ගත යුතුයි.

CRITERIA

INDICATOR (FIN.NO)

Weight

(1) Per Capita income ...		- 10%
(2) Difference between per capita income of each province and the highest per capita income among Provinces ..		- 10%
(3) Poverty index ...		- 10%
(4) Employment / Rate of Unemployment ..		- 15%
(5) Education, Index of Educational status		- 15%
(6) Health and Nutrition, Infant mortality per 1000 live birth	7.5%	} - 15%
Expenditure on food per capita per month	7.50%	
(7) Economic and Social Infrastructure, No. of persons per hospital bed	5%	} -25%
No. of Classrooms per 1000 in age group 5-19	5%	
Households lacking toilet facilities	5%	
Households without electricity	5%	
Roads per square Km.	5%	
		<hr/> 100

1989 අංක 12 දරන පළාත් සභා (ආනුෂංගික විධිවිධාන) පනත

ආණ්ඩුක්‍රම ව්‍යවස්ථාවේ නවවන උපලේඛනයේ 1 වන ලැයිස්තුවේ දක්වා ඇති කාරණා පිළිබඳ ලිඛිත නීතිය අර්ථ නිරූපණය කිරීම සඳහා අතුරු විධිවිධාන සැලැස්වීම පිණිස වූ පනතකි.

ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ පාර්ලිමේන්තුව විසින් මෙසේ පනවනු ලැබේ

1. මේ පනත 1989 අංක 12 දරන පළාත් සභා (ආනුෂංගික විධිවිධාන) පනත යනුවෙන් හඳුන්වනු ලබන අතර අමාත්‍යවරයා විසින් ගැසට් පත්‍රයේ පළ කරන නියමයක් මගින් නියම කරනු ලබන දිනයක සිට එය ක්‍රියාත්මක වීම තහර වන්නේ ය.

සුභසුභ නාමය

2. (1) තමවන උපලේඛනයේ 1 වන ලැයිස්තුවේ දක්වා ඇති යම් කාරණයක් පිළිබඳව 1987 නොවැම්බර් මස 14 වන දිනට පෙරාතුව සාදන ලද යම් ලිඛිත නීතියකින්, අවස්ථාවෝචිත පරිදි, අමාත්‍යවරයකුට හෝ රජයේ නිලධාරියකුට යම් බලයක් හෝ කර්තව්‍යක් පවරා දී ඇත්තා වූ හෝ වෙන් කොට දී ඇත්තා වූ අවස්ථාවක,

ආණ්ඩුක්‍රම ව්‍යවස්ථාවේ තවවන උපලේඛනයේ 1 වන ලැයිස්තුවේ දක්වා ඇති කාරණය පිළිබඳ ලිඛිත නීතිය අරථ නිරූපණය කිරීම පිළිබඳ විධිවිධාන.

(අ) ඒ බලය හෝ කර්තව්‍ය අමාත්‍යවරයකුට පවරා දී ඇත්නම් හෝ වෙන් කර දී ඇත්නම්, පද සම්බන්ධයෙන් අන්‍යාර්ථයක් අවශ්‍ය වන්නේ නම් මිස, පළාතක් සම්බන්ධයෙන්, ඒ පළාතේ ආණ්ඩුකාරවරයා විසින් හෝ එම විෂය වෙන් කොට දී ඇත්තා වූ ඒ පළාතේ අමාත්‍ය මණ්ඩලයේ අමාත්‍යවරයා විසින් හෝ ක්‍රියාත්මක කළ හැකිය. නැතහොත් ඉටු කළ හැකිය. තව ද, ඒ අනුව එවැනි සෑම ලිඛිත නීතියක්ම අමාත්‍යවරයකු සම්බන්ධයෙන් කරන ලද සඳහන් කිරීම්, පළාතක ආණ්ඩුකාරවරයා සම්බන්ධයෙන් හෝ කර්තව්‍ය වෙන් කොට දී ඇත්තා වූ, ඒ පළාතේ අමාත්‍ය මණ්ඩලයේ අමාත්‍යවරයා සම්බන්ධයෙන් කරන ලද සඳහන් ඇතුළත් වූ සඳහන් කිරීම් ලෙස සලකනු ලැබිය යුතුය; තවද

(ආ) ඒ බලය හෝ කර්තව්‍ය රජයේ නිලධාරියකුට පවරා දී ඇත්නම් හෝ වෙන් කර දී ඇත්නම්, පද සම්බන්ධයෙන් අන්‍යාර්ථයක් අවශ්‍ය වන්නේ නම් මිස, පළාතක් සම්බන්ධයෙන්, ඒ රජයේ නිලධාරියා විසින් දරන ලද ධුරයට අනුරූප ධුරයක් දරන්නා වූ පළාතේ රජයේ සේවයේ නිලධාරියා විසින් ක්‍රියාත්මක කළ හැකිය. නැතහොත් ඉටු කළ හැකිය. තව ද, ඒ අනුව එවැනි සෑම ලිඛිත නීතියක්ම රජයේ නිලධාරියකු සම්බන්ධයෙන් කරන ලද සඳහන් කිරීම් ඒ රජයේ නිලධාරියා විසින් දරන ලද ධුරයට අනුරූප ධුරයක් දරන්නා වූ පළාතේ රජයේ සේවයේ නිලධාරියකු සම්බන්ධයෙන් කරන ලද සඳහන් ඇතුළත් වූ සඳහන් කිරීම් ලෙස සලකනු ලැබිය යුතුය.

2 1989 අංක 12 දරන පළාත් සභා (ආනුෂංගික විධිවිධාන) පනත

(2) ආණ්ඩුක්‍රම ව්‍යවස්ථාවේ තමවන උපලේඛනයේ 1 වන ලැයිස්තුවේ දක්වා ඇති යම් කාරණයක් පිළිබඳව 1987 නොවැම්බර් මස 14 වන දිනට පෙරාතුව සාදන ලද යම් නීතියකින් යම් ආදේශයක්, ප්‍රකාශනයක්, නිවේදනයක්, නියෝගයක් හෝ රීතියක් සෑදීමට අමාත්‍යවරයකුට බලය පවරන අවස්ථාවක, පද සම්බන්ධයෙන් අන්‍යාර්ථයක් අවශ්‍ය වන්නේ නම් මිස, පළාතක් සම්බන්ධයෙන්, ඒ බලය ඒ පළාතේ ආණ්ඩුකාරවරයා විසින් හෝ ඒ විෂය වෙන් කර දී ඇත්තා වූ ඒ පළාතේ අමාත්‍ය මණ්ඩලයේ අමාත්‍යවරයා විසින් හෝ ක්‍රියාත්මක කළ යුතු ය. තව ද ඒ අනුව ඒ බලය පවරන නීතියේ යම් විධිවිධානයක "අමාත්‍ය වරයකු" සම්බන්ධයෙන් කරන ලද සඳහන් කිරීම්, පළාතේ ආණ්ඩු කාරවරයා සම්බන්ධයෙන් හෝ ඒ විෂය වෙන් කර දී ඇත්තා වූ පළාතේ අමාත්‍ය මණ්ඩලයේ අමාත්‍යවරයා සම්බන්ධයෙන් කරන ලද සඳහන් ඇතුළත් වූ සඳහන් කිරීම් ලෙස කලකනු ලැබිය යුතු ය.

(3) (2) වන උපවගන්තියේ සඳහන් පරිදි එවැනි යම් නීතියකින් -

- (1) ඒ නීතිය යටතේ සාදන ලද යම් නියමයක්, ප්‍රකාශනයක්, නිවේදනයක්, නියෝගයක් හෝ රීතියක් පාර්ලිමේන්තුව ඉදිරියෙහි තැබීම සඳහා: හෝ
- (2) පාර්ලිමේන්තුව විසින් එවැනි යම් නියමයක්, ප්‍රකාශනයක්, නිවේදනයක්, නියෝගයක් හෝ රීතියක් අවලංගු කිරීම හෝ අනුමත කිරීම සඳහා

විධිවිධාන සලස්වන අවස්ථාවක, ඒ නීතියෙහි පාර්ලිමේන්තුව සම්බන්ධයෙන් කරන ලද සඳහන් කිරීම්, ඒ පළාත සඳහා පිහිටුවනු ලැබූ පළාත් සභාව සම්බන්ධයෙන් කරන ලද සඳහන් කිරීමක් වූ විටක මෙන් ඒ පළාත සම්බන්ධයෙන් ඒ විධිවිධානය බල සහිත විය යුතු ය.

(4) මේ පනතේ "රජයේ නිලධාරියා" සහ "ලිඛිත නීතිය" යන යෙදුම්වල, ආණ්ඩුක්‍රම ව්‍යවස්ථාවෙන් ඒවාට පිළිවෙලින් දී ඇත්තා වූ අර්ථය ඇත්තේ ය.

Provincial Councils (Payment of Salaries and Allowances) Act, No. 37 of 1988

AN ACT TO PROVIDE FOR THE SALARIES AND ALLOWANCES TO BE PAID TO A GOVERNOR OF A PROVINCE, THE CHIEF MINISTER, AND A MEMBER OF THE BOARD OF MINISTERS OF A PROVINCE, AND TO A MEMBER OF A PROVINCIAL COUNCIL; AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows :-

- 1. This Act may be cited as the Provincial Councils (Payment of Salaries and Allowances) Act, No. 37 1988.
- 2. From and after the date of appointment or election as the case may be -
 - (a) of a Governor of a Province, such Governor shall be entitled to the payment of a monthly

Short title

salary and allowances equal to the monthly salary and all other allowances currently payable to a Minister of the Cabinet of Ministers;

Salaries and allowances to be paid to Governors, Chief Ministers, Members of Boards of Ministers and to Members of Provincial Councils.

- (b) of a Chief Minister, Such Chief Minister shall be entitled to the payment of a monthly salary and allowances equal to the monthly salary and all other allowances payable to a Governor of a Province under paragraph (a) Less a sum of fifty rupees;
- (c) of a Member of the Board of Ministers of a Province, such member shall be entitled to the payment of a monthly salary and allowances, equal to the monthly salary and all other allowances currently payable to a Deputy Minister: and
- (d) of a member of a Provincial Council, such member shall be entitled to the payment of a monthly salary and allowances equal to fifty per centum of the monthly salary and all other allowances currently payable to a Member of Parliament.

2. *Provincial Councils (Payment of Salaries and Allowances) Act, No. 37 of 1988*

- 3. The salaries and allowances payable under this Act to a Chief Minister of a province, a Member of a Board of Ministers of a Province and a Member of a Provincial Council established for a Province, shall be expenditure charged on the Provincial fund of such Province.

Salaries and allowances to be expenditure charged on the Provincial Fund of a Province.

PERFORMANCE EVALUATION - FINANCIAL

As the amount of investment, in any organisation, whether public or private, business or non-business; become large, it becomes increasingly important to evaluate its performance, both

Physical and Financial performance.

As Finance has become the intermediary resource, monitoring financial performance is being undertaken earnestly by the management, Directors or Boards of Directors, anywhere. This is especially so in case of Public and private companies and also state Corporations and other public enterprises.

- 2. Performance is generally monitored by analysing periodic progress reports - monthly or quarterly. Such reports should also highlight strengths and weaknesses and constraints which inhibit the growth of organisations.

For example for a Corporation in the manufacturing sector the analysis may incorporate

Production and sales quantities

Profitability and Capital Expenditure statements, and certain financial ratios.

These financial ratios can be varied and measure

Profitability
Liquidity and
Stability

In addition to other particularly specific aspects.

3. **Profitability**

- (a) In specific terms profitability means the Return on Capital employed (or ROCE as abbreviated)

As capital employed is also equal to Net assets, this is also equal to Net Assets, this is also sometimes referred to as the return on Net assets.

It is measured by the ratios.

Net Profit

Capital employed.

Capital employed may be reckoned as both Capital and reserves and long term Borrowings

Only the Proprietors' Interest ie Capital and Reserves.

- (b) In measuring performance (managerial) it is better to equate capital employed to Total assets as the management (or the Industry or enterprise concerned) is expected to deploy and handle all assets in a logical and feasible manner towards profit making and achievement of organisation goals.

Thus Net Profit (NP) = the R. O. C. E

Capital employed (C. E)

This Ratio can be broken down into two factors.

$$\frac{\text{NP}}{\text{CE}} = \frac{\text{Net Profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Total Assets (T. A)}}$$

This is a very useful means of measuring performance of a commercial undertaking.

R C O E net Profit margin x Turnover of assets on sales for a trading concern the "Profit volume" is made up of two elements

- (i) The net margin it makes on its sales and (ii) The Turnover

3. 1.1 Net Margin

A monopoly can increase its net margin, at will, by increasing its Sales Price. But other competitive undertakings cannot.

They can only increase the net margin by

- (i) Reduction of costs thus pushing down the cost price of its goods and/or
- (ii) Adding value to its products (by value analysis successful innovations and therefore quality, attracting higher prices)

3. 1.2 Turnover

The second method is increasing Turnover.

Here, in managerial terms, it is Assets Turnover that we should pursue. Any undertaking will profit, if it can 'turn' its assets over into sales either

- (i) by conversion (e. g. stocks and working capital)
- (ii) by capacity utilisation of its Fixed assets.

Thus Sales is a good ratio to

Total assets

Judge a Managements' efficiency.

If this is pursued

- Idle assets,
- Idle labour
- Idle machine capacity
- Idle plant capacity
- Idle fixed assets capacity

all come into focus.

Non productive assets need to be weeded out or realised. More efficient process need to be adopted.

4. Liquidity

The overall liquidity position is often even more important than profitability.

This is because Net Profit is a figure calculated

- (i) after allowing for non cash flow items such as Depreciation, Notional expenses etc.
- (ii) subject to valuation stocks and the assets
- (iii) estimation of doubtful debts etc.
- (iv) revaluation of certain other assets.
- (v) Various adjustments for past year events.
- (vi) allowing for tax liability approximation etc.

Therefore in many advanced countries cash flow statements and forecasts have become more important.

4. 1. Measures of liquidity

Liquidity is measured generally by the ratios.

Current Assets: Current Liabilities i. e. Current Ratio

Quick assets : Current Liabilities ie. Quick Ratio or Acid test

For state Corporations in the manufacturing sector in 1978

The current ratio was 1.92

Whereas the Quick Ratio was 1.14

5. Stability

Stability is a major consideration in the case of Banks and Finance Companies. It is also important in case of companies whose shares are traded on the stock Exchange.

for sole Proprietorships and Private limited Companies one might say it is even more relevant.

In assessing stability one has to focus on the capital and the assets structure.

highly geared companies naturally have to be concerned about stability

Low fixed assets to current Assets ratios too are symptoms of instability.

These are general considerations

State Corporation Sector

If we turn to the State Corporations certain other considerations also become relevant and have been taken into account by the Public Enterprise Division (P. E. D.)

One such is labour Productivity.

6. Labour Productivity

In the State Manufacturing Corporations (SMC) there has been a drop in the number of employees since 1980. The drop was 18% in 1986 as compared to 1980. In respect of labour productivity nearly a 3-fold increase in sales value of Production per employee.

There have been two three fold increase in

Operating profit per employee

Value added per employee

From 1978 to 1986

The measurement was in monetary terms.

However there was a 3-Fold increase in total cost of employment per employee too.

The identification of 'real' labour productivity per employee has been complicated by

- (i) inflation
- (ii) increase in fixed assets (64%)
- (iii) increase in operating profit (10%)
- (iv) increase in operating assets (10%)
- (v) drop in the number of employers (8%)

7. Distribution of employees

Distribution of employees is also another criteria.

Unskilled labour which was 29.8% of total employment in 1978. Dropped to 22.2% in 1986

In comparison P. C. of skilled and semi-skilled labour to total employment rose from 46% in 1978 to 53.1% in 1986

Administrative / Managerial / Professional / Technical & related categories remained constant.

8. Distribution of value - added

Value-added is the difference between sales Value and the cost of bought out resources ie.

Material and labour.

In the S. M. O. both Profitability and value added was at a Peak in 1980.

9. Inter-Firm analysis

Appraisal is often made in comparative terms,

Appraisal in absolute term gives little insight into what is possible in rectification.

9.1 Performance indicators

P. E. D. uses 22 financial ratios to evaluate the financial performance of the individual corporations. These ratios are analysed under five headings

Profit ability Labour Productivity
Liquidity Asset usage
and value added

The ratios have been selected on a weighted basis according to their relative importance, the Corporations have been ranked according to the calculated ratios.

10. Social and Ethical responsibilities

In today's context business enterprises should have a Multiplicity of objectives. Profit maximisation cannot be the only motive. Nor maximising returns to shareholders the only criterion.

Fulfillment of social objectives and ethical aspects too become a criteria.

Thus PED assesses Corporations on the following criteria too.

10.1

- (i) Training and welfare of employees (Expenditure - wise)
- (ii) Consumers - Price Control, Quality Control
- (iii) Community - Environmental pollution } Expenditure - wise
Cultural activities }
- (iv) Government - Export of products
Profitable Investments
- (v) Market share - Market share
Competition

Retail outlet (coverage of Island Distribution requirements)

A Trend of Salient Figures as per Financial Statements : (Rs. '000)

1. Fixed Assets	15. Administration Expenses
2. Investment	16. Selling & Distribution Expenditure
3. Current Assets	17. Research & Development Exp.
4. Equity (including Reserve)	18. Interest Expenses
5. Long Term Liabilities	19. Operating Profit
6. Current Liabilities	20. Net profit before Tax
7. Stocks	21. Tax on Profits
8. Debtors	22. Deemed Dividend Tax
9. Creditors	23. Control to Consolidated Fund
10. Additions to Fixed Assets	24. Wages & Salaries
11. Total Depreciation	25. Other Costs of Employment
12. Gross Sales	26. Number of Employees
13. B. T. T.	27. Capacity Utilization
14. Cost of Sales	

PHYSICAL PERFORMANCE

1. Production, Sales & Stocks : (Compared with past years)
 - A. Production
 - B. Sales
 - C. Stocks
2. Average Price Per Unit of Products (Rs)
3. Number of Employees
 - A. Indirect Staff:
 - B. Direct Employees :
4. Capacity Utilization
5. Trend of Production, Sales & Stocks : (base Year = 100)
 - A. Production (Qty)
 - B. Sales (Qty)
 - C. Stocks (Qty)
6. Sales Value of Production (Rs. '000)
7. Volume Index Number to Measure over all Productions:
8. Labour Productivity (Rs. '000)

INVESTMENT APPRAISAL

A project involves paying out Rs. 100,000 now and Rs. 80,000 after one year. The return cash flows are Rs. 150,000 in year 2 and Rs. 64,960 in year 3. This project yields a 10% ECF rate of return because using the discount factors for 10% the various cash flows inwards are equivalent to the cash flows outwards thus:

Time period	Cash flows in or (out)	Discount Factors	Present Value of cash flows @ 10% cash flows
Rs.	Rs.	Rs.	Rs.
0	(100,000)	1,00000	(100,000)
1	(80,000)	0.90909	(72,727)
2	150,000	0.82645	123,967
3	64,900	0.75131	48,760
		Net present value	<u><u>NIL</u></u>

INTERNAL RATE OF RETURN

In DCF calculations for finding the internal rate of return (IRR) the object is to discover the rate at which the present value of all the cash inflows will equal the original investment and normally this can only be done by trial and error. For example, if the first rate of interest you try discounts the cash inflows to a figure below the cost of the original investment, it means that the rate used is too high and you should try a lower rate.

The internal rate of return for a given set of cash flows is that rate at which the present values of the inflows is the same as the present value of the outflows. In other words the 'net present value is zero'.

The method is illustrated in the following example:

Year Rs.	Cash flows Rs.	Discount Factors Rs. @ 15/= Rs.	Amount
0	(13,500)	1.000	(13,500)
1	1,000	.870	870
2	4,000	.756	3,024
3	7,000	.658	4,606
4	8,000	.572	4,576
5	5,000	.497	2,485
		Net present value	<u>2,061</u>

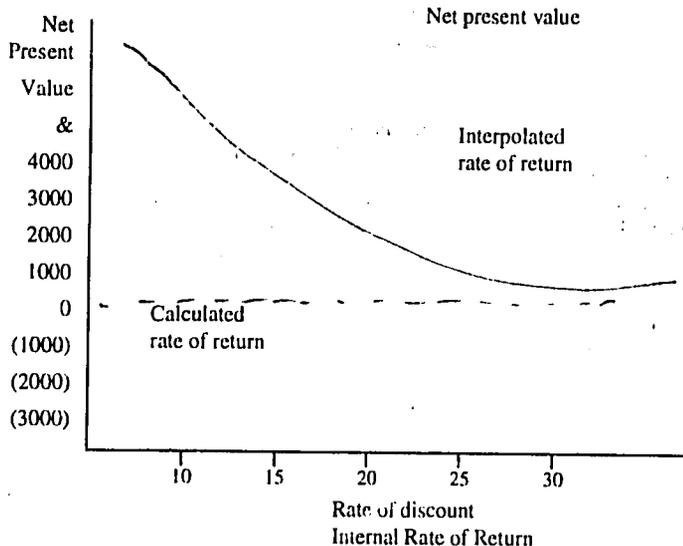
The net present value is positive - the actual rate must be more than 15%

Discount Factors @ 25%	Amount Rs.
1.000	(13,500)
Try 25% .800	800
.640	2,560
.512	3,584
.410	3,280
.328	1,640
Net present value	<u>(1,636)</u>

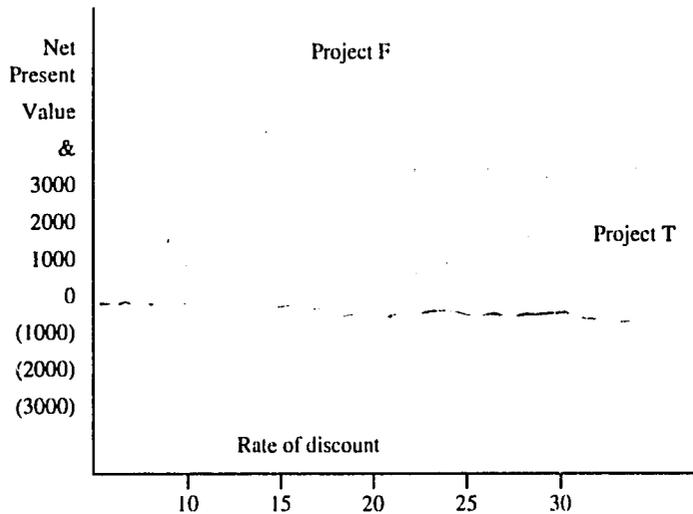
The net present value is negative - the actual rate must be less than 25%

If we continue with the trial and error method until we find a rate which gives a nil NPV. As shown by the following calculation this rate proves to be approximately 20%

year	Discount Factors @ (20%)	Amount Rs.
0	(13500)	1.000
1	1000	833
2	4000	2776
3	7000	4053
4	8000	3856
5	5000	2010
	Net present value	<u>28</u>



Comparison of NVP curves



The diagram of the project that had relatively heavy cash flows in the later years where the discount factors differ significantly from one rate to another. A project with predominantly early cash flow would show a curve which was less steep and approximated more closely to a straight line.

When we are comparing alternative projects, therefore, we shall find that our order of preference (or 'ranking') at a low discount rate is different from the ranking at a higher rate - the NPV curves, being at a different angle, will have crossed at some intermediate rate.

INCREMENTAL RATE OF RETURN

The reason why Project F is preferable only at rates up to about 15% is that the incremental cash flows is moving from F to project T show an internal rate of return of 15%. At and above 15% therefore, it is worthwhile moving from one project to the other.

The incremental cash flows (i. e. the amount by which the cash flow of F is less (greater) than that of T) are shown discounted on the following table:

Year	Incremental Cash flows		Discounted at :					
	Rs	Factor	14%	15%	16%	Rs	Factor	Rs
0	3,500	1,000	3,500	1,000	3,500	1,000	3,500	
1	3,000	.877	2,631	.870	2,610	.862	2,586	
3	(2,000)	.675	(1,350)	.658	(1,316)	.641	(1,282)	
4	(3,900)	.592	(2,309)	.572	(2,231)	.525	(2,153)	
5	(5,000)	.519	(2,595)	.497	(2,485)	.476	(2,380)	
Net present value			(123)		78			271

NB

- i. However if we are using the IRR method, and if the competing projects are mutually exclusive (i. e., one has to be selected to the exclusion of the other (S) then we should always check the incremental rate of return. If the incremental rate is higher than our cost of capital (our target rate) then we should select the project which yields the incremental advantage.
- ii. A second important point is that if we are using the net present value method it is not satisfactory to discount at any random rate. The discount rate used must be the company's cost of capital, otherwise our ranking may be incorrect.

INVESTMENT DECISIONS

It is of the nature of business that one must commit resources before achieving gains, and it is because today's outlays are certain whereas tomorrow's gains are only a forecast that business involves risk. As the old saying has it 'money does not grow on trees', so when money must be spent and its recovery will be delayed, the amount unrecovered will have a cost to the business.

As money available to the business it must be put to work, so that a great part of the job of managing a business consists in taking investment decisions. The balance sheet of the business, within the limitations of its asset valuation conventions, reflects the current state of the investment projects in process of implementation. It shows the fixed assets, the stock holdings, the credit allowed to customers, the expenditure on research and development which has not yet been brought to fruition, and it shows any investments in activities outside the business.

The balance sheet, however, shows effects, not causes or reasons for investment. Among the various projects which gave rise to that position a variety of objectives might have been involved, for example:

- a. To improve the efficiency of production, i. e., reduce costs, perhaps by buying improved machinery;
- b. to increase production capacity in order to satisfy sales demand, i. e., to increase profits;
- c. to introduce a new profitable product - development, tooling, working capital and launching cost outlays might all be involved in this project;
- d. to open up a new profitable market. The costs of advertising, market research, free samples and so on are incurred before the hoped-for increase in profits can be achieved. So they also are investment outlays;

PROCEDURES FOR APPRAISAL OF INVESTMENT PROJECTS

In appraising any investment project which appears to be compatible with the marketing, technological and other non-financial objectives of the business, the financial manager should ensure:

- a. that it will provide the required rate of return on the amount invested;
- b. that if it represents one out of several alternative ways of investing a limited amount of money, then it is the best of these mutually exclusive projects.
- c. that undertaking the project is more beneficial than doing nothing.
- d. that the project is being undertaken at the right time. Example - in relation to plant replacement projects. Again, if a drop in interest rates is forecast it may be better to delay a project.

The above considerations apply to the evaluation of a project in its own right.

The most common of these are :

- a. payback
- b. return on capital invested :
- c. discounted cash flow methods :
 - i. internal rate of return
 - ii. net present value.

BENEFIT COST ANALYSIS

All developing countries / faced with the problem of allocating limited resources among many different uses. The production of essential consumer goods, investment in infrastructure facilities, provision of education and health, and provision of basic facilities for promotion of agricultural and industrial activities are some of those resource demanding activities.

Basic objectives of allocating resources for investment will be to -
promote the rate of growth of the economy;
create employment and generate income;
eliminate poverty; and
reduce inequality in the income distribution.

While investing limited resources for one economic activity reduces the resources available for other activities. It is therefore important to take correct decision in selecting one activity against others. The generation of maximum benefit to the economy as a whole should be the major criteria in the process of such decision making. This could be done only through assessing the benefits of every investment as against the costs of undertaking such investment. Hence the BENEFIT - COST ANALYSIS of investment is important.

When costs are incurred on any given activity and the benefits derived out of that activity are just equal to those costs, the total resources available for investment at the subsequent stage will have no change. Therefore, the standard of living of the people will not be improved and the magnitude of the overall economic problems will not be changed. However if the benefits derived from an activity exceeds the costs incurred on that activity, the total resources available for investment at the second stage will be increased and would help the economy to be better off. On this basis investment decisions should be taken basically on their estimated benefits as against the estimated costs.

In analysing the benefits of projects as against their costs, a three stage process has to be followed.

1. The identification and estimation of all costs of the project. This include not only the direct costs but also the indirect costs. It is also important to adjust all financial costs into economic costs in order to reflect basically the use of resources in the project.
2. The identification and estimation of all benefits. Here also it is important to identify both direct and indirect benefits. The estimation of the benefit in financial terms will be the most difficult task in this exercise.
3. The comparison of estimated benefits as against estimated costs. When benefits and costs are identified and estimated as a future resource flow, it will have to convert into a form of present value for comparison purposes.

In order to undertake a full analysis of costs and benefits of projects, it is important to emphasise both on their financial and economic aspects, Unless a complete and accurate financial analysis is available, it is extremely difficult to continue for an economic

analysis. In the financial analysis, all direct costs and benefits are identified and estimated at market prices. The discounted cash flow of such an estimation gives the financial rate of return of the project. If the project is to produce basic consumer goods and / or industrial goods, this measurement is extremely important to take the basic investment decision. However, it is important to note that, with regard to directly non-productive projects, such decisions cannot be made easily due to the inability of estimation of their direct benefits and hence prepare the rate of return.

In the case of directly non-productive activities (These are basically the infrastructure investments both in the social and economic sectors) not only the benefits are difficult to estimate but also difficult to identify the direct or indirect beneficiaries. The economy as a whole will be benefit out of such investments. Similarly, the benefits will accrue to the economy over a much longer period giving a multiple volume of advantages over time. In such investments, it will be advisable to study the alternative available for investment and analyse the least cost options rather than to continue with this benefit cost analysis.

Adjustment of Prices

When evaluating the costs and benefits of projects, it is important to correct the prices to reflect the opportunity cost of use of resources in the project. The use of market prices do not reflect the actual costs in that they are distorted by various influences made by outside market forces. One example for such distortions is the Government regulations on minimum wage rates. Therefore, in evaluating the project in its senses, it is necessary to introduce some corrected prices to reflect the true costs of resource use by the project. These prices are known as "accounting prices" or "shadow prices" An accounting / shadow price is defined as the price that reflect the opportunity cost of using that commodity in the project.

It is not easy to estimate the correct accounting price of any commodity. Since it reflect the true economic cost or use of a unit of that commodity one can estimate the accounting price only with an approximation and due to change from time to time depending on the market supply and the demand of that commodity. The accuracy of the estimation could be improved step by step in the process of overall planning.

Generally, the accounting price for a commodity or for an economic activity could be decided by the central economic planning authority of the country for two reasons.

- (a) It is the planning authority that is in a position to have a comprehensive view of the economic situation of the country and thus estimate the opportunity cost of any commodity.
- (b) One single set of accounting prices should be used by all project planning agencies to analyse the costs and benefits of all projects in order to rank them in their order of economic priority. The use of different accounting prices prepared by different agencies will not help for such ranking.

In the cost - benefit analysis, it is important to estimate three common accounting prices, namely, the prices for unskilled labour and foreign exchange and the rate of interest on capital use (or better known as discounting could be estimated to convert the project activities at market prices into activities at economic prices. The activities such as construction, transport (rail or road) trade (retail or wholesale), training, and provision of common facilities are some examples.

Another adjustment that has to be made in the cost benefit analysis of projects is the adjustment of "transfer payments." One good example for transfer payments is the case of taxes. Any form of tax, let it be customs duty or turn over tax, will only be a financial cost to the project which does not reflect with a resource use. Therefore, in the cost benefit analysis, such are considered as transfer payments and assign a zero accounting value. Purchase of a piece of land, payment of interest on loans, and payment of rents are few such examples for transfer payments. However, it is important consider the loss of output or output foregone in using the land or buildings in the project before concluding that expenditure is just a transfer payment.

INTERNATIONAL FINANCING

1. SOURCES	:	GOVERNMENTS INTERNATIONAL FUNDING INSTITUTIONS PRIVATE SOURCES OTHERS
2. FINANCING OBJECTS		EQUIPMENT AND SERVICES TECHNICAL ASSISTANCE TURNKEY PROJECT BOI PROJECTS OTHER FORMULAS
3. FINANCING MEANS		LOANS GRANTS EQUITY FINANCING COMBINATION OF ABOVE OTHERS
4. TERMS AND CONDITIONS		DISBURSEMENT CONDITIONS CURRENCIES REIMBURSEMENT CONDITIONS GUARANTEES

PROJECTS

01. DEFINITION
02. EXAMPLE
03. CHARACTERISTICS
04. LIFE-CYCLE
05. IMPACT
06. MANAGEMENT
07. METHODOLOGY
08. PHASES
09. ESSENTIALS ABOUT SOUND PROJECT MANAGEMENT
10. PERFORMANCE AND SUCCESS

DEFINITION

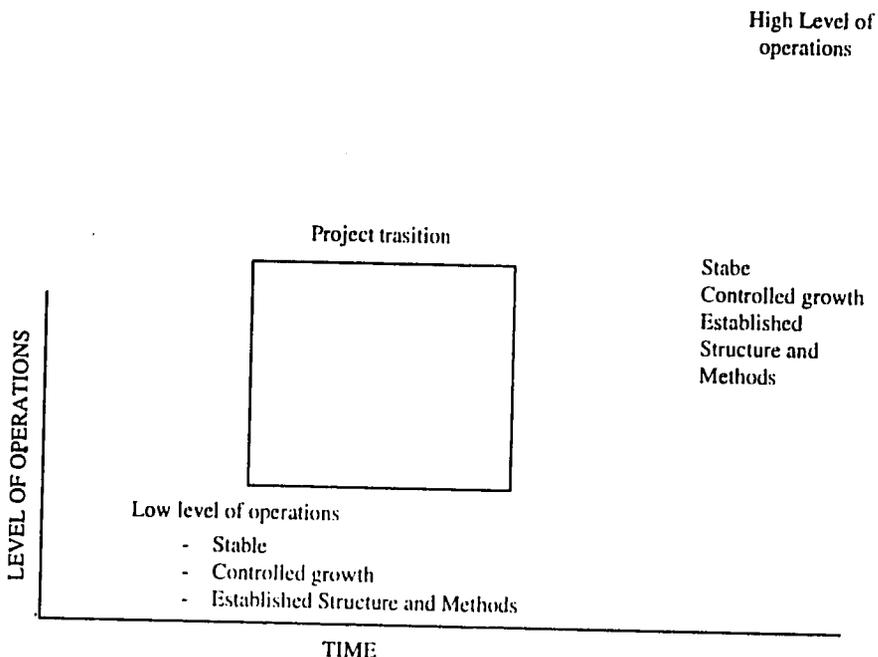
A PROJECT IS AN OPERATION, A MISSION, A UNIQUE ENTERPRISE WHICH REQUIRES A SPECIAL ORGANISATION TO ACCOMPLISH AN OBJECTIVE DEFINED BY ITS SCOPE, COST, TIME AND QUALITY.

OBJECTIVES OF IRDP (Integrated rural Development Projects)

- (a) Increase incomes and employment of small holders and the landless/near landless in the district
- (b) Create an enduring institutional frame-work, supported by a firm financial base, for the planning and execution of district - based investments in rural development

CHARACTERISTICS

01. INNOVATION
02. SIGNIFICANT SCOPE
03. FOR A CLIENT
04. SIGNIFICANT STAKE
05. TEMPORARY DURATION
06. SUBJECT TO COST CONSTRAINT (BUDGET)
07. CONCRETE FINAL RESULT WHICH SATISFIES SPECIFICATIONS
08. NON-REPETITIVE AND IRREVERSIBLE DECISIONS
09. INVOLVE MANY ADMINISTRATION UNITS
10. MULTI-DISCIPLINARY



01. CASH FLOW
02. FINANCING
03. BUDGET AND COSTS
04. CULTURE
05. ORGANIZATION
06. HUMAN RESOURCES
07. OPERATIONS
08. SUPPLIERS

MANAGEMENT

PROJECT MANAGEMENT IS THE APPLICATION OF THE ART AND SCIENCE REQUIRED TO IMPLEMENT A PROJECT WITH SUCCESS.

METHODOLOGY

ESTABLISH :

01. REAL NEED OF USERS
02. WORK PACKAGES (WORK, TIME, COST AND QUALITY)
04. ORGANISATION AND CONTROL
05. PERFORMANCE
06. CONTROL
07. DELIVERY

ESSENTIALS OF SOUND PROJECT MANAGEMENT

1. ESTABLISH A PROJECT STRUCTURE THAT IS EFFICIENT AND APPROPRIATE
Eg: RELATIONSHIP BETWEEN CLIENT - PROJECT - CONSULTANTS - CONTRACTORS
2. ESTABLISH AN ADEQUATE AND ABLE PROJECT TEAM UNDER THE DIRECTION OF A PROJECT MANAGER
3. FOLLOW RECOGNIZED METHODOLOGY
4. ESTABLISH AND COMMUNICATE SIMPLE AND PRECISE PROJECT OBJECTIVES
5. ESTABLISH AND MAINTAIN SOUND PROJECT MANAGEMENT POLICIES AND PROCEDURES
6. ESTABLISH AND MAINTAIN AN EFFICIENT MANAGEMENT SYSTEM AND CONTROLS
7. IDENTIFY AND RESOLVE PROBLEMS PROMPTLY
8. EFFICIENT CONFLICT MANAGEMENT

PERFORMANCE AND SUCCESS

1. AIM TO PROVIDE FULL CUSTOMER SATISFACTION FROM BEGINNING TO END
(TQM - TOTAL QUALITY MANAGEMENT)
2. ANALYSE PROJECT ENVIRONMENT IN ORDER TO UNDERSTAND PARTIES INVOLVED, DIFFICULTIES AND CONSTRAINTS - POSITIVE PROCESS
3. ESTABLISH REALISTIC SCOPE, COSTS, TIME AND QUALITY OBJECTIVES AIM TO ACHIEVE OR BETTER.
4. USE VALUE ANALYSIS - TO ACHIEVE LOWEST COSTS
5. RESPECT ALL PARTIES INVOLVED
6. RESPECT LAWS AND REGULATIONS

FOREIGN AID ACCOUNTING BY K. P. INDRAN

Foreign Aid Accounting

Foreign aid is received by the Govt. of Sri Lanka by way of

Grants -: outright gifts

Loans -: Which are repayable

Types of Foreign Aid

1. Capital Aid
2. Technical Assistance
3. Commodity Aid
4. Programme Aid
5. Aid under Special Circumstances

Accounting of Grant

Types of Grants

- Cash
- Equipment for the project
- Commodity

Cash Grant

- Money received to be kept in a grant deposit account in the Treasury
- Grant Provision should be available / made in the annual estimate
- Treasury will release the money on request made by the implementing agency provided provision is available the annual estimate.
- Implementing agency will incur the expenditure by debiting the grant (13) provision
- a quarterly report should be sent to the Treasury (DGAP) informing the expenditure incurred for that quarter

Equipment received by the Implementing Agency

- Value of the equipment received is to be debited to grant (13) provision by crediting the grant (T.M.L.) a/c through monthly summary.
Equipment - cont
- a quarterly report will be sent to the Treasury incorporating the value of equipment and name of the Donor.

Commodity received by the Govt.

- Beneficiary should pay the value of the commodity received under the grant to the General Counter Part Fund A/C in the Central Bank.
- Counterpart fund either may be utilized for a project or for budgetary purpose as specified by the Donor.
- Monies in the Counter Part fund will be credited to DST's current a/c in the Central Bank under advise to DGAP
- If it is for budgetary purpose it should be credited to Consolidated Fund, otherwise it should be credited to a Grant Deposit a/c. Then the procedure will be same as for the cash grant.

Accounting of Loan

Mode of payments to Implementing Agency

- Direct Payment
- Through Special Dollar a/c
- Reimbursable Foreign Aid Imprest

Direct Payment

- Where goods of high value are imported from foreign suppliers, payments will be made direct to the supplier by the donor. The amount so paid will be drawn - down from the loan.

Through Special Dollar a/c

- In all foreign aid projects a Dollar a/c will be maintained in the Central Bank and advance will be paid in to this a/c by Donor.
- The advance so paid will be utilized for local and foreign payments.
- A request must be made by the Implementation Agency to Central Bank through Treasury (DGAP)
- on a recommendation given by DGAP, Central Bank will make the payment out of dollar account to the said party.
- even for local pavements, advance could be obtained from special dollar a/c
- all payments except for local expenditure will be debited to foreign and loan provision (12) by the Treasury.
- If it is local payments, expenditures are debited to RFA (14) provision by the implementing agency.

Reimbursable Foreign Aid (RFA) - Imprest

- In certain projects local expenditures are incurred from RFA - imprest obtained from Treasury.
- These expenditures are debited to FRALoan (14) provision
- After incurring the expenditure reimbursements are obtained from donor by submitting a claim.

Replenishment to Special Dollar a/c

After incurring the expenditure implementing Agency will make the replenishment application to the Donor giving the details of expenditure supported by necessary documents. Donor will replenish the agreed amount to the Dollar a/c

Draw Downs from loan

Whether it is direct payment or replenishment to Dollar a/c or reimbursement to DST's current a/c, donor will draw down the SDR equivalent from the loan and inform the disbursement to

- DER - External Debt Monitoring Unit.
- Central Bank - Spdt. of Public Debt (SPD)
- Treasury - DGAP

Disbursement

All disbursements pertaining to a quarter will be reported to DGAP in the form of a quarterly bulletin by SPD.

Once the DGAP division receives the bulletin, disbursements are classified into:

- Direct Payments
- Replenishment to special Dollar a/c
- Reimbursements to DST's a/c

Accounting

- Disbursements in respect of Direct Payments are debited to foreign aid loan (12) provision.
- disbursements corresponding to the replenishment made to special dollar a/c are debited to Revolving Fund a/c as these replenishment are originally debited to dollar a/c and credited to Revolving Fund a/c at the time of receipt.
- Disbursements in respect of reimbursements are debited to RFund Aid adjustment a/c reimbursements are originally credited to this adjustment a/c at the time of receipt.
- All these instances credits are made to respective loan a/c

Reconciliation of Accounts

- all these debits are advised to the implementing agency by the DGAP Division.
- Implementing agencies are expected to reconcile their books of accounts with that of the Treasury.

FOREIGN AID ACCOUNTING

Foreign aid received by the Govt. of Sri Lanka by way of:

Grants - Outright gifts

Loans - Which are repayable

Types of foreign aid

1. Capital Aid
2. Technical Assistance
3. Commodity Aid
4. Programme Aid
5. Aid under Special Circumstances

ACCOUNTING OF GRANT

Types of grant

- Cash
- Equipment for the project
- Commodity

Cash Grant

- Money received to be kept in a grant deposit account in the Treasury

- Grant provision should be available / made in the annual estimate
- Treasury will release the money on a request made by the implementing agency provided provision available in the annual estimate.
- Implementing agency will incur the expenditure by debiting the Grant (13) provision
- A quarterly report should be sent to the Treasury (DGAP) informing the expenditure incurred for that quarter

Equipment received by the implementing agency

- Value of the equipment received is to be debited to grant (13) provision by crediting grant (TML) A/c. through monthly summary
- A quarterly report will be sent to the Treasury incorporating the value of equipment and name of the donor.

Commodity received by the Govt.

- Beneficiary should pay the value of the commodity received under the Grant to the General Counterpart Fund a/c. in the Central Bank.
- Counterpart fund either may be utilised for a project or for budgetary purpose as specified by the donor.
- Monies in the counterpart Fund will be credited to DST's current a/c in the Central Bank under advise to DGAP.
- It is for budgetary purpose it should be credited to consolidated fund, otherwise it should credited to a grant deposit a/c. Then the procedure will be same as for the Cash Grant.

ACCOUNTING OF LOAN

Mode of payments to implementing agency

- Direct Payment
- Through Special Dollar a/c
- Reimbursable Foreign Aid Imprest

Direct Payment

- Where goods of high value are imported from foreign suppliers payments will be made direct to the supplier by the donor. the amount so paid will be drawn-down from the loan.

Through Special Dollar a/c

- In all foreign aid projects a dollar a/c will be maintained in the Central Bank. An advance will be paid in to this a/c by donor.
- The advance so paid will be utilised for local and foreign payments.
- A request must be made by the imple. agency to central Bank through treasury (DAP)
- On a recommendation given by DGAP. Central Bank will make the payment out dollar account to the said party.
- even for local payments, advance could be obtained from special dollar a/c
- All payments except for local expenditure will be debited to foreign aid loan provision (12) by the treasury.
- If it is local payment expenditures are debited to RFA (14) provision by the implementing agency.

Reimbursable Foreign Aid-Imprest

- In certain projects local expenditures are incurred from RFA - Imprest obtained from treasury.
- These expenditures are debited to RFAL (14) provision.
- After incurring the expenditure reimbursements are obtained from donor by submitting a claim.

Replenishment to Special Dollar A/c

- After incurring the expenditure implementing agency will make the replenishment application to the donor giving the details of expenditure supported by necessary documents. Donor will replenish the agreed amount to the dollar a/c.

Draw downs from loan

- Whether it is direct payment or replenishment to dollar a/c or reimbursement to DST a current a/c. donor will draw down the SDR equivalent from the loan and inform the disbursement to
- DER Fxt. Debt. Monitoring Unit
- Central Bank - spdt. of public Dept.
- Treasury - DGAP.

Disbursement

All disbursements pertaining to a quarter will be reported to DGAP in the form of a quarterly bulletin by S. P. D.

Once the DGAP division receives the bulletin, disbursements are classified into:

- Direct Payments
- Replenishment to Spec. Dollar A/c.
- Reimbursements to DST's a/c.

Accounting

- Disbursements in respect of
- Direct payments are debited to foreign aid loan (12) provision
- Disbursements corresponding to the replenishment made to Special Dollar a/c. are debited to Revolving fund a/c. as these replenishments are originally debited to Dollar a/c and credited to Revolving fund a/c at the time of receipts.
- Disbursement in respect of reimbursements are debited to RFAID adjust a/c as reimbursements are originally credited to this adjustment a/c at the time of receipt.
- All these instances credits are made to respective loan a/c.

Reconciliation of Accounts

- All these debits are advised to the implementing agency by the DGAP Dept.
- Implementing agencies are expected to reconcile their books of accounts with that of the Treasury.

FOREIGN AID ACCOUNTING

Foreign Loan

Direct Payment

Disbursements in respect of these direct payments are debited to foreign aid loan (12) provision and credited to loan account.

Special Dollar Replenishments

and Payments

Advances and replenishments are debited to special dollar account and credited to revolving fund account. Payment out of special dollar account to the supplier is debited to foreign aid provision (12) and credited to special dollar account if it is for local payment. Money transferred from special dollar account to the DST's current account is debited to DST's cash a/c and credited to the special dollar account. Money is released to the implementing agency by way of imprest and expenditures are debited to the FRA provision (14). The corresponding disbursements are debited to the revolving fund account by crediting the respective loan account.

Reimbursable Foreign Aid Expenditure and Reimbursement.

Local expenditure of a project is incurred by obtaining RFA imprest from the treasury and debited to the RFA provision (4) and these expenditures are reimbursed by donor on submission of a claim with all relevant documents. The corresponding disbursements are being debited to the RFA adjustment account as these reimbursements are being credited to the said adjustment account.

GRANTS

Cash Grants

Cash grants received by the treasury is kept in a grant deposit account and moneys are released by way of imprest by the treasury on an application made by the department concerned giving the detail of provision available in the estimate. Expenditures are debited to the grant provision (13) by debiting the imprest account. Quarterly reports are sent by the Dept. To the Treasury and the Treasury in turn effect various transfers and reduce the balance by that extent.

Equipments

When equipments are received the value of the equipment is debited to the grant provision (3) by crediting the grant account and these details are sent to the Treasury for necessary action.

Commodity Grant

When commodities are received by the Govt. the proceeds of the imports is being credited to a counterpart fund in the Central Bank and monies in the counterpart fund is transferred to the DST's account and then used for various projects as specified in the grant agreement as done for grants received in the form of cash grant.

FLOW CHART FOR FOREIGN LOAN ACCOUNTING SYSTEM

Department of External Resources

Negotiation Loan with the donor agency

Fixing the loan amount

Signing the loan agreement

Loan agreement

③ - PD
② - RFA (SD)
① - IA

Implementing Agencies

① - LA

Making Provision in the annual Estimate

Request the Treasury to open S/D a/c

Request RFA ③

Request the donor to advance the money

CBK ①

Request

⑦ - RFA LA

Make the application to DAP to withdraw money from SD a/c

O.C

Central Bank

RFA ④ - Opening of special Dollar account

Advice to RFA division

Advice

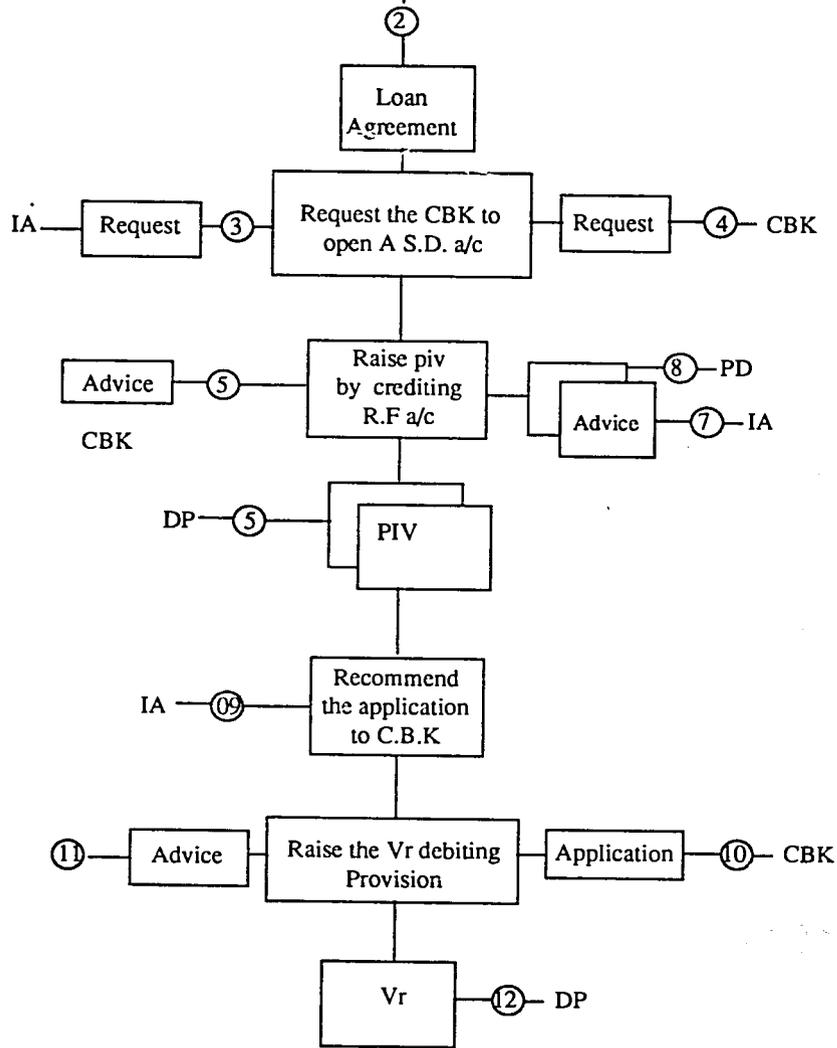
② ① ⑤

RFA ⑩ - Instruct Foreign bank to pay the supplier from S/D a/c

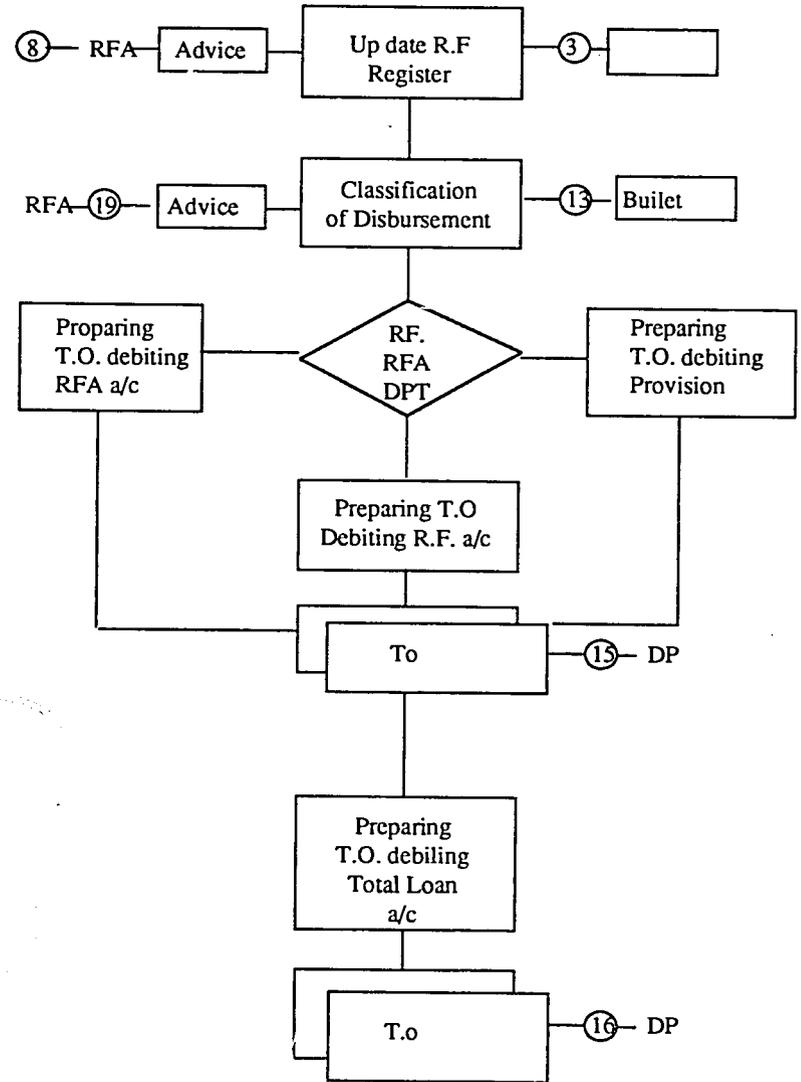
Advice the Treasury (RFA)

180

Rembursable Foreign Aid Branch (S.D.)

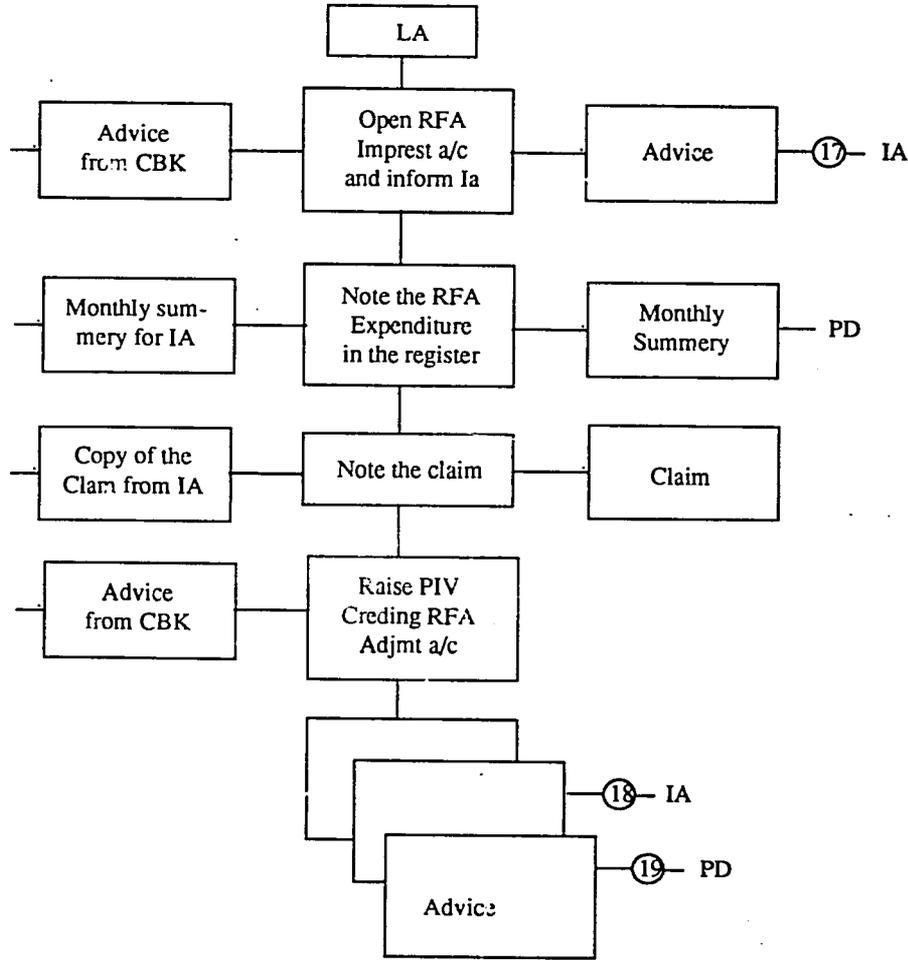


Public Debt Branch



161

RFA Division Rfa Ad



182

KEY

- CBK - Central Bank
- DER - Department of External Resources
- DP - Date Processing Branch
- DPT - Direct Payment
- IA - Implementing Agencies
- PD - Public Debt Branch
- RFA - Reimbursable Foreign Aid Branch
- RFA-SD - Reimbursable Foreign Aid - Special Dollar Accou
- TO - Transfer order
- SD a/c - Special Dollar a/c
- RF - Reviling Fund

To. All Secretaries and Heads of Department

COMMODITY OR PROGRAMME AID

COMMODITY or Programme Aid is a facility made available by donor countries to meet the foreign exchange costs of equipment and supplies, etc. obtained from those countries. They are given to the Government by way of Loans and Grants. The Government realises the rupee equivalent of the equipment and supplies from the importers and uses the proceeds to support its Budgetary expenditure or to finance specific projects agreed to by the donor especially when these are received in the form of Grants. These proceeds are called "Counterpart Funds". As far as the Government Departments and Corporations are concerned their imports under Programme Aid is therefore not an additional source of funds. They are required to pay the rupee equivalent of the Imports to the credit of the Counterpart Fund Account in the Central Bank.

2. The Government Departments intending to purchase their require mantes under commodity of Programme Aid should make Consolidated Fund Provision (not Foreign Aid provision) in the Annual estimates just as in the cases of making provision for their normal purchases where there is no provision in the printed estimates provision should be obtained by "virement" or Supplementary estimates procedure.

3. The Departments and Corporations intending to purchases their requirements under Commodity or programme Aid should obtain allocation from the Director of External Resources. While granting the allocations the Director of External Resources will indicate that the rupee equivalent of the value of supplies should be paid to the credit of the Government Counterpart Fund Accounting the Central Bank.

4. It has been decided that in the future all imports by the government Departments and Corporations under Commodity or Programme Aid should be channeled through the State Banks only. Therefore, the Government Departments and Corporations should ensure that the shipping documents covering those import should in all cases, without exception reach them only through one of the state Bank. The suppliers should be advised to refrain forwarding any shipping documents direct to the importers. In all cases, the counterpart funds, should be paid in full to the Bank before taking delivery of the shipping documents relating to the imports. The government Departments should make the payment debiting the relevant provision in the estimates or the Advance Account activity according to circumstances. The corporations should make the payments from their own funds. The Bank receiving the payment will remit the amount involved to the Central Bank of Ceylon to the credit of the Government Counterpart fund Account.

5. There have been instances in the past when certain Corporations experienced liquidity problem deferred. payment facilities were sought for from the Treasury. The Treasury will not entertain any applications from the Corporations for such facilities in the future. The Corporations having liquidity problems for the problems for the purpose of paying the Counterpart funds in full are advised to make prior arrangements with their Bankers for. Trust Receipt or pledge loan facilities. The Bank of Ceylon has already agreed to consider such facilities according to the financial standing of the Corporation seeking such facilities, corporations transacting business with the peoples Bank may also seek similar facilities from that Bank.

6. Please bring the contents of this circular to the notice of Heads of Departments, State Corporation under Your Ministry.

7. Treasury Circular No. 75 of 6.4 1968 is hereby cancelled.

Treasury Circular No. 828

No. 24/88/10/5 (PD)
 General Treasury,
 The Secretariat,
 Colombo,
 July 19, 1976

To : All Secretaries and Head of Departments

FOREIGN AID ACCOUNTING

1. This Circular supersedes Treasury Circular No. 720 of 15th March, 1967.
2. Foreign Aid received by Sri Lnaka consists of -
 - A - Capital Aid in the form of money, equipment, materials and ancillary services;
 - B - Technical Assistance in the form of scholarships, training facilities, services of experts and, materials and equipment ancillary to Technical Assistance Programmes; and
 - C - Commodity Aid.

A - CAPITAL AID

3. Capital Aid is divided into two categories :-
 - (i) Grants; and
 - (ii) Loans (including lines of Credit)
- 3.1 Grants are outright gifts. They are received in the form of equipment, materials, cash and allocation of Counterpart Funds generated from Commodity Aid.
- 3.2 Loans are repayable. They are also received in the form of equipment, materials, services or in cash.

Provision in the Estimates

4. As all Capital Aid is integrated with budgetary expenditure its utilisation should be provided for in the Annual Estimates. Foreign Capital Aid should not be utilised unless and until financial provision has been made for it either in the Annual Estimates or by means of supplementary estimates or by 'Virement' procedure. Where it is found necessary to utilise any Capital Aid in respect of which no provision exists in the Annual Estimates, provision should be made for the purpose by means of a supplementary estimate or 'Virement' procedure. Even a liability should not be incurred in anticipation of capital Aid until at least the approval of the Cabinet has been obtained for the scheme or project which is to be financed from Capital Aid.

Provision in respect of Foreign Aid to State Corporations

As Foreign Aid is given on a Government to Government basis, all to State Corporations is channeled through the Ministries in charge of such Corporations is channeled through the Ministries in charge of such Corporation. The responsibility for including provision in the Estimates of Expenditure of the Government in respect of any Foreign Aid to be utilised by state Corporations devolves on the Ministries in charge of the respective Corporations. Any part of the provision made in the Estimates for Foreign Aid utilisation will not be made available to the State Corporations if such Foreign Aid had not been actually received.

Procedure in making provision for foreign Aid in Estimates.

- 4:1 It is necessary to keep separate accounts relating to the Foreign Aid components and consolidated Fund components of programmes financed from Foreign Aid. To enable this to be done, the following instructions should be complied with in making provision in the Estimates.
- 4:2 In every schedule entitled "Programme Expenditure by Projects" the Foreign Aid components of the whole program should be shown as a component of "Financing" with foot-notes specifying the projects in which the Foreign Aid involved is used and the value of such aid.
- 4:3 In the appropriate schedule entitled "Project Expenditure by Object" the Consolidated fund component and Foreign Aid component of a particular object should be shown separately immediately below the object expenditure, but within the cage so as to distinguish Foreign Aid Provision from Consolidated Fund Provision.
- 4:4 It is also necessary, for purposes of Departmental control of expenditure to separate foreign Aid components from consolidated fund components in the appropriate "Details of Objects" Appearing Immediately below the schedule of capital expenditure schemes. In the case of recurrent expenditure the details of objects may be shown at the end of the departmental Estimates.
- 4:5 The Treasury Expenditure Ledger will be maintained so as to indicate the Consolidated fund expenditure and Foreign Aid expenditure separately under the Objects. To enable this to be done departments are requested to indicate the Foreign Aid expenditure separately under the relevant objects in their monthly summaries and Transfer Orders to the Treasury.
5. The procedure set out below should be followed in bringing to account Foreign Capital Aid.
- 5:1 Grants in the form of materials and equipment - On receipt of materials and equipment as Foreign Capital Aid Grant for Utilisation direct on a specified Project, the rupee value should be ascertained by the Department concerned from information contained in documents relating to the supply but in all cases the concurrence of the Director of External Resources should be obtained for this value to be brought to account. Where sufficient information is not available an estimate of the value should be made by the Department in consultation with the Director of External Resources. Thereafter the department will -
 - (1) DEBIT - Programme, Project, Object (Foreign Aid Provision) and
CREDIT - General Treasury Foreign Aid Grant A/c.
(being value of materials and equipment received from..... (donor) as a Grant for the Project..... (Name of Project) debited to Foreign Aid Provision in the Estimates and credited to the General Treasury Foreign Aid Grant Account).
 - (2) This transaction should be brought to account through the Monthly Summary of Accounts rendered to the Treasury in the case of 'A' Class Departments or Transfer Order on form General 122 in the Case of 'B' & 'C' Class Departments.
 - (3) A statement in the form at Appendix 'B' should be furnished to the Director of Accounts and Payments (Public Debt Branch) Immediately.
 - (4) The equipment and materials should immediately be taken on the Inventory or other Register maintained by the Department.
 - (5) An advice in the form at Appendix 'C' should be sent to the Director of External Resources in duplicate with a copy to the Auditor-General. A Certificate to the effect that all equipment and materials have been duly received and taken on the Inventory or other Register should be furnished on the advice. The advice should be supported by reference to the invoice pertaining to the equipment or materials. If such invoices are not received by the Department within a reasonable time the matter should be reported to the Director of External Resources giving reference to the value estimated in terms of Para 5:1

In the case of State Corporations, the responsibility of ensuring that action is taken as above devolves on the Ministries in charge of the respective Corporations.

- 5:2 Gifts of Equipment and Materials for which Provision has not been made in the Estimates at the time of receipt. - Gifts or Equipment and Materials can be received from Foreign Governments and Agencies in special circumstances like floods, epidemics, droughts, etc., and for other specific purposes which may not have been anticipated at the time of preparation of the Draft Estimates. Departments are requested to keep separate records of these gifts in their Inventories or other Registers. Provision should be made by 'Virement'.

Procedure or by supplementary estimate if possible during the year of receipt and the value should be brought to account in the same way as laid down in section 5:1. The value to be brought to account is the exact value if known or an approximate value determined in consultation with the Director of External Resources.

If 'Virement' procedure or supplementary estimates procedure cannot be resorted to during the year of receipt, provision should be made in the following year's Estimates for the purpose of bringing to account the value of the gifts. Where the value is not brought to account in the year of receipt, the Appropriation account of the Department for that year should contain a foot - note giving the description and value of foreign Aid Gifts received but not accounted during the year.

In the case of corporations the Ministry in charge of the Corporation should initiate action as above to bring to Account the casual gifts of equipment and materials received by them.

- 5:3 Loans in the Form of Equipment, Materials and Services.

In the case of equipment, materials and services of experts received under loans and lines of credit, the Director of Accounts and Payments receives intimation of the value of such receipts quarterly from the central Bank as loan liabilities incurred under the relevant loans from which the Projects are financed. The accounting entries in the Treasury will be -

Appropriate programme, project, object (Foreign Aid Provision) of the Dept. Dr.

To relevant Loan A/c from the Project is financed. (being disbursements from the..... (name of loan) reported by the Supdt. of Public Debt. Central Bank, during the quarter ending.....on account of withdrawals made for financing.....(Name of Project).

The Director of Accounts and Payments will advise the Department concerned of the above debit. The procedure in the Department will be :-

- (1) Reconcile the debit made by the Treasury with the withdrawals made by the Dept. from the Foreign loan and note the debits in the Department's Appropriation ledger where the Foreign Aid provision in the Estimates has been noted.
- (2) If the debits are considered to be inappropriate for any reason the matter should be immediately taken up with the Director of Accounts and payments with copy to Director of External Resources.
- (3) The equipment and materials should be taken on the Inventory or other register maintained by the Department.
- (4) An advice in the form at appendix 'C' should be sent to the Director of External Resources in the same way as stated in Para
- (5). In regard to loans to Corporations from Foreign Loans the Ministries in charge of the respective Corporations should take adequate steps to ensure satisfactory repayments to Government of the loans and payment of interest thereon, where applicable.

- 5:4 Grants in Cash or from Counter part Funds. - When cash is received in the Treasury by way of remittances or by way of Counterpart Funds generated from Commodity Aid, for the purpose of financing specific projects, the cash will be credited to the appropriate Grant A/c. in the Treasury pending utilisation by the relevant projects. The Departments receiving cash remittances direct from Donors should also deposit such receipts in the Treasury. When provision is made in the Estimates for utilization of such Grants, the Departments should apply to the Director of Accounts and Payments through the Director of External Resources, for an allocation of funds from the relevant Grant Account and obtain it before incurring any liability or expenditure. The allocation should be noted in the folio of the Departmental Appropriation Ledger where the relevant Foreign Aid provision in the Estimates has been noted and all expenditure should be debited to the provision in the Estimates. The procedure in the Department will be -

- (1) DEBIT - Appropriate Programme, Project, Object (Foreign Aid Provision) and

CREDIT - Cash.

(being expenditure incurred from the cash allocation, under (Name of Grant A/c)

The expenditure should not however exceed the allocation of cash or the provision in the Estimates.

- (2) The expenditure should be brought account in the monthly summary of accounts to the Treasury.
- (3) A quarterly statement in the form at Appendix 'A' should be furnished to the Director of Accounts and payments (Public Debt Branch).
- (4) A monthly statement in triplicate in the form at Appendix 'D' should be sent to the Director of External Resources not later than the end of the following month.

- 5:5 Loans in the form of cash remittances from Foreign Governments or Agencies -

When cash remittances are received, the Director of External Resources will inform the Departments for which such remittances are intended as well as the Director of Accounts and payments who will credit the cash receipts to the appropriate Loan Accounts.

The Departments should note the amounts in the Appropriation ledger folios where the Foreign Aid Provision in the Estimates is noted and incur expenditure, debiting the provision in the Estimates is noted and incur expenditure, debiting the provision, upto the extent of the amount the same way as at 5:4 above and follow up with other action enumerated therein.

6. Charging of expenditure to Grant and Loan Accounts in the Treasury at the end of the year.

At the end of the Financial year the Grant and Loan Accounts which were originally credited will be debited by the Director of Accounts and Payments with the Value of aid received and actually utilised during the financial year, and the expenditure Account in the Treasury Main Ledger will be credited with such amount. The Foreign Aid Expenditure will remain debited to the provision in the Estimates.

B - Technical Assistance

- 7:1 Technical Assistance referred to in this section does include Technical Assistance received as part cost of a project financed from a Foreign Loan as it will form part of Capital Aid referred to in Section 5:3. Technical Assistance referred to here includes services of experts, scholarships, training facilities, cash, equipment and materials received as part cost of a Technical Assistance Programme. These are received by way of Grants.
- 7:2 Technical Assistance in the form of services of Experts, Scholarships and Training facilities does not affect the budgetary expenditure of the Government and therefore no financial provision need be made in respect of such assistance in the annual Estimates of expenditure. However, particulars of such technical assistance (such as the number of Ceylonese undergoing training abroad and the number of experts providing services in Sri Lanka, the duration of such services or facilities and the country or Agency providing the services, facilities etc.) should be shown in the Estimates of Expenditure by a footnote under the relevant programme.
- 7:3 Departments should maintain separate records of all foreign technical assistance received by them. The records in regard to experts should show the names of Experts whose services have been availed of, the duration of their services, nature of assignment and the country or Agency providing the services. Similarly, records should be maintained in respect of scholarships and training facilities as well; these records should also show the value of the scholarships or training facilities. Of exact information regarding the value of scholarship/training facility is not available, an approximate computation should be made, taking into consideration the cost of travel, subsistence, books, allowances for clothing and medical expenses, and the hypothetical cost of training which should be determined in consultation with the Director of External Resources.
- 7:4 At the end of each quarter of the financial year a Return of services of Experts in the form at Appendix 'E' and a Return of scholars and trainees in the form at Appendix 'F' should be sent to the Department of External Resources with three copies of each return to the Auditor-General.
- 7:5 Where materials, equipment and cash are received as part cost of a Technical Assistance Programme they should be accounted in the same way as Grants referred to in Section 5:1 and 5:4 respectively.
- 7:6 Where equipment is received as part of a Technical Assistance programme, the ownership of which is retained with the Donor until the programme is over, such equipment should be kept in separate Inventories. If and when the ownership passes over to the Government at the end of the programme, a Board should be appointed to determine the value of the equipment at the time of the transfer of ownership and such value should be brought to account in the same way as materials and equipment received as Grants are accounted - vide Section 5:1.

(Annexure 2)

C - Commodity or Programme Aid

8. Your attention is invited to the Treasury Circular No. 826 of April 30, 1976, on the subject of commodity or programme Aid. Commodity Aid received by way of Grants referred to in that Circular does not include materials and equipment received under Capital Aid and Technical Assistance referred to in Section 5:1 and 7:1 of this Circular. Commodity Aid Grants on which Counter - part funds are payable by the importing Departments and Corporations will be indicated in each case by the Director of External Resources at the time of granting the import allocation

General

9. The above procedure is applicable generally and any special procedure depending on the method of disbursement by the donor countries will be communicated to the Departments by the Director of External Resources. If the Departments have any special difficulty or if the general instructions contained in this Circular do not cover any particular aspect, the Director of External Resources should be consulted.

- 9:1 Reference is invited to Treasury Circular No. 824 of 28th May, 1975 regarding the payment of the Cost of Foreign Exchange Entitlement Certificates (FEEC's) on aid imports by the Government Departments, Statutory Boards and State Corporations.

Deputy Secretary to the Treasury.

To the Director of Accounts and Payments, General Treasury,

FOREIGN AID

Quarterly Statement of Expenditure from Cash Allocations of Foreign Aid, Quarter ending 19.....

Particulars of Programme in the Estimates						Amount of Allocation obtained from the Treasury	Month of Debit	Expenditure Debited		Total Expenditure for the Quarter under Object Class		Title of the loan / Grant Deposit A/c. from which Allocation was obtained
Head	Programme	Project	Object Class	Object Detail	Foreign Aid Provision			Rs.	c.	Rs.	c.	

Date :

.....
Signature of Head of Departmen

To : The Director of Accounts and Payments, General Treasury.

APPENDIX "B" (Sections 5:1, 5:2 and 7:5)

FOREIGN AID

Statement of credits made to the "Treasury Foreign Aid Grant Account" in respect of Foreign Aid received in the form of Equipment and Materials

188
181

Particulars of Programme in the Estimates						Month of Accounting	Value debited to Provision and credited to Foreign Aid Grant A/c.	Source and Description of goods received
Head	Programme	Project	Object Class	Object Detail	Foreign Aid Provision			

Date :

.....
Signature of Head of Department

To : The Director of External Resources.

FOREIGN AID

Advice of Equipment, Materials, etc. received for.....Project

Source of Aid

Title of Loan /Grant

Department

189

Date of Receipt	Description	Invoice No.	Inventory Folio No.	Value		Particulars of Programme debited	Date of debit	Amount of debit	Previous debit during the financial year	Total debits	Provision in Balance	Balance Provision
				Ceylon Rupees	Foreign Currency							
									Rs.	Rs.	Rs.	Rs.

I certify that the equipment/ materials referred to herein have been duly received and taken on the Inventory / Register (Folio No.) maintained in this Department.

Date :

Copy : Auditor General.

Head of Department

Signature :

Designation :

To : The Director of External Resources

FOREIGN AID

Return of Services of Experts availed of by the Ministry / Department of during the quarter
 Department

Name of Export	Nature of Assigament	Country of Agency Providing Services of Expert	Date of arrival of Expert	Date of Departure of Expert or scheduled date of completion of Assigment	Remarks and reference to Agreement

190

Date :

Copy : Auditor General.

Head of Department

Signature :

Designation :

To : The Director of External Resources.

FOREIGN AID

Statement of Expenditure during the month of.....19....., form Cash AllocationsProject

Source of Aid

Department

Title of Loan / Grant

191

Programme Particulars of Provision in Estimates	Amount of Provision	Date of Allocation	Reference to Allocation received	Amount of Allocation	Expenditure at and of previous month	Present Expenditure		Total Expenditure to date	Balance of Allocation Available Rs.
						Date	Amount Rs.		
	Rs.			Rs.	Rs.			Rs.	

Date :

Head of Department

Signature :

Designation :

INTEGRATED RURAL DEVELOPMENT PROJECTS

The Integrated Rural Development Projects - IRDF are foreign aid Projects which are funded by foreign Donor Agencies/Governments. A foreign aid project is created on the basis of:

- a. Government approval
 - b. Agreement between the donor agency and the borrower or beneficiary
 - c. Specific parliamentary authority by way of provision in the annual estimates.
2. The main objective of the Integrated Rural Development Project is to increase the income and living standards of the people of the District with special emphasis on the poorest group within the overall context of reducing the existing inter district disparities. The Projects cover the main production sectors such as agriculture, irrigation, fisheries and industry as well as Social, economic and other infra structure activities such as education, health, water supplies, roads, rural electrification, communication etc.

The main activities of the projects are :-

- a. Formulation of selected Programme/ project for the District.
- b. Implementation / Co-ordination of such programmes.

3. PROJECT REPORT AND CREDIT AGREEMENT :-

In respect of each project financed under foreign aid there are :-

- a. A Project Report, and
- b. A credit Agreement based on the Project Report.

3.1 THE PROJECT REPORT contains details and descriptions of the project such as:-

- a. Feasibility
- b. Financing
- c. Breakdown of projects under components, categories etc.
- d. Projected cost and financial systems in respect of each year until the conclusion of the project.
- e. Breakdown of costs and quantities under each component in respect of each category of resource required, and
- f. Benefits expected from the project in terms of financial as well as quantitative terms including social and economic benefits.

The Project Report provides the basis for evaluation in audit of the Project.

3-2 THE CREDIT AGREEMENT is based on the project report and generally provides for the following:-

- a. Pattern of withdrawals under the agreement. Usually a schedule of the withdrawal pattern is annexed to the Credit agreement.
- b. The procurement procedure that should be followed in purchasing and awarding of contract.
- c. List of the executing agencies.
- d. Preparation of an annual Implementation Programme for the information of the lending agency.
- e. Insurance of goods by borrower.
- f. Breakdown of actual cost of the project under various headings.
- g. Maintenance of records in such a manner as to enable the assessment of progress of the project, cost of the project and utilisation of materials, equipment and funds brought in under the credit agreement.
- h. Submission of Progress Reports to the lending Agency.
- i. Submission of accounts annually within a stipulated time limit.

4. ACCOUNTABILITY ARRANGEMENTS :-

4-1 The project Director is charged with the responsibility of the administration and accounting of Funds made available under the aid agreement, whilst the Secretary, Policy Planning and Implementation is in overall charge of the Implementation of the Project.

In 1991 provision had been made in the Estimates under Head 260 Programme I Projects 105 to 112 as contribution to the 8 provincial councils for the Integrated Rural Development Project.

4-2 The following fundamental principles have to be observed :-

- a. Accountability for all funds of both borrower and lender.
- b. Adequate disclosure for all material information
- c. Financial Statements to present true and fair view.
- d. Disclosure of accounting policies.
- e. Independent review of accounts and systems.

4-3 The Accounting systems should provide for the following features :-

Classification of transaction.

- v. Classification of transaction.
 - b. Every Implementing agency and the controlling agency, where there are several implementing agencies controlled by a Central Agency, should prepare a Balance Sheet for the project identifying the resources utilised and the assets created.
 - c. The controlling Agency should prepare a Consolidated Balance sheet Consolidating the information in the individual Balance sheets prepared by the implementing agencies.
5. +

In the case IRD Projects which are financed by foreign aid, expenditure is initially met from provision in the General Estimates i.e. from the Consolidated fund and such expenditure is subsequently reimbursed from foreign aid in accordance with the relevant provisions in the loan Agreements relating to such expenditure. IRD Projects financed in this manner are indicated in the General Estimates :-

- 5-1 Treasury Circular No: 848 of April 19, 1982 spells out the procedure to be followed in regard to claiming of reimbursement.
- 5-2 Executing Agencies to render claims for reimbursements promptly
- 5-3 Claims made Direct to the executing Agency or through Central Bank.
- 5-4 Executing Agencies to maintain proper records of reimbursements due and received.

6. AUDIT :-

6-1 OBJECTIVES :-

The objectives of audit in regard to Foreign Aid are two-fold. The first objective is to satisfy the requirements of the parliamentary audit and the other objective is to satisfy the requirements laid down in the Credit Agreement.

The Credit Agreement normally requires a special audit within a definite period of time after the closure of the financial year.

For the purpose of the special audit required under the credit agreements, the following areas need special attention.

- a. Whether accounts are maintained according to generally accepted accounting principles in practice.
- b. Whether the withdrawals or reimbursements made are in keeping with the provisions of the credit agreement.
- c. Whether the funds obtained have been applied for the purpose indicated.
- d. Whether equipment, materials etc, received are being utilised for the project.
- e. Whether purchase contracts under the project have been made in keeping with the procurement procedure in the Credit Agreement.
- f. Whether other conditions of the Credit Agreement have been complied with.

6-2 AUDIT PROCEDURE :-

The following procedure should be followed :-

- a. Check purchase and contract procedure.
- b. Check classification of expenditure and any recoveries to ensure that it is in keeping with the classification given in the Project Report and the Credit Agreement.
- c. Check whether there is adequate evidence to support the work done work certification measurement reports etc.)
- d. Check whether the Project is being financed through other sources as well and whether such financing has resulted in the misapplication of funds.
- e. Compare costs and quantities as between actuals, budgets and the project report figures applicable to the project in the particular year.
- f. Compare the actual rates the budgeted rates and the Project Report rates in respect of utilisation of resources (manpower, equipment, materials etc.)
- g. Whether the Accounting procedure laid down by the Treasury referred to in Treasury Circular No: 828 of July 19, 1976 has been correctly followed.
- h. At field inspections :-
 1. See whether the Project is being carried out generally in terms of the agreement.
 2. Check whether there are any idle items equipment, plant and machinery or idle labour.
 3. Pay special attention labour control procedures at work sites.

6-3 Audit is a review function. It constitutes an independent supervision process in the accountability arrangement between people represented in Parliament and the implementing agencies.

Discharge of accountability is in relation to management of resources in accordance with rules and regulations, systems and procedures. Resources have to be managed economically and efficiently to achieve the planned objectives.

6-4 Comments on :-

- a. Accounts
- b. Inappropriate funding
- c. Inappropriate disclosure
- d. Unexplained differences
- e. Wasteful transactions/ Practices
- f. Lack of documentary evidence for transactions
- g. Non compliance with laws, rules, regulations and Management decisions
- h. Non existence of assets
- i. Omissions
- j. Vehicles
- k. Idle/under utilised assets
- m. Uneconomic transactions
- n. Irregularities relating to contracts:
 - n.1 Failure to follow competitive principle
 - n.2 Overpayments
 - n.3 Failure to recover Turnover Tax/Tax
 - n.4 Retention money
 - n.5 Agreements
 - n.6 Default
 - n.7 Non completion on target
 - n.8 Work below specification
 - n.9 Incomplete work

7. PROJECT EVALUATION

FOREIGN AID PROVISIONS - 1992

An analysis of the provisions is given below :-

	No. of Projects	Loans Rs.	Grants Rs.	Total Rs.
FOREIGN AID (FA) REIMBURSABLE	103	11,797,685,000	3,499,353,200	15,297,043,200
FOREIGN AID (RFA)	82	4,662,920,000	1,214,852,200	5,877,772,200
TOTAL	185	16,460,605,000	4,714,210,400	21,174,815,400

Of the above, 28 projects included included FA as well RFA provisions as follows,

	Loans Rs.	Grants Rs.	Total Rs.
FOREIGN AID (FA) RE-IMBURSABLE	4,314,060,000	1,267,200	5,581,761,200
FOREIGN AID (RFA)	3,590,688,000	369,159,000	3,959,347,000
	<u>7,904,748,000</u>	<u>1,636,860,200</u>	<u>9,541,608,200</u>

2. A summary of the Projects financed by Grants, Loans, Grants and Loans against FA, RFA, FA + RFA is as follows:

Projects	Grants only		Loans only		Grants & Loans		Total	
	No.	Amount Rs.	No.	Amount Rs.	No.	Amount Rs.	No.	Amount Rs.
FOREIGN AID ONLY RE-IMBURSABLE	56	1,590,907,000	15	3,631,175,000	04	4,493,200,000	75	9,117,282,
FOREIGN AID ONLY	30	842,566,000	22	1,049,315,000	02	26,044,200	54	1,917,925,
FOREIGN AID AND REIMBURSABLY AID	FA	407,308,200	FA	1,236,410,000	FA Grants	860,393,000		
	RFA	241,105,000	RFA	2,690,237,000	FA Loans	3,077,650,000		
					REAGrants	128,054,000		
					REALoans	900,451,000		

	08	648,413,200	13	3,926,647,000	07	4,966,548,000	28	9,541,608
TOTAL	94	3,081,886,200	50	8,607,187,000	13	9,485,792,000	157	21,174,815,

3. The total provision of Rs. 21,174,815,400 for Foreign Aid Expenditure included Rs. 272,843,400 under Recurrent Expenditure as follows:

	No. of Projects	Grants Rs.	no. of Projects	Loans Rs.	No. of Projects	Total Rs.
FA	12	73,688,200	00	54,445,000	12	73,683,200
RFA	13	119,571,000	7	54,445,000	20	174,016,000
	1*	2,727,200	1*	22,417,000	1	25,144,200
					33	272,843,400

* A Project involving Grant and Loan

JANASAVIYA PRODUCTION PROGRAMME

3.1 Programme Goals and Strategies

After several poverty alleviation programmes under several governments, the problem of poverty has not been solved as about 50% of the population of the country are yet below the poverty line.

Therefore, as a solution, to overcome the problem, an idea of a major poverty alleviation programme was presented as a suggestion and a promise by HE. R. Premadasa, the present President, in his Presidential election manifesto in 1988 and was introduced as "a new vision, a new policy to our mother land" It was presented in sub-sections 33 to 44 of the manifesto under the sub-topic, "Investing in our Human base"

The main items of the proposed poverty alleviation programme were discussed in sub sections 34 - 37 of the election manifesto of the United National Party as follows:-

"34. This program of investing in our human base, has three key elements - the family, the resources and the time-period. The period is fixed and is for twenty-four months. A family is reckoned to be five persons. There are also some important secondary elements - counseling, skill and entrepreneurial training and incentivizing. The programme will radically transform the outlooks of the needy, from mere survivors, they become prime movers in their own self-development. Further this programme will enhance all the existing, ad hoc attempts to mitigate poverty (eg, food stamps poor relief, etc.)

35. This scheme will be made operational throughout the island, in a phased manner. Starting with the neediest of the need, until such time as the disbursement of such a large volume of funds is systematized.

36. Basically, each family will have access to a pool of resources. It is worth Rs. 2,500 a month. This pool divides itself into two streams - one directed to investment, the other to consumption

37. Out of the total pool available each month, the first Rs. 1,042 must be saved and invested as an obligatory saving/ investment. This investment process will continue every month upto the end of the twenty-fourth month. At that point, the total savings accumulated would be Rs. 25,000."

After Hon. R. Premadasa was elected as the HE the President, it was decided to implement this idea as a Government key programme for the development of the people as well as the country. Since the central goal of the programme is the development of the people, the development of human beings from those without any assets to those with assets, it is called "Janasaviya" which means people's strength"

The government has decided to implement this programme in Eleven stages in the whole country, and as the first step one A. G. A. division has been selected in each district on the basis of highest proportion of food stamp holders as a pilot project. Under this programme it was intended to provide financial assistance to these families, that they will be able to contribute to the total development process of the country.

There are two main themes of the Janasaviya production programme.

- (1) Human development through the development of human strength. (It is based on the self-abilities of the Individual family group and the community)
- (2) The satisfaction of the primary needs of the family unit.

To achieve the first objective which relates to the development of the person or the family unit (human strength) it has aimed to improve the following factors among the people.

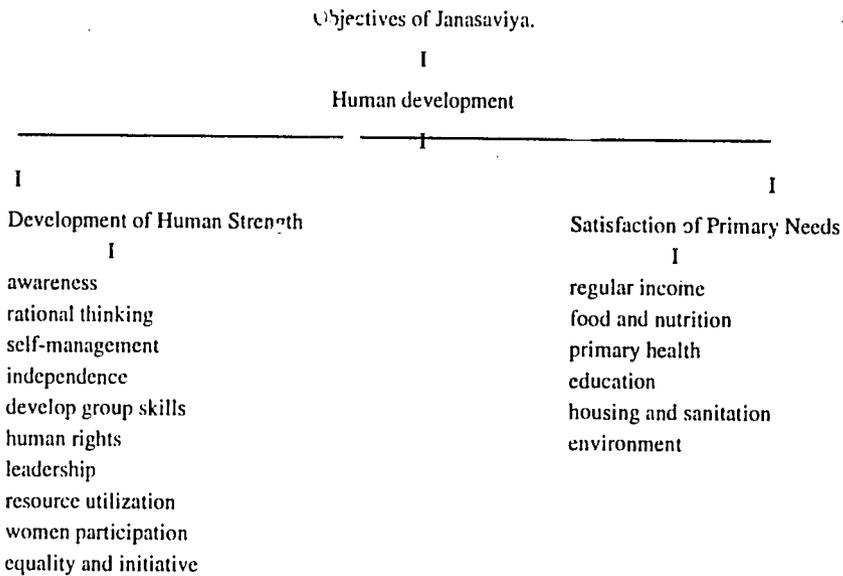
- (i) To increase their awareness. Understanding and rational thinking.
- (ii) To make them to analyse problems through cause identification and make decisions independently.
- (iii) To develop skills to implement decisions to organise and to manage themselves, and leadership.

- (iv) To make them think for reduction of dependence and help them to identify and acquire their rights.
- (v) To encourage people to identify and utilize their own resources for their own benefits.
- (vi) To identify new resources and the modern technology and make them to get the maximum utilization for the production process.
- (vii) To increase participation of women in socio-economic development.
- (viii) To encourage them to develop their personality and self-respect and to safeguard human rights.
- (ix) To reduce social and economic inequalities.
- (x) To encourage them to identify their initiative and potential which they can use for their development.

The satisfaction of the primary needs of the family which will help to develop the living conditions of people is aimed at the second objective of the programme. To fulfill this objective it is expected to:

- (i) Engage in and continue reasonable income generating activities.
- (ii) Obtain adequate nutrition level in the daily diet.
- (iii) Conserve primary health.
- (iv) Make opportunities for formal and informal education to develop the literacy rate of the children and adults.
- (v) Make provision for vocational training and for self employment and entrepreneur development.
- (vi) Obtain ownership to land and a house with facilities including toilet, sanitary facilities, and drinking water.
- (viii) Keep cleanliness, safety, independence, and a peaceful environment.

All the above objectives can be summarized as follows.



When we go through these objectives, we could see that the following expectations should be fulfilled to achieve the aim of the programme.

- (i) Using the total labour capacity and other skills of the benefited family for their production activities.
- (ii) maximum utilization of land, labour skills, and other necessary extension services for the production.
- (iii) Co-ordination and co-operation of other families. Voluntary organizations. village level committee members. connected departments, agencies and Non-governmental organizations for a successful implementation of the programme.
- (iv) Developing the local market on the supply and demand of the benefited families.
- (v) Try to identify new resources and modern technology.

3.2 Implementation of the Programme

After giving legal authority, under Janasaviya Act No. 4 of 1989 the Department of Janasaviya was established under the Janasaviya Commissioner. He has issued the relevant instructions to the officers through seminars, conferences, workshops, circulars and leaflets, etc.

To implement the programme successfully the Grama Seva Niladharis (Village Services Officers) who are working at the village level were assigned work as village level co-ordinates and the Assistant Government Agents were appointed as the divisional co-ordinators as well as the Assistant Commissioners of Janasaviya, The District Government Agent. Who is the chief administrator for the district, was appointed as the district coordinator. In addition to these, many officers who are working at the field level were appointed as zonal officers, trainers, etc.

For the concept of this programme it is essential to identify the target group but as the conditions prevailing in the country at that time were unfavorable they were not identified, specially the families who were getting food stamps have been considered as the target group. On This basis the government gave the Janasaviya entitlements to all the families who were already getting food stamps. On implementing this idea on 29th June 1989, about 1,900,656 entitlements were distributed to all food stamp receiving families. throughout the island.

3.3 Expectations of the Programme.

As, there are some objectives and expectations which must be fulfilled at the end of the programme. The Janasaviya financial assistance of Rs. 2,500 can be considered as an investment for the future. This financial assistance is provided monthly for 24 months to the selected families on the basis of the two components described below. Every benefited family is expected to implement a successful economic activity within the two year period to achieve the main objectives of the programme.

3.3.1 Consumption component

The consumption component of the "Janasavipatha" (the stamp which issued instead of money is named as Janasavipatha) is Rs. 1,458. This is further divided into two segments. One with coupons to the Value of Rs. 1,000 and the other to the value of Rs. 458. The Rs. 1,000 component can be used to purchase commodities up to value of Rs. 500 for the first fortnight and the balance for the second fortnight. The Rs. 458 is considered as a compulsory savings but if a recipient desires to utilise the full amount or half or any portion of this Rs. 458 for consumption, he is free to do that, However any remainder from one month cannot be carried over to the subsequent month for consumption. Any such remainder should be deposited as savings in the National Savings Bank or the Post Office. The beneficiary can use that savings at any time for production purposes with the approval of the Janasaviya Divisional Co-ordinator.

3.3.2 Investment component

It has been planned to deposit an amount of 1,042/= in the names of two selected members of such family, as the householder and his/her spouse, by the Government. Within or after twenty four months, each family could get a loan of Rs. 25,000 (i, 042x24=25,008) from this savings for production purposes through a credit letter.

3.4 Selection of the Janasaviya Beneficiaries

It has been decided to implement Janasaviya programme in 279 A. G. A. divisions in eleven stages, selecting one A. G. A. division from a district for each stage. A. G. A. divisions in each district have been selected on the basis of the highest proportion of food stamps holders, However in some districts it has been decided to have more than one A. G. A. division at each stage on the basis of the ethnic ratio. Because of this 28 A. G. A. divisions were selected in the first stage.

3.4.1 People's Participation

When working on a human based development programme, obtaining people's participation is essential. To put this idea into practice, several steps had been taken by the government, when issuing instructions to the officers. Mainly for the purpose of close co-operation with the people, some key principles have been specified in the Janasaviya circular 3 (savi 03) as follows:

- * Trust the people, especially the poor.
- * People will decide and others (politicians, officers, etc) should support them.
- * The poor must be organised
- * Do what is just and right.
- * A countrywide process of learning by doing.
- * All procedures to be open and transparent.

A committee called "Support Team" was selected by the community with the guidance of the A. G. A. for each hamlet. This team consists of five members. The hamlet community has selected four members from their own community itself and one was appointed by the A. G. A. who is a government servant. Working at the field level., considering the necessity of women participation for the programme, it has been instructed that one of these five members must be a woman, An orientation training has been given to these Support Teams about their activities which come under the programme.

This team had functioned as a volunteer organisation, and had to play the major role for implementation of the programme at the hamlet level. They had to:

- i) Identify poor families (beneficiaries) who hold food stamps.
- ii) Prepare a list of families receiving food stamps according to the hamlets.
- iii) Prepare these lists into a priority order with five copies and publish in the area for the information of the community.
- iv) Help the families to understand their problems, and make them solve problems through rational thinking.
- v) Encourage the Janasaviya beneficiaries to develop their personality and to identify and acquire their rights.
- vi) Help them to understand the good results of working collectively and to identify and utilise their own resources for their own benefits.
- vii) Encourage the people to make decisions independently and implement them.
- viii) Improve the present technology, identify modern technology by training skills and enable them to get the maximum utilisation for income generating activities, like bank loans, aid, resources, marketing, etc.
- ix) Find out the progress of each family and help them to do the correct thing.

Instead of giving the Janasaviya assistance for all the families who have already received the Janasaviya entitlements, in the implementing stage it was decided to give this aid only to the families who can enter the productive stream within or at the end of the two-year period. On the basis of this, guidelines were issued on how to select the poor families. According to these guidelines the basis characteristics which qualify a family to obtain Janasaviya are follows:

- i) The really poor and the Poorest of the poor. but who are enterprising. According to the approach followed communities themselves identify their own poor, by using always completely open and public meetings and discussions ensuring attendance of all poor families as well as non-poor families of the hamlet, getting each family to stand up, speak out and convince the community of their real level of poverty. Thereafter getting each identified family to make a written declaration of income in a form exhibiting all lists publicly, using community ingenuity to make right and just identification, reaching consensus through consultation and finally arranging the identified families in an order of priority.
- ii) Receivers of Janasaviya entitlements.
- iii) Those who did not get entitlements, but are really poor
- iv) Drawing below Rs. 700 family income a month regularly.
- v) Without any discrimination whether they live in rural urban or plantation areas.
- vi) Having a member or members capable of finding employment and earning a sustainable income.
- viii) Without a single member who is employable, is not eligible for Janasaviya; they will receive public assistance plus food stamps.

According to the instructions of the Janasaviya Secretariat the family unit can be defined as follows:

- i) Family means the head of the family, wife of husband, children and any family members temporality resident elsewhere
- ii) Includes those living as members of the household who are related by marriage or blood.
- iii) Boarders, lodgers, helpers, and servants living with the family are excluded.
- iv) Married sons and daughters living in the same house. with their parents, who are quite clearly cooking and spending for themselves separately, should be considered as a separate family.
- v) Head of family an adult man or woman generally. earning the family's income and responsible for its care but it can also be an elder regarded as such by family members.
- vi) Household does not mean only father mother and children but others like relatives, who are living with the family.

We could see that in these family identification work steps the responsible officers had to clarify any uncertainties and doubts in people's minds, to fill gaps and attend to weak points to correct deviations from the guidelines to strengthen the process already started with the help of the Support Teams. NGOs and others by giving orientation to them. Also they had to use community information too. by producing posters. Hand bills leaflets, hand written notices, etc.

Using all these methods and resources. when doing these identifications it also had to identify the families who were at the cut off level. Again it had to go through the guideline given by the Janasaviya Secretariat. According to the instructions. the cut off level is equivalent to a monthly regular family income of Rs. 700/= Therefore the following families were above the cut off level. If there is a family member who is:

- i) drawing an income above the cut off level from regular employment in government / corporation / statutory board or private sector employment;
- ii) receiving an allowance over the cut off level from a pension, Widows and Orphans Funds, Farmers pension fund or any similar source;
- iii) In foreign employment with an earning source above the cut off level;
- iv) In a skilled or semi-skilled trade, earning an income eg carpentry, masonry, electrical work. welding fitting radio repairing, driving etc.
- v) in self-employment getting a monthly income above the cut off level. (eg. sewing clothes poultry farming. etc)
- vi) drawing an income above the cut off level from trade or commerce;
- vii) drawing an income from an unorganised or informal sector sources;
- viii) drawing an income from a deposit in a financial institution;
- ix) drawing the family income from all lowland and highland cultivation. (it will vary from district to district and division to division, so should be worked out to buy the local products from the co-operatives. Buying some products which are special only for one area and also transporting them to a different area and are selling them; is also done by the Co-operative Department.

The A. G. A. worked as the main implementing officer of this programme and his office was the main implementing agency. The A. G. A. is the chairman of the Divisional Coordinating Committee and therefore he had to co-ordinate the Co-operative Department, the Co-operative Society and authorised dealers to get the above things done in a correct and smooth way. This co-ordinating duty is very important for the immediate payments to the co-operatives to buy their goods. In addition to these the A. G. A. has to co-ordinate all the divisional officers like Planning Agriculture, small Industries, Bank etc. Who are working at the divisional level in relation to Janasaviya activities.

To fulfill the various expectations and objectives of the Janasaviya programme, this co-ordination was important in several ways, especially the co-ordination with the National Savings Bank and the Post Offices were very essential because the savings of Janasaviya beneficiaries are deposited with these two institutions.

3.6. co-ordinating Committees

When we are discussing about the co-ordinating work done by the A. G. A. . We have to mention that there were several action committees at various levels to implement and co-ordinate the Janasaviya activities. They have been appointed by the Government as follows.

- i) National Co-ordinating Committee.
- ii) Provincial Co-ordinating Committee.
- iii) District Co-ordinating Committee.
- iv) Divisional Co-ordinating Committee.
- v) Support team

Formulating policies, preparation of guidelines and plans for implementation, training and other activities advising at national level, and maintenance of uniformity and continuity of the programme are the duties done by the national level and the Secretary to the Ministry of Policy Planning and Implementation acts as the chairperson of the committee at this level.

Under the chairperson ship of the Provincial Chief Secretary the Provincial Co-ordinating Committee works as the co-ordinator and the monitor of the Provincial level activities, preparing the District level plans, Collecting processing and disseminating information with regard to physical and human resources and markets in the districts, identifying resources available from parameters)

- x) drawing the family income from any other source or assists (eg. fishing, agricultural machinery vehicles, etc)
- xi) drawing an income of one or more family members from a cottage or home based industry. (eg. coir industry)
- xiii) drawing an income from one or more of the above activities exceeding the cut off level.

In addition to these guidelines local experience should also be used for the identification. On the other hand guidelines also had been adopted and developed from local experience.

Using the above criteria, the entitled families were identified and the programme has started on 2nd of October, 1989. In this first stage 189, 545 families were included from 28 A. G. A. divisions in the 25 districts of the country. Since people's participation was accepted as essential in this programme. The government decided to consult the people's opinions again about the above identification to see whether it was right or wrong. They were communicated through all the mass media and were instructed to write in their views with or without their names to the A. G. A. or any other relevant officer. This was so effective and there were many complaints which were examined without any delay. As a result of this the number of beneficiaries were reduced up to 156,003 families.

Janasaviya financial assistance is provided to the selected families through Janasaviya stamps and they are allowed to buy food and other needs from the co-operatives. There is a condition that all the foods they buy should be local products eg. all locally produced pulses, coarse grains, onions, chillies and condiments, textiles, shoes, exercise books, pencils, agricultural equipment, tools, inputs such as fertilizer, seeds and agro-chemicals are included to the basket of commodities. In addition to these rice, sugar and flour were included as the three principle commodities and curd, fish, eggs, infant milk foods, kerosene oil, basic toiletries such as soap are also provided. On a request made by Ministry of Health, mosquito nets are also included as an anti malarial measure. Also locally produced pots and pans, aluminum goods, plates, cups and saucers, ropes and brooms are also provided. We could see that the condition of "locally produced" is associated with the objectives and expectations of the Janasaviya programme. If we go through those objectives and exceptions, we could see that encouraging people to production activities" and "functioning a local market on the supply and the demand of the Janasaviya benefited families" are two points working as a link to all the other points; so if there is a condition of "locally produced" it would help to create income generating opportunities to the beneficiaries.

Co-operative Department has been designated to activate all these in a practical way. Co-operatives had to buy local products from the benefited families, as well benefited families had to outside the district and organising their supply, taxing Divisional level officers, preparing and updating District level development plans, identifying sources of production for sub-contracting by large producers, and reporting the progress to the National and Provincial level Committees are among the major activities of the District Co-ordinating Committee. As the administrative head of the area, the Government Agent of the District acts as the chairperson of this committee and all the district level officers related with development activities are members of it.

A. G. A. of the area acts as the co-ordinator of the Divisional Co-ordinating committee, and his office is the main implementing agency of the programme. This committee has been assigned many duties in implementing the programme like selection of families for Janasaviya assistance, appointment of support teams and training them, issuing of Janasavi cards, Examine the appeals of the people, Implementing the "saragam" programme (see 3.7 below) co-ordinating with the co-operatives and relevant agencies like banks and post offices, collecting information from various government and non-governmental organisations and disseminating same to the hamlets and viceversa. Identifying local resources and market opportunities in the division, organising training programmes for the trainers, task groups and recipient families, provision of advisory services to the beneficiaries and other related activities. In addition to these activities, every month the A. G. A. has to attend the National Co-ordinating Committee and report the monthly progress. Development Officers, Rural Development officers, Agricultural Instructors, Fisheries officers, all other related officers working in the division, voluntary organisation representatives and other key informants identified by the A. G. A. as well as the other committee members are in the Divisional level committee.

At the hamlet level, there is a Support Team and non-governmental representatives to identify human and physical resources of the Janasaviya recipients, prepare a production plan for the hamlet based on the utilisation of local resources under the guidance of the

Divisional Co-ordinating Committee. identify specific groups or personas who have specific abilities and are engaged in viable income generating activities. Co-ordinate credit and other support services. identify market opportunities of the hamlet and report the hamlet level progress to the divisional committee.

In selecting NGO representatives for the hamlet level activities of the programme, the priority has been given to the existing social and economic organisations. Rural Development societies, thrift and Credit Co-operative Societies. Sarvodaya. Youth and women's Organisations. etc.. were among those and with the help of the people in the hamlet and the recommendations of the GSNs these representatives had been selected.

3.7 Janasaviya Saragama Programme

On the basis of the exchange labour (attam) system for private work of the people and group work (shramadana) for doing public work of the village. this programme has been introduced and the programme has been led by the Support Team and the GSN at the hamlet level. The overall supervision for the programme in the division is done by the Divisional Committee.

Under the Sargama programme, one person or more of every benefited family should work twenty days per month. on either public or private works. The implementing committee should decide how many days should be spent for public works and how many days for private works. Generally within a week they have to work five days and next they all have to meet in a particular place. All the leaders of the Janasaviya benefited families. Village level officers, and Support Team members have to attend this meeting and at this meeting they discuss the progress of the works, problems, solutions and future programmes. etc.

3.7.1. Identified activities under the Saragama programme

- * Work to develop the quality and quantity of the production activities of a benefited family eg. cultivate more land using improved methods.
- * Engage in a vocational training programme which help to obtain a job in the future or training for self-employment and entrepreneur development.
- * Constructing repairing or doing some maintenance of roads, Playgrounds, Public wells, streams, etc.. which benefit the village people.
- * Housing (building houses) doing things for conservation of primary health, opening pre-schools and day care centres.
- * Prevent sea-coast erosion soil erosion and keep the village clean, and also plant trees.
- * Developing village fair and other trade in the village
- * Developing the small-scale industries. Lands and other available resources.
- * Supporting day to day duties of the government institute +++ school co-operative shops, health centre post office and other government enterprises. Industries sites, etc. in the hamlet as well as in the division and also get back the benefit from them to their villages.

At the discussion about their work. Any one can complain if anybody does not do his or her duty on time or does not participate in the public works. if there are any complaints support Team and the Officers like GSN who have the responsibility to get the work done. should take steps to investigate quickly and if the complains are correct. They may take action to cut off the financial assistance of those beneficiaries or to implement any other necessary penalty.

We can see that Saragame Programme is a training programme for production activities which need to get the Janasaviya financial assistance. Also it is a programme which depends on people's participation as aimed in the Janasaviya production programme. With this, there is an opportunity to the people to be united, organised, and work together and to programme, implement and be responsible and also judge their own work.

3.8 Self Employment Programme

The main idea with the Janasaviya programme is to develop the human strength in terms of physical and mental as well as the economic conditions. With the experiences gained from the programmes already implemented. It has been recognised that. In order to achieve these targets to income level of the people in the country must be increased. On this basis, many efforts have been made in one way to develop the skills of the unemployed and under employed and, in another to grant loans for self employment programmes.

Under the skills development activities, all the Ministries and other government and non-governmental organisation which are supplying training facilities have been asked to elect unemployed persons, specially the youth, and train them to use their capacity to a maximum. The ministry of Youth Affairs has been named as the national level coordinator for this purpose and all the institutions like National Youth Services Council National Apprentice Board. Adult Education Unit of the Ministry of Education, Department of small Industries, etc. have been assigned to train youth for various kinds of productive activity. This training is based on how to get the maximum use of the available resources in individual areas and the duration and the way of implementing the training procedures depends on that.

All the government and non-governmental banks and other financial institutions have been instructed to start special loans schemes to help start self-employment activities: the government commercial banks have started a number of programmes to issue loans to improve the Janasavi self-employment activities. According to the figures of Central Bank report in 1990, at the end of 1990. 22,500 beneficiaries were trained on various activities and government training institutions. In addition, 28,598 new projects were established in different sectors. As a result, 28,990 beneficiary families were engaged in these projects and generated 38,132 new jobs by the end of 1990. Credit facilities were given to the beneficiaries, mainly initiated by the government sector financial institutions and at the end of 1990, they had granted Rs. 132 million for 18,359 families for the implementation of self-employment activities.

For further development of self-employment and skills development programmes, a special programme called "Janasaviya trust fund" was started in the beginning of 1991, and it has aimed to improve both these programmes with the help of the World Bank and the other donor agencies. When it was officially started in May 1991, about Rs. 400 billion had been provided for this programme.

IMPREST ACCOUNT

F. R. Nos. 365-373- deal with the subject of Imprest. But over the years several circulars, Circular letters, specimen of various formats to be used, have been issued to Ministries / Departments giving consideration to short-comings and practical problems that arise from time to time. It is therefore, clear that the scope of the subject of Imprest as detailed in the F. R. has been greatly expanded.

What is Imprest?

F. R. 365 defines the term "Imprest" as follows:

Imprest to indicate a sum of money placed by the Treasury at the disposal of a department or an individual officer to be utilized for meeting authorised payments during a financial year for which it is used.

One must read this definition very carefully, especially the portions in Italics, giving particular attention to the meaning behind them.

What is the difference between the "Imprest" and "Provision"?

Very often the work "Imprest" is used incorrectly even by very senior officers of Government Departments. It is very common that the work "Imprest" is used to express something concerning "financial provision". Therefore, the proper meaning of these two terms should be clearly understood. Availability of financial provision is prime requisite to Make a Payment. There are two kinds of payments i. e., Payments which do not involve cash at all and payments which involve cash fully or partly. In other words certain payments or parts of payments are made by means of cross entries and transfer orders without involving cash. Therefore it is the element of cash that is included in a payment, which we call as "IMPREST".

What is Imprest Authority?

This is the financial limit up to which money could be expended by the Departments / Ministries, which is fixed by the Treasury at the beginning of a financial year. The Department / Ministries are required to submit their requirements of Imprest for the next financial year in the standard form supplied to them. The details expected to be given as are follows:

Provision made in the Estimate:

Voted funds including allocations from other Departments	XX
Public Servants' Advance Account 'B' (Debit limit)	XX
Deposit Accounts	XX
Other Commercial Advance Accounts (Debit Limit)	XX
less (a) Cross entries	XX
(b) Allocations to other Departments	XX
Authorised Limit of Imprest	XX
Less (a) Estimated revenue	XX
(b) Receipts from Adv/Dep. Accounts	XX
Amount of cash to be remitted by Treasury for 'A' class Dept.	XX

Except for 'A' Class Department 'B' & 'C' Class departments are not permitted to use their revenue as imprest. Therefore, in fixing their limit of imprest to be drawn from Treasury, for the year their earnings are not taken into consideration. The amount stated in the Imprest Warrant issued by the Minister of Finance at the beginning of the Financial Year is the total of the Imprest Authority, Fixed for that year for all departments and Ministries.

Whether the amount of Imprest limit can be changed during the year?

This is possible. The departments / Ministries use to receive allocations from Treasury of other departments during the course of the year to incur expenditure on their behalf, In such instances the Treasury should be requested by the departments which receive such allocations to revise their limit of imprest accordingly.

Are there limits fixed as regards monthly withdrawals of Imprest from Treasury?

In the case of 'A' class department they are authorised to vary the monthly requirements of imprest on the basis of their carryings as well as planned expenditure for the month. For this purpose all 'A' class departments should forward a FLASH REPORT OF IMPREST for the months to the Treasury to be received on or before 7th of that month, using the format given with the Treasury Book Keeping Branch Circular Letter No. PA/24 BKIQ dated 11.2.1991. As regards Imprest for 'B' Class Departments monthly limit of imprest is fixed by the Treasury at the beginning of the year. These Departments are permitted to renew their imprest without exceeding their total imprest limit as stated in F. R. 269 (b). This system has since been verified by Treasury Circular No. BK/4/93 of 20.07.93.

Supplementary Imprest Authority / Warrant:

This is the Imprest Warrant signed by the Minister of Finance at the end of the year to give authority to use imprest for payments involving supplementary Estimates passed by the Parliament during the course of the financial year.

Renewal of Imprest by 'B' Class Departments

F. R. 369 stated the procedures to be followed. The following documents should be forwarded to the Treasury once a month or for a lesser period, for the renewal of Imprest.

- i. Application for renewal on form General 103
- ii. Summary of Debits
- iii. Bank balance certificate
- iv. Bank reconciliation statement with a list of uncashed cheques
- v. Certificate that the vouchers have been sent to the Auditor - General
- vi. Statement showing the position of Imprest.

Renewal of Imprest by 'C' Class Departments:

Payments should be made from the Petty Cash Imprest issued to them by the Treasury. Renewals should be obtained from Treasury or Kachcheri which is the Payment office assigned, once a month or more frequently, if necessary, forwarding the following:

- i. A certified schedule of vouchers with paid vouchers
- ii. A certified summary of debits
- iii. Application for renewal of credit on form Gen. 103

What is meant by petty Cash Imprest?

The term "Petty Cash Imprest" is very commonly used incorrectly to mean any type of imprest that is granted from a main Imprest given to a Ministry or a department by the Treasury. In this respect your reference to the Treasury Circular No. 742 of 6.6.1968 is very useful. It deals with the difference between "Petty Cash Imprest" and Sub Imprest". According to this Circular petty Cash Imprest is the Imprest given by the Treasury to 'C' Class Departments and to A. GAA. to make cash payments. Petty Cash Imprest and Sub Imprests are further described as follows:

Petty Cash Imprest:

The limit of Imprest granted to 'C' Class are determined by the Treasury. The present monthly petty cash imprest limit fixed by the Treasury for A. GAA. is Rs. 200,000/- p. m. It is also important to know that, while there is a limit of imprest there is also a limit of expenditure that could be incurred at a time. The present limit prescribed by Treasury is Rs. 500.00 and as regards payments done at the Treasury or Kachcheri this limit is Rs. 1000/- (Please refer to Treasury B/K. Branch Circular 90/09 of 14.9.90)

Sub - Imprests

There are three types of sub-Imprests

- (i) Petty cash sub-imprest
- (ii) Continuous Sub-Imprest
- (iii) Ad-hoc Sub-Imprest

Petty cash Sub-Imprest

A Chief Accounting Officer at his discretion can authorise an Imprest up to a maximum of Rs. 5000/- to an officer working under the direct supervision of a staff grade officer. Any increase over this limit should be approved by the Treasury. The officer in charge of this should be secured under F. R. 1250.

Continuous Sub-Imprest:

This is an Imprest given to a sub-office of a department out of its main Imprest to meet their expenses. The limit of these imprest should be approved by the Treasury. An officer in charge of Continuous Sub-Imprest at his discretion, and under his responsibility, can issue a part of his imprest as "Petty Cash Sub-Imprest" or Ad-hoc" Imprest to another officer subject to conditions laid down under F. R. 371 (3)

Ad-Hoc Sub-Imprest:

This is an imprest given to a Civil State officer for a specific purpose. On special occasions these Imprests can be issued to shroffs or officers of other grades under direct supervision of a staff grade officer. The present maximum limit for Ad-Hoc imprest Rs. 20,000/-. Any amount exceeding that should be approved by the Treasury.

Refund of Imprest Balance:

Except for Sir Lanka Missions abroad and 'C' Class departments all other, Ministries and Departments should refund their imprest balance as at 31st December each year to the Gen. Treasury. In order to facilitate this requirement departments should take early action to have the imprest advances and Sub-Imprest balances settled by 31st December. There cannot be any unsettled imprest advances by the end of the year.

Reconciliation of Imprest Account

This is a very important accounting function to be done by the departments and ministries. They are expected to realise their imprest accounts with Treasury Computer Print outs and if there is any erroneous debits or credits action should be taken to rectify them.

712 වැනි අංකය දරණ භාණ්ඩාගාර වනුලේඛය

භාණ්ඩාගාර අංකය : 79/1 (බී කේ / ඒ ඩී-
1966 නොවැම්බර් මස 30 දින,
කොළඹ මහ භාණ්ඩාගාරයේදීය.

පිටපත්:

- 1. සියලුම ස්ථිර ලේකම්වරුන්
- 2. මඩිටර්-ජනරාල්

සියලුම ඒ පත්තියේ දෙපාර්තමේන්තුවල ප්‍රධානීන් වෙතය.

මුදල් වර්ෂය අවසානයේ දී ඒ පත්තියට අයත් දෙපාර්තමේන්තු විසින් අක්මුදල බේරුම් කිරීම.

එක් එක් මුදල් වර්ෂය අවසානයේ දී 'ඒ' පත්තියට අයත් දෙපාර්තමේන්තු විසින් ස්වකීය අක්මුදල් බේරුම් කිරීමේ දී අනුගමනය කරනු ලබන ක්‍රියා මාර්ගයෙහි යම් යම් අඩුපාඩු ඇති බැව් අනාවරණය වී ඇති අතර මේ අඩුපාඩු මග හරවා ලීම සඳහා පහත සඳහන් උපදෙස් නිකුත් කරනු ලැබේ.

- 1. සැප්තැම්බර් මස 30 වැනි දින බේරුම් කිරීම. - මුදල් රෙගුලාසි යටතේ එක් එක් වර්ෂයක සැප්තැම්බර් මස 30 වැනි දින අක්මුදල් බේරුම් කළ යුතුව ඇත. එහෙයින් අක්මුදල් බේරුම් කිරීමේ වැස්පත්, සැප්තැම්බර් මස 30 වැනි දානමින් ලියා භාණ්ඩාගාරයේ අනුමත අක්මුදල් ගිණුමට බැර කරමින්, ශ්‍රී ලංකා මහ බැංකුවේ යෝජිත විදියේ ලංකා බැංකුවේ හෝ යුනියන් පෙදෙසේ මහජන බැංකුවේ භාණ්ඩාගාරයේ නියෝජ්‍ය ලේකම්ගේ ගිණුමට ගෙවිය යුතුය. එසේ නැතහොත් භාණ්ඩාගාරයේ නියෝජ්‍ය ලේකම්ට ගෙවිය යුතු පරිදි ලියා භාණ්ඩාගාරයේ අනුමත අක්මුදල් ගිණුමට බැර කරන පරිදි මුදල් බැඳීමේ ව්‍යවහාරයකුත් සමග ගිණුම් හා ගෙවීම් අධ්‍යක්ෂ (ව්‍යවහාර මුදල් ශාඛාව) වෙත අමතන භාණ්ඩාගාරයට එවිය යුතුය. බැර කිරීම කරන ලද දිනයෙහි ම, භාණ්ඩාගාර අක්මුදල් ගිණුමට බැර කරන ලද බව දන්වන වෙත ම නිවේදනයක් මිට අමුණා ඇති "ඒ" ආදර්ශ ආකෘතියට අනුව සකස් කොට එහි දක්වා ඇති ලිපිනයට එවිය යුතුය.
- 2. අක්මුදලින් කොටසක් රඳවා ගැනීම සඳහා බලය - අනුමත අත්තිකාරම් රාජ්‍ය නිලධාරීන්ගේ ගමන්, යටතේ බේරුම් නොකරන ලද අත්තිකාරම් මුදල් හේතුවෙන් හෝ අයුත් මුදල් වර්ෂය සඳහා අක්මුදල් නිකුත් කෙරෙන තෙක් හදිසියෙන් කළ යුතු මුදල් ගෙවීම් සඳහා හෝ අක්මුදලින් යම් කොටසක් රඳවා ගැනීමට යම් දෙපාර්තමේන්තුවකට අවශ්‍ය වන අවස්ථාවක එසේ කිරීම සඳහා බලය ලබා ගැනීමේ අයදුම් පත මැදට අමුණා ඇති "බී" ආදර්ශ ආකෘතියට අනුව සකස් කොට, සැප්තැම්බර් මස 15 වැනි දින තොරතුරු මධ්‍යම භාණ්ඩාගාරයට ලැබෙන පරිදි එහි දක්වා ඇති ලිපිනයට එවිය යුතුය. මෙම බලය ඉල්ලා සිටිනු ලබන මුදල් ප්‍රමාණය හැකිතරම් අඩු විය යුතුය. හදිසි ගෙවීම් සඳහා අවශ්‍ය මුදල් ප්‍රමාණය නිශ්චය කළ යුත්තේ, මුදල් වර්ෂය සඳහා අක්මුදල ඔක්තෝබර් මස 1 වැනි දින සිට වැඩ කරන දින 3 ක් ඇතුළත දෙපාර්තමේන්තු වෙත නිකුත් කරනු ලැබේ යන පදනම මතය. මුදල් වර්ෂය වෙනුවෙන් අක්මුදල නිකුත් කරනු ලැබීම බලාපොරොත්තුවෙන් අයුත් මුදල් වර්ෂයේ හදිසි ගෙවීම් සඳහා උප කාර්යාලයවල අක්මුදල් වලින් කිසිදු කොටසක් රඳවා ගැනීමට කිසිම අවස්ථාවක දී උපකාර්යාලය කට අවකාශ නොදිය යුතුය. මේ කාල සීමාව අතරතුර උප කාර්යාලයන්හි පැන නැගිය හැකි හදිසි ගෙවීම් ප්‍රධාන කාර්යාලයෙන් ගෙවීම් සඳහා වැඩ පිළිවෙල යෙදිය යුතුය.
- 3. රඳවා ගැනීම සඳහා බලය දෙන ලද අක්මුදලින් කොටස බේරුම් කිරීම. - ඉහත 2 වැනි ඡේදය ප්‍රකාර භාණ්ඩාගාරයේ බලය ඇතිව, අක්මුදලින් රඳවා ගන්නා ලද කොටස, අයුත් මුදල් වර්ෂය සඳහා වූ අක් මුදල් පළමු වැනි කොටස මුදල ලැබුණු වහාම බේරුම් කළ යුතුය. මේ බේරුම් කිරීම ද ඉහත 1 වැනි ඡේදයෙහි දක්වා ඇති ආකාරයට ම කළ යුතු අතර, ඒ ඡේදයෙන් නියම කර ඇති පරිදි භාණ්ඩාගාරයට වෙත ම නිවේදනයක් එවිය යුතුය.
- 4. සැපයුම් ප්‍රකාශය - පළමු වැනි ගෙවීමේ මුදල් ප්‍රමාණය, අක්මුදලේ ශේෂ හා සසඳා දක්වන ප්‍රකාශයක් මිට අමුණා ඇති "සී" ආදර්ශ ආකෘතියට අනුව සකස් කොට ඔක්තෝබර් 15 වැනි දින තොරතුරු මධ්‍යම භාණ්ඩාගාරයට ලැබෙන පරිදි එහි සඳහන් ලිපිනයට එවිය යුතුය.

භාණ්ඩාගාරයේ නියෝජ්‍ය ලේකම්

ආදර්ශ ආකෘතිය "ඒ"

අංකය :
 භාණ්ඩාගාර අංකය :
 79/1 (බිසෝ/එඩ්)
 19.....දින
 කොළඹදීය

ගිණුම් හා ගෙවීම් අධ්‍යක්ෂ (පොත් නැතිවේ ගාරාව)

196...../6..... වර්ෂයේ අක්වුදල බේරුම් කිරීමදෙපාර්තමේන්තුව.

..... බැංකුවේ අංක දරණ ගිණුමෙන් ක්‍රියාකාරවනු ලබන අක්වුදල් බේරුම් කිරීම වගයෙන් පහත සඳහන් මුදල් ප්‍රමාණය ගෙවා ඇති බව දන්වා සිටිමි.

දිනය

මුදල් ප්‍රමාණය

ගෙවන ලද ආකාරය

(බැංකුවෙන් ද සඳහන් කර, භා. නි./ලේ ගේ ගිණුමට ගෙවන ලද ද සහති, නො එසේනම් එක්සත් ජනපදයේ ගිණුම් හා ගෙවීම් අධ්‍යක්ෂ (ව්‍යවහාර මුදල් ගාරාව) එවනලද ද සහති සඳහන් කරන්න)

.....
 (අත්සන සහ පදවි තාමය)

ආදර්ශ ආකෘතිය "ඔ"

අංකය :
 භාණ්ඩාගාර අංකය : 79/4
 (බිසෝ/එඩ්)
 19.....දින
 කොළඹදීය

ගිණුම් හා ගෙවීම් අධ්‍යක්ෂ, (පොත් නැතිවේ ගාරාව)

19...../19..... මුදල් වර්ෂය අවසානයේ ද අක්වුදලින් කොටසක් රඳවා ගැනීම සඳහා ගලපුරා ගිය මුදලක් අයදුම් පත.

.....බැංකුවේ ක්‍රියාත්මක කරනු ලබන අක්වුදලින් රුපියල්.....ක් රඳවා ගැනීම සඳහා කරුණාකර බලය දුනමැනවි.

මේ මුදල් ප්‍රමාණයේ සෑදුම් මෙසේ ය.

- (i) 6 .9.30 වැනි දින ගෙවා තිබූ කොට නොතිබිය හැකි අත්තිකාරම් මුදල් - රාජ්‍ය නිලධාරීන්ගේ මෙන් මුදල් රු.....
- (ii) 6 .10.30 වැනි දින වනතුරු හදිසි ගෙවීම් සඳහා අවශ්‍ය වන මුදල් ප්‍රමාණය රු.....
- (iii) උප කාර්යාලවලින් මාර්ගස්ථ මුදල් රු.....
- (vi) රු.....
- (v) වෙනත් (විස්තර සඳහන් කරන්න) රු.....

ආදී

.....
 (අත්සන හා පදවි තාමය)

ආදර්ශ ආකෘතිය "සී"

අංකය :
 භාණ්ඩාගාර අංකය : 79/1
 (බිසෝ/එඩ්)
 19.....දින

19.....9.30 වැනි දිනට බේරුම් කළ යුතුව ඇති අක්වුදල් ශේෂය සැසඳීම
 දෙපාර්තමේන්තුව

පහත දක්වනු ලබන්නේ ඉහත සඳහන් දෙපාර්තමේන්තුව වෙත නිකුත් කරන ලද, 19.....9.30 දිනය වනවිට බේරුම් කළ යුතුව ඇති අක්වුදල් ශේෂයෙහි සැසඳීම ප්‍රකාශයකි

6.....9.30 වැනි දින වනවිට බේරුම් කළයුතුව ඇති අක්වුදල් ශේෂය

(අමුණා ඇති ප්‍රකාශය බලන්න) (ප්‍රකාශය සී I දරණ ආදර්ශ ආකෘතියෙහි දැක්විය යුතුය)

මුදල් ප්‍රමාණයේ සෑදුම් මෙසේ ය:

- (i) 6.....9.30 වැනි දින අංක දරණ වැස්පන මගින් බේරුම් කරන ලද මුදල් ප්‍රමාණය.
- (ii) 6.....9.30 වැනි දින වන විට බැංකු ශේෂය.
 (ශේෂයක් පිළිබඳ බැංකු සහතිකය සහ යැයදුම් ප්‍රකාශය අමුණා ඇත)
- (iii) ගෙවා නිම කොට නැති අත්තිකාරම් :
 - (අ) 6.....9.30 වැනි දිනට පසු ඇතුළත් කරන ලද උප කාර්යාලය විලීන් මාර්ගස්ථ වැස්පත්
 (අමුණා ඇති ප්‍රකාශය බලන්න) (ප්‍රකාශය සී II දරණ ආකෘතියෙහි විය යුතුය)
 - (ආ) 6.....9.30 වැනි දිනට ගෙවා නිමකොට නැති අත්තිකාරම් මුදල් - රාජ්‍ය නිලධරයන්ගේ ගමන් වියදම
 (ගෙවා නිමකොට නැති අත්තිකාරම් ප්‍රකාශය අමුණා ඇත. (එම ප්‍රකාශය සී III ආදර්ශ ආකෘතියෙහි දැක්විය යුතුය)
 - (ඇ)
 - (ඈ) තොපියවුන වෙනත් ගෙවීම්
 - (ඊ) විස්තර සඳහන් කොට සනාථ කිරීමේ ප්‍රකාශයක් අමුණන්න)

ආදර්ශ ආකෘතිය "සීIII"

සී ("සී" ආකෘතියට ඇමුණුම)

19...../19..... වර්ෂයේ අක්වුදල් බේරුම් කිරීම

196.....9.30 වැනිදිට පස්ව බැංකුවේබැර කරන ලද 196.....9.30 වැනි දින මාර්ගස්ථ මුදල් ප්‍රකාශය

ලැබුණු දිනය	උපකාර්යාලයේ නම	මුදල් කුවිකාන්සි ප්‍රමාණය අංකය	බැරකළ දිනය	එම මුදල් ප්‍රමාණය ඇතුළත් බැර කරන ලද මුළු මුදල

.....
 (අත්සන සහ පදවි නාමය)

දිනය

ගෙවා නිම කොට නැති අත්තිකාරම්වල ප්‍රකාශය

අත්තිකාරම් ගෙවූ දිනය	නිලධාරියාගේ නම සහ පදවි නාමය	අත්තිකාරම් ප්‍රමාණය	196..9.30 දක්වා බේරුම් කර ඇති ප්‍රමාණය	196...9.20 දිනට ශේෂය
----------------------	-----------------------------	---------------------	--	----------------------

මුළු ගණන / Total

(අත්සන සහ පදවි නාමය)

දිනය

743 වැනි අංකය දරණ භාණ්ඩාගාර චක්‍රලේඛය

භාණ්ඩාගාර අංකය : 74 / 1 / 3 (බිකේ / ඒඩ්)
 1968 ජූනි මස 6 වැනි දින
 කොළඹ - මහා භාණ්ඩාගාරයේ දී ය.

සියළුම ස්ථිර ලේකම්වරුන් හා දෙපාර්තමේන්තු ප්‍රධානීන් වෙත ය.

සී පත්තියේ දෙපාර්තමේන්තුවලට සුළු මුදල් අග්‍රිම නිකුත් කිරීම සහ දෙපාර්තමේන්තුවක් තුළ අතුරු අග්‍රිම නිකුත් කිරීම

දෙපාර්තමේන්තුවක් තුළ අතුරු අග්‍රිම නිකුත් කිරීම සම්බන්ධයෙන් රජයේ දෙපාර්තමේන්තුවල ඒකාකාරී කාර්ය පටිපාටියක් අනුගමනය නොකරනු ලබන බවත්, සමහර අවස්ථාවන් හි දී කිසිම පාලනයක් නොමැති බවත් හෝ ඇත්නම් එය ස්වල්ප බවත්, අනාවරණය වී තිබේ. අතුරු අග්‍රිම නිකුත් කිරීම සම්බන්ධයෙන් අදාළ වන මුදල් රෙගුලාසි (මු. රෙ. 371 සිට 372 දක්වා) සුපරීක්ෂාකාරී ලෙස සටහන් කරගෙන තරයේම ඒවාට අනුකූලව ක්‍රියාකළ යුතුය. මේ කාරණය පිළිබඳව ක්‍රියා පටිපාටිය සම්බන්ධ දෙපාර්තමේන්තුවල නිලධාරීන්ට වැඩිදුරටත් අවබෝධයක් ඇතිකිරීම සඳහා මේ චක්‍රලේඛයේ උපදෙස් නිකුත් කරනු ලැබේ.

සුළු මුදල් අග්‍රිම

2. "සුළු මුදල් අග්‍රිමය" යන පදය භාවිතා කරනු ලබන්නේ සුළු මුදල් ගෙවීම් සඳහා සී පත්තියේ දෙපාර්තමේන්තුවලටත් ප්‍රාදේශීය ආදායම් නිලධාරීන්ටත්, භාණ්ඩාගාරය විසින් දෙනු ලබන අග්‍රිමයන්ටය. මේ අග්‍රිමයන් සම්බන්ධයෙන් මු. රෙ. 369 (සී) 370, 372 සහ 373 (3) හි අඩංගු උපදෙස් තරයේම පිළිපැදිය යුතුය.

අතුරු අග්‍රිම

- අතුරු අග්‍රිමයන්ට අදාළ විධිවිධාන විස්තරණය කිරීම සඳහා පහත සඳහන් උපදෙස් නිකුත් කරනු ලැබේ :-
 - (අ) මු. රෙ. 371 (2) (අ) යටතේ කවර විධිවිධානයක් ඇතුළත්ව තිබුණද, මාණ්ඩලික නිලධාරියකුගේම පරිපාලනය යටතේ වැඩ කරන යම් නිලධාරියකුට රු. 2,෦00 ක උපරිමයක් දක්වා වන සුළු මුදල් අතුරු අග්‍රිමයක් ප්‍රධාන ගණක නිලධාරියකු විසින් ස්වකීය අභිමතය පරිදි අනුමත කළ හැකිය. ඊට වඩා විශාල සුළු මුදල් අතුරු අග්‍රිමයක් අවශ්‍ය වේ යයි සලකනු ලබන විටෙක, භාණ්ඩාගාරයේ (සිණුම් සහ ගෙවීම් අංශය) බලය ලබාගත යුතුය.
 - (ආ) සුළු මුදල් අතුරු අග්‍රිමයක් භාරව ක්‍රියා කරන නිලධාරියකු විසින් මු. රෙ. 1250 ප්‍රකාර ඇප තැබිය යුතුයි.

- (අ) මුදල් තබා ගැනීම සඳහා වෙනම මුදල් පෙට්ටියක් තිබිය යුතු අතර මුදල් පෙට්ටියේ යතුර සුළු මුදල් අතුරු අග්‍රිමය භාරව ක්‍රියාකරන නිලධාරියා වෙතම තිබිය යුතුය. වෙනත් කිසිම මුදලක් පෙට්ටියේ නොතැබිය යුතු ය.
- (ඈ) සෑම දිනයක් අවසානයේ දී මුදල් පෙට්ටිය යතුරු දමා වසා එම පෙට්ටිය යකඩ සේප්පුවක හෝ යකඩ සේප්පුවක් තැන්තම් වෙනත් සුරක්ෂිත බහාතයක හෝ තැන්පත් කළ යුතු අතර, එම සේප්පුවේ හෝ බහාතයේ යතුර මාණ්ඩලික නිලධාරියකු භාරේ තැබිය යුතු ය. ලැබීම අතුරු අග්‍රිම අළුත් කිරීම හා ගෙවීම් සටහන් කිරීම සඳහා මු. රෙ. 446 (3) හි නියමිත පරිදි සුළු මුදල් පොතක් හෝ ලේඛනයක් තබාගත යුතුය. ගනුදෙනු සිදුවන අනුමැතියලටම එවා සටහන් කළ යුතු ය. මේ සම්බන්ධයෙන් මු. රෙ. 316 (2) බලනු මැනවි. සටහන් සහතික කළ නිලධාරියා සෑම දිනයක් අවසානයේ දී සුළු මුදල් අග්‍රිම පොත හෝ ලේඛනය හරි වැරදි බලා තුළනය කොට මුදල් ගේජයෙද නිවැරදි දැයි සසඳා බැලිය යුතුයි.
- (ඉ) මු. රෙ. 325 (1) සහ මු. රෙ. 372 යටතේ විධාන පරිදි කායී බාර මාණ්ඩලික නිලධාරියා විසින් නිතර නිතර අනියම් කාල සීමාවන් තුළදී යටත් පිරිසෙයින් මසකට වරක් වත් සියළුම සුළු මුදල් පොත් හෝ ලේඛන හරි වැරදි බලා ඉතිරි මුදල හරිදැයි බැලිය යුතු යි.
- (ඊ) සුළු මුදල් අතුරු අග්‍රිමය අළුත් කිරීම අවශ්‍ය වූ විට අග්‍රිමය භාරව ක්‍රියා කරන නිලධාරියා තමම වැස්පතක් හෝ මුදල් ඇණවුමක් හෝ එයින් ඒ අග්‍රිමය අළුත් කළ හැකිය. කෙසේ වුවත්, සෑම මාසයක් අවසානයේදී එය අළුත් කළ යුතුය.
- (උ) සුළු මුදල් අතුරු අග්‍රිමයකින් කරන ගෙවීමක් රු. 100 ට වැඩි නොවිය යුතුයි. ආන්ඩාගාරයේ හෝ කව්වේරියක හෝ පමණක් එය රු. 500 දක්වා කළ හැක.

උප කාර්යාලයන් සඳහා අනුමත අඛණ්ඩ අතුරු අග්‍රිම

- 4. (අ) අඛණ්ඩ අතුරු අග්‍රිමයන් නිකුත් කිරීම පාලනය වන කොන්දේසි මු. රෙ. 371 (2) හි නියම කොට තිබේ. අඛණ්ඩ අතුරු අග්‍රිමයන්ගේ මුදල් ප්‍රමාණය හැකි තරම් අඩුවෙන් තබා ගැනීමට විශේෂයෙන්ම සැලකිලිමත් විය යුතුයි. අතුරු අග්‍රිමය වශයෙන් ඉල්ලා සිටින මුදල් ප්‍රමාණයේ සාධාරණත්වය දෙපාර්තමේන්තු ප්‍රධානියාට මූලාශ්‍රයක් හැකිවනු වස්, අග්‍රිමය සඳහා ඉදිරිපත් කරන අයදුම් පත මගින් ප්‍රමාණවත් තොරතුරු සැපයිය යුතුය.
- (ඈ) මේ අතුරු අග්‍රිමයන් යටතේ වන ලැබීම් සටහන් කිරීමට මුදල් පොත් තබාගත යුතුය. එක් එක් මාසයක් අවසානයේදී අතුරු අග්‍රිමය අළුත් කළ යුතුය. අළුත් මුදල් වර්ෂයේ අතුරු අග්‍රිමය ලැබෙන තෙක් හදිසි මුදල් ගෙවීම සඳහා කවර හේතුවක් නිසා හෝ ඉකුත් වූ වර්ෂයේ අතුරු අග්‍රිමයෙන් කිසියම් කොටසක් රඳවා ගැනීමට උප කාර්යාලවලට අවසර යනාදිය යුතුය. මු. රෙ. 375 (5) බලන්න.

විශේෂ වියදම් විෂයයක් හෝ විෂයයන් දැරීම සඳහා ඒකක කාර්යාලී අතුරු අග්‍රිම

- 5. (අ) තමවැරි අතුරු අග්‍රිමයන්ට උදහරණයක් නම් අනියම් කෙළු කම්කරුවන්ට ගෙවිය යුතුව ඇති මුළු මුදල් ප්‍රමාණය නිශ්චිතව නොදත් විට ඒ සඳහා නිලධාරියකුට නිකුත් කරන ලද මුදල් ප්‍රමාණය යි. අතුරු අග්‍රිමය නිකුත් කරන ලද්දේ කුමන කාර්යයක් සඳහා ද යනු විච්චරයෙහි දැක්විය යුතුය.
- (ආ) "තත් කාර්ය" අතුරු අග්‍රිමයන් සාමාන්‍යයෙන් දිය යුත්තේ සිවිල් ලේඛන තත්ත්වයේ නිලධාරීන්ටය. විශේෂ අවස්ථාවල දී සරස්වරුන්ට හා වෙනත් නිලධාරී ශ්‍රේණිවලට ද මාණ්ඩලික නිලධාරීන්ටද දිය හැක.

Translation

Treasury Circular No. 742

Treasury No. 74/1/3/ (BK/AD)
General Treasury,
Colombo, June 6, 1968.

To : All Permanent Secretaries and Heads of Departments.

ISSUE OF PETTY CASH IMPRESTS TO 'C' CLASS DEPARTMENTS AND OF SUB-IMPRESTS WITHIN A DEPARTMENT

It is found that no uniform procedure is followed in Government Departments in regard to the issue of sub-Imprests within a Department and that in some cases there is little or no control. The financial regulations relating to the issue of Sub-Imprests - F. RR 371 to 373 should be carefully noted and strictly complied with. The instructions in this Circular are issued for the further guidance of the officers of Departments in regard to this matter.

Petty Cash Imprest.

2. The term "Petty Cash Imprest" is used in relation to Imprests granted by the Treasury to 'C' Class Departments and to D. R. OO for making their Petty Cash payments. Instructions contained in F. RR 369 & 370, and 373 (3) should be strictly adhered to with regard to these Imprests.

Sub-Imprest

3. The following instructions are issued to amplify the provisions relating to sub-Imprest:
- (a) Notwithstanding the provisions of F. R. 371 (2) (a) a Chief Accounting Officer may at his discretion authorise a Petty Cash Sub-impres t up to a maximum of Rs. 2,500 to any officer working under the direct supervision of a staff Officer. Where a larger Petty Cash Sub-impres t is considered necessary, the authority of the Treasury (Accounts and payments Division) should be obtained.
 - (b) An Officer who handles a Petty Cash sub-Impres t should furnish security in terms of F. R. 1250
 - (c) A separate Cash Box should be provided for keeping the cash and the key of the cash box should be in the possession of the officer to whom the Petty Cash Sub-impres t has been issued. No other money should be kept in this box.
 - (d) At the end of each day the Cash Box should be locked and deposited in an iron safe, or where no iron safe is available, in a secure repository, the key of which should be in the custody of a Staff officer. A petty Cash Book or Register, as prescribed in F. R. 446 (3), should be maintained to record the receipts, renewals of sub-Imprests, and payments. Transactions should be recorded as they take place. Reference is requested in this connection to F. R. 316 (2). The petty cash Impres t Book or Register should be checked and balanced and the cash verified at the end of each day by the officer who has authenticated the entries.
 - (e) In all cases the Petty Cash Book or Register should be checked and the balance cash verified at frequent and irregular intervals and at least once a month by the Staff Officer in charge as required by F. RR. 325 (1) and 372.
 - (f) The petty Cash Sub-impres t could be renewed by drawing a cheque or money order in favour of the officer handling the Impres t as and when such renewal is necessary. In any case it should be renewed at the end of each month.
 - (g) Payment from a Petty Cash Sub-Impres t should not exceed Rs. 100 except in the Treasury or Kachcheri where a payment up to Rs. 500 may be made.

Continuous Sub-impres t allowed to sub-offices

4. (a) Conditions governing the issue of continuous Sub-Imprests are laid down in F. R. 371 (2). The greatest care should be taken to keep the amount of continuous Sub-Imprests as low as possible. In the application for the Impres t sufficient information should be furnished to enable the Head of Department to assess the reasonableness of the amount applied for as Sub-impres t.
- (b) Cash Books should be maintained to record the receipts and payments on account of these Sub-Imprests. At the end of each month the Sub-impres t should be renewed. Under no circumstances should Sub-offices be permitted to retain any part of the Sub-impres t for effecting urgent payments pending the receipts of the Sub-Impres t for the new financial year-vide F.R. 375 (5).
5. (a) An example of Sub-impres t of this nature is an amount issued to an officer to pay casual employees in the field when the exact total of the payment due to be made is not known. The purpose for which the Sub-impres t is issued should be indicated on the voucher.
- (b) "Ad-hoc" Sub-Imprests should normally be granted to officers of Civil list Status. Under special circumstances "Ad-hoc" Sub-Imprests may be issued to sheriffs and other grades of officers to be operated under the direct supervision of a Staff officer.
- (c) These Sub-Imprests should be settled on the day on which they are issued in the case of payments in the office itself, and in the case of payments which have to be made outside, immediately on the return of the officer after making the payments. Sub-Imprests issued to officers in the field should be settled within three days from the date of receipt of the remittance by the Sub-impres t holder.

Petty Cash and "ad-hoc" Sub-impres ts issued from continuous Sub-impres ts

6. An officer having the custody of a continuous Sub-impres t may, at his discretion re-issue part of it as a petty cash Sub-impres t, so as an "ad-hoc" Sub-impres t. The operation of such Sub-impres ts will be subject to the requirements in paragraph 3 above and F. R. 371 (3). The responsibility for the proper supervision in regard to the custody and accounting of these Sub-impres ts will devolve on the officer issuing the Sub-impres ts.

Continuous review of Impres ts

7. (a) Instructions given in this Circular may not cover special conditions that may prevail in some Departments. Such departments should issue further necessary instructions in order to ensure the safety of Government funds. Every Department, should review the Sub-impres ts operating in the Department and take steps to ensure that they are kept as low as possible and that they are operated in accordance with the directions given in the new F. RR and this Circular.
- (b) The Staff Officer responsible for the issuing of Sub-impres ts should maintain a Register in the form as at Appendix to record all Sub-impres ts issued to and recovered from each officer. He should inspect this Register at intervals of not less than a month and take steps to recover any Sub-impres t the settlement of which is outstanding, or the further maintenance of which is not considered necessary.

Sgd:

Deputy Secretary to the Treasury.

Separate Inventory books for different Categories.

Separate Inventory books, should be maintained to record different Categories of inventory items, such as :-

- (a) Furniture, office equipment eg. Tables, chairs, Trays, Roneo - Machine, Photo -copy machines, Calculators, table fans etc.
- (b) Electrical fittings - eg. Ceiling fans, Fluorescent fittings, Air conditioners etc.
- (c) Motor Vehicles - especially in Depts. Where a larger fleet is maintained.
- (d) Land and Buildings - By depts. Which maintain a large number of Warehouses, office buildings etc. Here the acreage of each land and square feet of each building should be given.
- (e) Items of small value - eg. Filter, stands Hat racks brass call bells, pin trays etc.

Central Master inventory and distribution lists.

Where there in a master inventory is an Organisation and branches or officers are directly issued inventory items under acknowledgment, it would not be possible to post every issue in the inventory book without over burdening the records. In such circumstances, distribution lists are maintained branch wise or officer wise, by the officer-in-charge of the master inventory book.

A sample distribution list is shown below.

Serial No.	Name of officer Branch													
		Table	Chair	Chair old	Class pau.	Office tray	pin tray	Fountain pen	Foot ruler	Paper weight	Calculator	Steel cabinet	etc.	
	Mr. X	1	1	-	1	02	1	-	1	2	1	-	-	
	Finance Branch	12	06	08	12	24	08	04	12	20	02	12	-	
	Total	13	07	08	13	26	09	04	13	22	03	12	-	

Balancing Inventory Books

In terms of Financial regulation 754 all inventory books should be balanced at the end of each Financial year, at 31st December. The receipt side is totalled and kept open. The issue side is then totalled closed and brought down to the receipt side under the respective items. The issue during the year are deducted from the total receipts of each item and the balance is carried forward to the following year i. e. 1st January. This balance represents the actual physical quantities which should be available, provided other entries had been made correctly. The physical stock will have to be produced to the Board of Survey, General Audit or other inspecting officer. The officer - in - charge will be held responsible for any quantity not produced or otherwise accounted.

Arrangement of Inventory items inside a stores.

All unissued as well as newly purchased inventory articles should be arranged inside the stores on racks constructed with some plans. They should be arranged methodically, say, glass items separately, Iron or brass items separately, wooden items separately and so on, so as to facilitate easy location for issues or verification as well as avoiding damage.

Handing-over and taking-over of Inventory

This can occur under the following Circumstances.

- (1) An officer in the Dept. may be going on transfer, promotion or retirement.
- (2) The officer-in-charge of Stores may be leaving the Dept. For a better job etc.

In the case of (1) above, it will be the responsibility of the officer-in-charge of stores to arrange for the handing-over and taking-over of the inventory articles by the outgoing and incoming officers under acknowledgment. A copy of this handing-over, taking-over list should be retained by the O. I. C. if there are any shortages, the outgoing officer will be called upon to pay the replacement value.

In the case of (2) the Head of Dept. or the Staff Officer in charge of the subject of stores should arrange for a suitable officer to take over the items from the outgoing officer-in charge.

Unserviceable Inventory articles

Inventory items become unserviceable for two reasons.

- (a) By usage - reasonable life span to be reckoned.
- (b) By damage - Negligence or accident

In the case of (a) the officer using the article will be calling for a replacement and it is for the Head of the Dept. or the O. I. C. to examine the reasonableness of this request and issue a new article.

In the 2nd case, of the O. I. C. is unable to take a decision on the matter, he will bring it to the notice of his immediate superior and a decision will have to be taken either to recover the replacement value or if the staff officer considers that the accident was beyond the control of the officer to whom it was issued, then a replacement has to be made.

However in both cases, the unserviceable inventory article will be taken over and will be recorded on the issue side as an issue and at the same time on the receipt side as an unserviceable taken over from Mr. X N. Otherwise it can be argued how an item that remained in the store become unserviceable and this can cause embarrassment to the o. i. c. This unserviceable item should be kept and produced to the Board of Survey at the time of verification of stores. How unserviceable item will be dealt with will be taken up, when the subject of "Board of Survey" is discussed.

Test checks of Inventories

Test checks of inventory articles should be carried out at least once in 3 months by the staff Officer incharge of the subject of Stores or any other officer nominated by the Head of Dept. The checking officer should select a few items by reference to the inventory book and call for the production of the articles. Whilst test checking the officer should also alert his mind to the following.

- (a) The receipt, custody and appropriate disposal.
- (b) Satisfactory and methodical storing, and security
- (c) Correct accounting

Surplus and Unserviceable Inventory articles.

A list of surplus and unserviceable articles should be prepared and submitted to the Head of Dept. with proper recommendations. The surplus items which can be handed over to other Depts. Should be issued on an issue order. what can be economically repaired should be repaired. What is considered to be beyond repairs should be included in form Gen. 47 and put up to the Head of Dept. for appointment of a Board of Survey to examine and condemn them as unserviceable. The Board will make its recommendation about the destruction. After the article are destroyed, with the approval of the Head of Dept. these inventory items will be written-off the Inventory book quoting reference to the approval and date.

INVENTORY RECORDS

This is one of the prime records according to FR 415 that should be maintained generally in Govt. Departments and a separate Register as well for consumable stores items.

FR-454/71 State that an inventory book on form Gen. 41 should be maintained to record the receipts and issues of every article of Govt. property and stores and that the distribution lists should be separately maintained for unrecorded issues to various branches or officers temporarily.

Treasury Circular No. 842 of 16.10.1978 issued by the Finance Division stipulates that all fixed assets such as furnitures and fittings should be accounted for along with their costs recorded in detail in the form of a fixed assets Register.

Chapter XI - Section 3 of F. RR. - Custody and verification of stores

- FR. 750 (1) All Govt. articles must be stamped with the Ceylon Government marks.
- (2) When unserviceable articles are ordered to be sold the Ceylon Government mark should be obliterated in order to avoid them being brought back into the stores.
- FR. 751 Inventories, accounting and Custody of Stores
All receipts and issues should be properly accounted for and the inventories maintained promptly.
- FR. 752 Vouchers for entries in Inventory Books.
Consignment notes duplicate receipt orders on form Gen. 219, certified copies of invoices, cash, vouchers for local purchases Memoranda letters in the case of returned articles loaned etc. taken the receipt side, and on the issue side in support of issues the duplicates of issue orders on form Gen. 141, and reports of Boards of Survey (FR. 757) with the authorities for write off obtained from the Secretary to the Ministry are recorded.
- FR. 753 (1) Issue Order Book - on Form Gen 141. The issue order is written out in duplicate with the original forwarded along with the items issued and a cross reference is made in the duplicate issue order copy, when the receipt order is received from the other side for the items issued and filed of record in sequential order.
- (2) Receipt order book on Form Gen. 219 - should be written in duplicate with the original dispatched to the issuing Office for the items received and a cross-reference made on the duplicate copy of the issue order received to connect up the issues received and filed of record.

Note : For items loaned temporarily they are not recorded in the Inventory Registers as issues or receipts but a receipt should be however obtained on form Gen. 219 and renewed after 6 months if they are not returned by them.

FR. 754 At the end of the Financial year, all the Inventory books and stock books should be balanced with all receipts and issues posted up to date giving the balances for Board of Survey verifications.

FR. 755 Handing over/taking over - on change of duties, or on transfer or retirement of an officer handling the stores. A physical check is made of all the items and the responsibility fixed for any discrepancies.

FR. 763 **Stores Rules**

The following rules should provide for, as far as possible inter alia:

- (a) (i) the receipt, custody and correct disposal of stores.
(ii) Satisfactory Stores.
(iii) collection and acceptance of money received by sale of stores.
(iv) accounting for and verification of stores.
- (b) **Safeguards to prevent:**
 - (i) under-acceptance and over-issue of stores.
 - (ii) over-stocking, accumulation and the deterioration of stores.
 - (iii) unnecessary handling, transport etc.
 - (iv) theft and pilferage.
- (c) Security of stores.
- (d) Methodical arrangement of Stores in custody so as to ease prompt location and verification.
- (e) Securing satisfactory and adequate facilities including equipment for easy quick and economical handling, together with the proper maintenance and care of such facilities
- (f) The maintenance of stock records, registers, inventories etc.
- (g) Maintenance of distribution lists in the case of stores assigned to Particular officers, branches or units, for their official use or temporarily custody.
- (h) Accounting for both receipts and disposals of stores.
- (i) Checking of stock records and accounts.
- (j) Physical verification of stores.
- (k) The despatch of stores, and proper acknowledgment.
- (l) The responsibilities of officers connected with:
 - (i) The acquisition of stores
 - (ii) approval of stores
 - (iii) acceptance of stores
 - (iv) receipt, custody and security
 - (v) sale, issue or other disposal of stores
 - (vi) handling and transport.

In addition to the above rules and Financial Regulations the following Financial Regulations also should be read :-

FR. 756 - Annual Board of Survey of all governmental properties etc. at the end of the Financial Year.

FR. 757 (i) Functions of the Boards of Survey

- (ii) (a) Reports of the Board of Survey on form Treasury and Audit. (66)
- (b) Report of the Board of Survey on form Treasury (47) - for unserviceable items.

FR. 758 - Test check of stores and report on form Treasury (127) once in 3 months at least.

FR. 759 - Monthly checking of at least a group of items at random and report on Treasury (127)

FR. 760 - Loss of stores or shortages of stores.

FR. 761 - Annual Audit Examination by Auditor General's Staff.

FR. 762 - Maintaining the necessary stock levels.

FR. 763 - Stores rules to be framed by each Govt. departments.

FR. 767 - Disposal of unserviceable articles as recommended by the Board of Survey.

INVENTORIES AND DOCUMENTATION

Retired Chief Accountant and Acct-in-charge, I. Audit, Department of Pensions.

Common examples of Inventory articles are, Tables, Chairs, office trays, clocks, Table fans, photo-copy machines, Calculators etc. While we describe these as Inventories in the public Sector, they are described as Assets in the commercial sector. This lecture is confined to Inventories and their documentation in the Public Sector.

1.0 Inventory Articles - A definition : They are items of Utility acquired by a Govt Dept. and used over a period of years, until they become unserviceable, in order to increase the EFFICIENCY AND PRODUCTIVITY of the Institution. Inventory articles should not be confused with CONSUMABLE ARTICLES such as soap, writing paper, file covers etc. which are documented in the consumable register.

1:1 Financial Regulation 454 requires that all Govt Depts. should maintain an Inventory book on 'Form Gen. 44' in which should be recorded all RECEIPTS and ISSUES (expended) of all inventory articles, which are the property of the Govt. In some Depts. purchase and issue of Inventories is CENTRALISED while in some depts. each branch or section maintains its own SECTIONAL inventory.

1:2 Sample format of Inventory book (Form Gen 44)

RECEIVED								EXPENDED												
Date	Vr. No.	From whom	Tables	Chairs	Office Trays	Glass Pads	Table Fan	Pkt Calculator	Wall Clock	Date	Vr. No.	How disposed of	Tables	Chairs	Office Trays	Glass Pads	Table Fan	Pkt Calculator	Wall Clock	

Procurement :

Govt Depts. should purchase their requirements of Inventory articles from:

- (i) Dept. of Govt. Supplies (Presently the procurement and Advisory unit of Min. of Finance)
- (ii) Govt. Corporations - most Corporations have now been converted to limited companies and hence not strictly enforced.
- (iii) Private Trade - with due approval and subject to the constraints in the Tender procedure.

In the case of purchases from the Dept. of Govt. Supplies, requisitions should be prepared on 'Form Gen 24 (New)' and should be certified by the officer whose specimen signature had been sent to the Govt. Supplies Dept. at the beginning of the year. In the case of Corporations or Private trade, the bills issued at the time of purchase should be annexed as supporting documents.

1:4 Documentation of Receipts : The receipt side should be posted in chronological order of dates. In the column voucher number, any of the following should be entered, depending on the purchase:

- (i) Govt. Stores Reqn. No.
- (ii) Consignment notes / Bills from Corporation.
- (iii) Inventories of bills from other supplies

1:5 Documentation for Issues : Here too the dates of issue should be in chronological order. In the column 'Voucher No' any of the following can be quoted, depending on the issue.

- (i) Issues to branches / sections within the Dept. or to Officers direct (where no sectional Inventories are maintained) a suitably Roneoed form, on which the signature of the receiving party should be obtained.
- (ii) Duplicate copy of the Issue Order on "Form Gen 141" where issues are made to branches / sections which maintain their own sectional inventory or where issues are made to other Departments.

1:6 ISSUE ORDER BOOK - Form G. 141. FR. 753

Receipt Order Book - Gen 219

These are counterfoil books and records of same should be maintained in the REGISTER OF COUNTERFOIL BOOKS. These are regarded as important INSTRUMENTS OF STORES ACCOUNTING in the Public sector. The books are serially numbered and each book contains a set of 25 (Originals 25, duplicates 25). These books should be kept under lock and key and should be issued under acknowledgment.

Issue Orders : Whenever Inventory articles are issued to sections within the Dept which maintain their own section Inventory books or

when issues are made to other Depts / Regional Depts, All such issues should be made on an Issue Order (from Gen 141). After writing out the order, the relevant entries should be made in the Inventory book and both put up to the Staff Officer for his signature. The Staff Officer should personally check the entries in the Inventory book with the issue Order and there after sign the order. The original should be taken out of the book and sent along with the articles and the duplicate retained in the book.

Receipt Orders : Whenever Inventory items are received from sections within a Dept. which maintain their own Sectional Inventory, or from any other Dept., the terms should first be checked with the Issue Order accompanying them. If the quantities are correct and in good condition, a Receipt order (form Gen 219) Should be written out in acknowledgment. Thereafter the R. O should be posted in the Inventory book and put up to the Staff officer, who should check the entries before signing the book. The original of the Receipt order should be either sent by post or handed over to the person who delivered the items, and the duplicate retained in the book.

IMPORTANT : The original of the Issue order should be stapled to the duplicate of the Receipt order in the receiving office and original of the Receipt order should be stapled to the duplicate of the Issue Order in the Issuing office.

2.0 SEPARATE INVENTORY BOOKS FOR DIFFERENT CATEGORIES OF ITEMS.

Separate Inventory books should be maintained to record different categories of inventory items, such as :

- General Inventory, Tables, chairs, trays, roneo-machines, calculators, table fans, office equipment etc.
- Electrical Inventory - Ceiling fans, Fluorescent fittings Air conditioners etc.
- Inventory of Motor vehicles - Especially in large Depts. where a large fleet is maintained. This can be maintained in a C. R. register, setting apart one folio for each vehicle.
- Land and Buildings - Should be maintained by Depts. which maintain a fair number of officer buildings, stores, warehouses etc. Among other things, sq. foot area, extent of land, etc should be recorded. It is suggested that C. R. register suitable adapted be used and land and buildings be grouped together or noted in adjacent folios.
- Items of small value - brass calls, waste, paper baskets, brass buttons (Police, Excise) etc. Where the number of I/ inventory articles are not large these items too should be entered in the General Inventory.

2.1 Arrangement of Inventory items inside a stores. - This is based on the concept that store accommodation is a scarce resource, and therefore efficient utilisation is needed. All Inventory items newly purchased and those awaiting issues in time to come, should be carefully stored inside a store room and locked to prevent loss. Racks should be constructed with careful planning with pigeon holes of different sizes, both small and large, so that small items are not stored in large racks, thereby wasting valuable store space. In the arrangement of the items too, care should be taken to store glass items away from iron or heavy wooden items, in order to avoid damage. The arrangement itself should be in the order as it appears in the inventory book as far as possible, in order to minimise motion at times of a physical check with the book balances.

3.0 MASTER INVENTORY (CENTRAL) AND DISTRIBUTION LISTS :

Where, there is only a Master Inventory in an Organisation or Dept., and the different Sections do not maintain separate Inventory books, it is compulsory to maintain DISTRIBUTION lists. This is resorted to minimise the number of postings in the Inventory book and also to facilitate the easy location of the items for purposes of a physical check. Such distribution lists may be maintained "FLOOR WISE" in a Dept. with several Stores, or SECTION (branch) wise. A sample distribution list is shown below:

Serial No.	Name of officer OR Nbranch office.	Tables - S.O.	Tables - Office	Tables - Typist	Chair - Arm	Chair - Ord	Chair - Typist	Glass Pad	Pin Trays	Calculator	Calculator Table Model	Wall Clock	Office Trays	Paper Weights	Steel Cob	Call Bell	Waste Paper Basket	Typewriters	REMARKS
1.	Mr. K. Perera	1	-	-	1	1	-	1	2	1	-	1	2	4	2	1	1	-	-
2.	or Finance br.	-	12	02	2	12	2	12	12	12	2	1	24	24	12	-	12	2	-
	TOTAL	1	12	2	3	13	2	13	14	13	2	2	26	28	14	1	13	2	-

4.0 HANDING OVER AND TAKING OVER OF INVENTORY ARTICLES. F. R. 755.

This can become necessary under the following circumstances :

- When there is a transfer of an officer from one branch to another within the Dept. or to another dept. outside.
- When an officer retires from the Public Service.
- When the Officer in charge of stores wishes to leave the Dept. to accept better employment elsewhere.

In the case of (a) and (b) above it will be the responsibility of the Officer in charge of stores to arrange for the handing over / taking over between the out-going and in-coming officers. The officer handing over should write "Handed over correctly" and sign and date the list or register while the officer taking over should write "Taken over correctly" and sign and date the lists. Care should be taken to ensure that the keys of the drawers, cabinets or other lockers are also handed over to the in-coming officer under acknowledgment.

5.0 BALANCING INVENTORY BOOKS F. R. 754

in terms of financial regulation 134, an inventory book at the end of each Financial year viz, 31.12... All column should be totalled vertically, on the receipt side after drawing a red line just below the last entry.

The 'Issues' should be totalled in a similar manner, and then transferred to the receipt side under the identical columns. The total issues should be deducted from the total receipts for the year and the residue is described as "BALANCE AS PER INVENTORY BOOK AT THE END OF THE YEAR". This will be the opening balance for the ensuing year also. This balance represents the actual PHYSICAL QUANTITIES which should be available for VERIFICATION, and will have to be produced to the Board of Survey, General Audit Officers, or other Inspecting teams. The Officer in charge will be held liable for any quantities not produced, or otherwise accounted.

6. Unserviceable Inventory articles.

Articles become unserviceable for a variety of reasons, but the common ones are :

- (i) Age / usage eg, Attach cases used by staff/ James Bond cases used by Staff officers are normally given a life span of 05 years. Within this period even if the bag is damaged, no replacement is possible. However in the case of some other items, constant use makes it unserviceable quicker than items which are sparsely used.
- (ii) Damage - Damage can be due to pure accident or due to negligence.

In the case of an article becoming unserviceable due to Age or usage replacements should be made and the unserviceable article taken over and carefully stored until it is CONDEMNED AND WRITTEN OFF. In then case of accidental damage, established by clear evidence no further action is possible other than replacement and write-off. However where it is established that the damage is due to NEGLIGENCE, the cost of replacement or cost of repairs (in the case of motor vehicles) should be recovered from the officer/ person responsible together with 25% Departmental charges to cover Administrative cost.

7.0 Test check of Inventory articles - F. R. 758.

Test checks should be carried out once in three months by the Staff Officer in charge of the subject of stores or any other officer nominated by him. The checking officer should select a few items by reference to the Inventory book and thereafter call for the production of the article. Whilst checking the officer should also alert his mind to the following :

- (i) Maintenance of the books neatly.
- (ii) The posting of RECEIPTS, ISSUES and arithmetical accuracy of balancing.
- (iii) Satisfactory and methodical storing.

7.0 Disposal of un-serviceable Inventory articles.

A list of un-serviceable articles should be prepared in quadruplicate on "Form Gen. 47" and put up to the Head of Dept. for approval and appointment of a Board of Survey. In the case of Electrical items such as Table fans, Ceiling fans, Electric kettles etc a report from the C. E. B. and in the case of Table model calculators, photocopying machines etc report from the Local Agents, should be obtained that the items are beyond economical repairs. In the alternative, one member should be qualified in Electrical / Electronics technology. In the case of Motor vehicles, a person qualified in Automobile technology should be appointed to the Board. The Board will examine the items and make its recommendations and when these are approved by the Head of the Dept., action should be taken as shown below:

- (i) Repair - All items marked 'R'
- (ii) Sell - by public / limited auction all items marked 'S'
- (iii) Destroy - all items marked 'D' but the destruction should be done in the presence of the board of survey which recommended it and the members should certify to this effect on the form.
- (iv) Items marked T - should be sent to ports Authority
- (v) To send by weight - all Aluminum, copper, and lead articles to the Govt. Factory after crushing them, but un-serviceable typewriters should be sent without any damage being done.

In all cases receipts on letter Heads should be obtained. Thereafter the lists should be submitted to the Head of Dept. and his approval obtained to write-off should be submitted to the Head of Dept. and his approval obtained to write-off the Inventory books.

8.0 Surplus Inventory articles : If there are surplus Inventory articles which may never be used or if there are articles already used sparsely and in good condition, then put up a list of such items to the Secy of your ministry and obtain his approval to issue them to needy depts. Thereafter, circulate a roneoed list to all Depts. and if requests are received, issue them on an Issue Order and obtain an acknowledgment on a Receipt Order.

9.9 STOCK CERTIFICATE : In the case of all inventory articles, whether purchased from the Dept. of Govt. Supplies or Private trade, a stock Certificate on the following lines "I certify that the articles listed in this Requisition/Bill have taken on Charge in the Inventory books, folios (say) 10,11,13,&15" should be given on the bill/Reqn as well as the payment voucher and signed by the staff officer in charge of stores work. No payments should be made if this stock certificate is not furnished, where payment is by Cash/Cheque.

10.0 AUTHORITY FOR WRITE - OFF- LIMITS. FR. 108

- (I) Head of Dept. (Accounting Officer)
 - (a) Losses which need not be reported under F. R. 104 (2)
 - (b) any other loss not exceeding Rs. 25,000/- in terms of F.R. 105 (i)
- (ii) Chief Accounting officer - Secy. to a Ministry.

- (a) Any Loss not exceeding Rs. 500/- in terms of F. R. 105 (i)
- (b) Any loss not exceeding Rs 500/- where there are no frauds or defects in the System.

(iii) Chief Accounting officer who is not a secy. of a Ministry.

Up to Rs. 250,000/- in terms of F. R. 105 (i)

11.0 - EXCEPTIONAL I :

At several of my lectures on this subject, questions have been asked and answer sought on various exceptional situations. One such situation is this:

Suppose the BIG BOSS OR HIS DEPUTY purchases articles such as a Television Set, Video Cassette Recorder or food Mixer, which are not provided for in the Estimates under Capital Expenditure and also violate the constraints of the Tender procedure and thereafter request the Accountant to settle the bill by cheque, what are the OPTIONS open to the Accountant ?

ANSWER : Firstly let us pray that a situation of this types should not arise. and create displeasure all round. But should one arise then the ACCOUNTANT should POLITELY REQUEST HIS BOSS TO:

- (i) Have the article taken into the Inventory books and to provide a stock Certificate as at para 9.0
- (ii) Since there is no provision under Capital Expenditure, give you in writing as to which vote the cost should be debited.
- (iii) Write on the Face of the voucher "I authorise the payment on my own responsibility" and sign date it.

For safety, take a photo-copy of the voucher and the annexed Bill and keep it safely, as sometimes such vouchers get inadvertently lost thereafter the Accountant's responsibility is only that of a paying officer - FR. 139

පැහැදිලි පිටපත් කහරස් රජයේ සැපයීම් දෙපාර්තමේන්තුවට
 ඉදිරිපත් කළ යුතුය. (එක් එක් කාණ්ඩයට අයත් භාණ්ඩ සඳහා
 වෙනම බඩු ඉල්ලුම් පත්‍ර එවිය යුතුය.)
 FOUR CLEAR COPIES to be furnished to Govt. Supplies
 Dept. (Separate registration for articles in each Unit.)

රජයේ සැපයීම් දෙපාර්තමේන්තුවේ අංකය }
 Government Supplies Department No. }

බඩු ඉල්ලුම් පත්‍රය/වාරණා පත්‍රය/ගබඩා කර ඇති ගාණුව සඳහා වටුවරය
REQUISITION/CONSIGNMENT NOTE/VOUCHER FOR STOCK ITEMS

බඩු ඉල්ලා යවන නිලධාරියාගේ සංකේත අංකය } බඩු ඉල්ලුම් පත්‍රයේ අංකය } දිනය }
 Indenting Officer's Code No. } Requisition No. } Date }

පදවි නාමය } කාර්යාලය } ස්ථානය }
 Head } Officer } Station }

ශීර්ෂය } වැඩ සටහන } ව්‍යාපෘතිය } වැය විෂය-සංකේතය } වැය විෂය - විස්තරය }
 Head } Programme } Project } Object-Code } Object-Detail }

අංශය/Section		භාණ්ඩවල විස්තරය Description of Articles	4	මෙම කීරු රජයේ සැපයීම් දෙපාර්ත මේන්තුවේ භාවිතය සඳහා පමණය These columns are for Government Supplies Department Supplies Department			8
1	2		අවශ්‍ය ප්‍රමාණය Quantity Required	5	6	7	බඩු ලේඛන පිටුව Inventory Folio
ගණය Group	ද්‍රව්‍ය අංකය Item No.			සපයන ලද ප්‍රමාණය Quantity Supplied	රේඛි ගණන Rs. ශ. c.	වටිනාකම Value Rs. ශ. c.	
දැ. යු. මෙහි කරන සමානෝක්තීන් N. B. All entries here		සටහන් පියලිලම ඉරි දෙකක් අතර in should be made only between two lines					
			එකතුව Total				

මෙම බඩු ඉල්ලුම්පත්‍රය මත සපයනු ලබන ගබඩා බඩුවල වටිනාකම ඉහත සඳහන් වැය ශීර්ෂවලට හර කිරීම සඳහා රජයේ
 සැපයීම් අධ්‍යක්ෂ වෙත මෙයින් අවසර දෙනු ලැබේ. හර කරනු නොගත මුළු මුදල එකතුව රු..... ඉක්ම නොවිය යුතුය.
 Authority is hereby granted to the D. G. S. to raise Debits to the Votes mentioned above with the Cost of the Stores supplied on
 this requisition. Total debit not to exceed Rs.....

බඩු ඉල්ලා යවන නිලධාරියාගේ අත්සන සහ පදවි නාමය.
 Signature and Designation of Indenting Officer.

කොට කාඩ් පතේ ඇතුළත් කොට ශේෂ කළේ
 Stock Card Posted and Balanced

මිල කළේ සහ එකතු කළේ
 Priced and Totalled

හරි වැරදි බැලුවේ
 Checked

ඉහත සඳහන් බඩු නිවැරදිව ලැබුණ බවද ඒවා 8 වැනි කීරුවේ සඳහන් අයුරු මගේ බඩු ලේඛනයේ පිටුවල දඳහන් කළ බවද
 සහතික කරමි.
 I certify that the above articles have been duly received and brought on charge in my Inventory on pages as shown in
 Column 8.

දිනය/Date.....

අත්සන සහ පදවි නාමය.
 Signature and Designation

(මෙම කොටස වෙන් කර රජයේ සැපයීම් අධ්‍යක්ෂ වෙත ආපසු එවිය යුතුය.
 (This Portion to be torn off and returned to director of Government Supplies.)
 කුච්චිතාන්ඩිය/RECEIPT

අංක..... දරණ වාරණා පත්‍රයෙහි සඳහන් භාණ්ඩය/භාණ්ඩ නිවැරදිව ලැබුණ බවට සහතික කරමි.
 I certify that the article / as shown on CONSIGNMENT NOTE No..... has/have been correctly received.

දිනය/Date.....

බඩු ඉල්ලා යවන නිලධාරී / දෙපාර්තමේන්තුවේ නියෝජිතයා.
 Indenting Officer / Departmental Representative.

උපදෙස් / INSTRUCTION

1. බඩු ඉල්ලුම් පත්‍ර පිටපත් හතරකින් යුතුව එවිය යුතුයි. ඒවා එක් මුල් පිටපතකින් හා පැහැදිලි කාබන් පිටපත් තුනකින් යුක්ත විය යුතුය. බඩු ඉල්ලුම් පතෙහි එක් පිටපතක් වාර්තා පත්‍රය වශයෙන් ගණන ගැනෙන අතර ආණ්ඩුවේ බඩු භාරගන්නේ නම්, බඩු ඉල්ලා යවන නිලධාරියාගේ නිවැරදිකමට එම පිටපත භාරදෙනු ලැබේ. බඩු තැපෑලෙන් හෝ දුම්රියෙන් හෝ යවන්නේ නම්, එය බඩු ඉල්ලා යවන නිලධාරියාට තැපෑලෙන් යවනු ලැබේ.

Requisitions must be furnished in Quadruplicate - One original and three CLEAR carbon copies One copy of the requisition which will serve as the Consignment Note will be handed over to the Indenting Officer's Representative if delivery is taken at the Government Stores or posted to the Indenting Officer if the articles are sent by rail or post.

2. උංශයක එක් කාණ්ඩයකට අයත් භාණ්ඩ සඳහා වෙනම බඩු ඉල්ලුම් පත්‍ර එවිය යුතුයි.

Separate requisition must be furnished in respect of articles in Each Unit of a Section.

3. දෙපාර්තමේන්තුවල සාධාරණ ඉල්ලීම්වලට සෑහෙන ප්‍රමාණයක බඩු තොග තබාගැනීමට රජයේ සැපයීම් දෙපාර්තමේන්තුව අදහස් කරයි. කෙසේ වුවද, භාණ්ඩය කොතරයේ නොමැති නම් ඒ සඳහා අළුත් බඩු ඉල්ලුම් පතක් එවිය යුතු ආසන්න දිනය බඩු ඉල්ලා එවන නිලධාරියාට දක්වනු ලැබේ. ඉල්ලා ඇති ප්‍රමාණය සම්පූර්ණයෙන් ම සැපයිය නොහැකි වුව අඩු ප්‍රමාණයක් නිකුත්කරනු ලැබේ. අඩු ප්‍රමාණයක් සැපයූ කළ, අවශ්‍ය නම් එම දෙපාර්තමේන්තුවට රජයේ සැපයීම් දෙපාර්තමේන්තුවේ බඩු තොග යථා තත්වයට ගෙන ඒමට සෑහෙන කාලයක් දී ඉතිරි බඩු සඳහා නැවත ඇණවුමක් එවිය හැකිය.

The Government Supplies Department aims to carry sufficient stocks to meet reasonable demands. If however the item is out stock, an indication will be given to the Indenting Officer as to the approximate date by which a fresh requisition may be placed. If the quantity asked for cannot be met in full, a reduced quantity will be issued. In the latter case, Departments may if necessary, re-order the balance quantity after allowing the Government Supplies Department a reasonable period for replacement.

4. බඩු ඉල්ලා යවන දෙපාර්තමේන්තුවල බඩු ඉල්ලුම් පත්‍ර සකස් කරන නිලධාරීන් විසින් ඒවා සකස් කරන අන්දම ගැන මනා අවබෝධයක් ඇති කර ගත යුතු අතර, අවශ්‍යතාවයන්ට අනුකූලව බඩු ඉල්ලුම් පත්‍ර සකස් කර එවිය යුතුයි.

Officers in Indenting Departments who are responsible for the preparation of requisitions should familiarise themselves and comply with all requirements relating to the placing of requisitions.

(මු. රෙ. 726) අනුව බඩු ඉල්ලා යවන නිලධාරියා විසින් සඳහන් කළ යුතු විශේෂ කරුණු හා බඩු භාරදීම පිළිබඳ උපදෙස් මෙහි සඳහන් කළ යුතුයි.

Remarks and delivery instructions (F. R. 726) of Indenting Officer to be inserted here :-

අනෙක් පැකට්ටි සඳහන් බඩු මෙහි පහත සඳහන් පරිදි පොදි කොට The stores specified overleaf have been packed as shown below -	හොණ්ඩර Cwts.	කාර්තු Qrs.	රාක්කල් Lbs.
පොදි අංකය Package No.
"
"

ඔබේ ලිපිනයට දුම්රියෙන්/ තැපෑලෙන්.....දින එවන ලදී.
and despatched to your address by Rail/Post on.....

දිනය
Date

සටහන - බඩු භාරගන්නා අවස්ථාවේදී එක් එක් පොදියේ බර ඉතා හොඳින් පරීක්ෂාකර යම්කිසි අඩුපාඩුවක් ඇතොත් බඩු ඉල්ලා යවන නිලධාරියා විසින් දුම්රිය/ තැපෑල නිලධාරීන්ට දැන්විය යුතුයි. බඩු ලැබී දින 7 ක් ඇතුළත රජයේ සැපයීම් අධ්‍යක්ෂවරයා වෙතම වාර්තාවක් එවිය යුතුයි. වාර්තා පත්‍රවල සඳහන් බඩු නොලැබීම පිළිබඳව දුම්රිය / තැපෑල දෙපාර්තමේන්තුවෙන් මූලික වශයෙන් පරීක්ෂාකර බලා සාධාරණ කාලයක් ඇතුළත දී පැමිණිලි කළ යුතුයි.

Note - The weight of each package should be carefully checked at the time of taking delivery and any discrepancy brought to the notices of the Railway / Postal austrial authorities at the Indenting Officer's end. A separate report should be made to the Director of Government Supplies within 7 days of receipt of stores. Complaints regarding non-receipt of Stores shown on Consignment Note should be made within a reasonable period after preliminary inquiry from the Railway/Postal Department.

ISSUE VOUCHER. NO.....

(To be used when issues are made to an individual or unit when no separate Inventories are maintained)

Name of Officer / Unit:

Give Designation :

Data of Issue :

Ref; to request note :

ITEMS ISSUED.

Serial No.	Item.	Inventory/stock bk folio.	Quantity issued in figures	Qty in words.
1.	Office table	02	01	one.
2.	Pocket calculator	13	01	one.
3.	paper weights (wood)	15	03	Three
4.	etc			

Received the above New/used articles in good condition. (Items 1 to 3 only)

Signature of Issuing Officer

නිකුත් කිරීමේ නියෝගයේ අංකය
Issue order No.

ස්ථානය
Station

දෙපාර්තමේන්තුව
Department

නිකුත් කරන ලද්දේ කාටද යන වග
Issued to

රසීඩ් පත් අංකය

Receipt No.....

භාරගන්නා ස්ථානය

Receiving Station.....

නිකුත් කිරීමේ නියෝගයේ අංකය හා දිනය

Reference to issue Order No.....

නිකුත් කරන නිලධාරීතුමා

Issuing Officer

ස්ථානය

Station.....

බඩුබාහිර පිළිබඳ විස්තර Description of Stores	බඩු ගණන Quantity	වටිනාකම Value		ඉන්වුන්ටරි පොතේ පිටුව Page in Inventory Book
		රු.	ය.	

බඩුබාහිර පිළිබඳ විස්තර Description of Stores	ප්‍රමාණය Quantity	ඉන්වුන්ටරි පොතේ හෝ ස්ටොක් පොතේ අංකය Page in Inventory or Stock Book

19.....මස.....වැනි දින නිකුත් කරන ලදී. කවද නිකුත් කිරීම යථා වීඛිත් මගේ ඉන්වුන්ටරි පොතෙහි සටහන් කරන ලදී.

Issued on.....19.....and the issue duly entered in my Inventory Book

පොදු 141
General 141.
1,6dup.5.&E 4/57

.....
නිකුත් කළ නිලධාරී තුමා.
Issuing Officer

ඉහත දැක්වෙන බඩුබාහිර නියමිත පරිදි භාරගෙන මගේ ඉන්වුන්ටරි පොතෙහි ඉහත දැක්වෙන පිටුවල ඒවා සටහන් කර ගන්නට යෙදුණි.

The above articles have been duly received and taken on Charge in my inventory Book on pages shown above.

.....
භාරගන්නා නිලධාරීතුමා / Receiving Officer

භාරගත් දිනය
Date of Receipt

SUBJECT :- INVENTORY CONTROL /STOCK OR MATERIALS CONTROL

Inventory Control system is the "nerve centre of the supply organization" stock control function can profoundly influence operating costs, profits and cash flow of the organization. The stock control is one of the four major components of the supply function.

namely :-

- I. Purchasing
- II. Stock Control
- III. Storage
- IV. Disposal

1. Objectives of stock control :-

- I. To have the Right goods, bought at the Right price, in the Right place, at the Right time.
- II. To carry as much stock as, will meet requirements and no more.
- III. To eliminate Losses, through deterioration, obsolescence and waste.
- IV. To reveal cases of thefts, or misappropriation of materials.
- V. To establish and maintain efficient methods of materials handling.
- VI. To establish and maintain efficient stock accounting system which will provide prompt management information.

2. Essential Requirements for any system of stock control :-

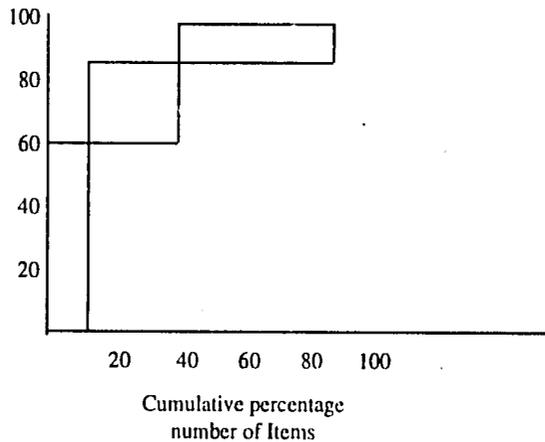
- I. Suitable Buildings
- II. Layout
- III. Stores staff
- IV. Rules for operating a store
- V. Suitable stores documents
- VI. Coding or cataloguing of materials
- VII. Stores Procedures.

3. How to develop a stock control system :-

- I. It should be Tailor-made as required
- II. Visits to other supply organization,
- III. Factories, workshops etc.
- IV. Text Books

4. A B C Analysis / Pareto's Law :-

- A items = 60% of total value 10% of total number
- B items = 30% by value and number
- C items = 60% total number 10% of total value.

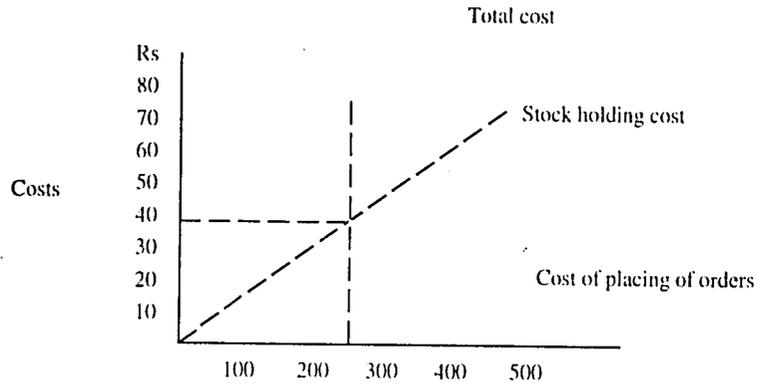


- A items = Continuous review
- B items = Periodic review
- C items = Visual control

5. Ordering Costs and stock Holding Costs :

- I. Stocks can be reduced by frequent ordering but this increases the cost of processing orders.
Ordering costs are the total staff and material costs necessary to process orders divided by the number of orders placed.
- II. Stock holding Costs :-
Cost of money tied up in stocks or storage and handling cost, Insurance, cost of Preventing, and the cost of loss through deterioration, obsolescence, accidental...damage or pilferage.

6. The Economic order quantity : (E. O.Q)



$$EOQ = \frac{2AB}{CI}$$

- A = Annual Quantity required
- B = Cost per order
- C = Value of one unit of stocks
- I = Stock holding cost per year as a fraction of the value of the stock.

7. Lead Time

The total length of time to obtain a fresh supply of an item.

- I. Administrative Lead time
- II. Manufacturing Lead time
- III. Shipping lead time

lead time cannot be accurately determined.

8. Stock levels :-

- I. Minimum stock level
- II. Re-order stock level
- III. Maximum stock level

minimum stock (safety stock)

R. O. L.

Maximum expected usage during lead time.

ROI = usage in lead time + usage in one month plus minimum stock

Maximum level :

Minimum stock + Half the EOQ + Half the usage in review period.

9. Conclusion :-

We must control stocks to ensure that the materials are in store when required, but the stock level must not be allowed to reach level which incurs too high a cost of holding stock and the capital tied up in stock is not excessive.

Prepared by
H. P. W. Premadasa

CARE OF ASSETS OF GOVT. & AVOIDANCE OF WASTE & FRUITLESS EXPENDITURE.

Summary of talk

Security and Custody of Public Money etc.

Current Assets such as public money, stamps, tickets, stores & fixed Assets such as furniture, equipment & securities, belonging to Govt. or in permanent or temporary custody should be in safe custody of officers who have furnished security.

- * Absence on leave / transfers - proper handing over / taking over.
- * Use of safes / vaults with dual control-system of internal check.
- * Keys in personal possession - duplicates marked & deposited - verified annually.
- * No Private money in govt. safes.
- * No borrowing, advancing, lending for private purposes.
- * Periodical checks with documentation.

As for cash in Banks - reconciliation of balances is important

Definition of Stores (Inventories)

Articles required to carry out services of a Govt. Dept.

Includes - Plant, machinery, equipment, fittings, animals, unserviceable, salvaged material

Excludes - Buildings, land and standing trees, refer - Island's Accounts.

- * Creation of Assets by expenditure - specially cap. exp.
- * Examine your role in the stages -

Ordering	-	Re-order level	
Receiving	-		}
Custody	-		
Issue	-		
Disposal	-		
			Documentation to facilitate internal checks

Care of Assets

- (1) Ensure existence - book entry only insufficient Proper documentation, identifiable inventorisation
- (2) Storage - proper order without damage
- (3) Maintenance - Repairs / licencing / fees / rates & taxes
- (4) Periodical verification - Part of the internal control system
- (5) Beyond economical use - Disposal

Avoidance of waste & fruitless exp.

- * Important aspect in all stages & FR repeatedly uses "exercise of economy."
- * For the financial manager, if costing techniques are employed, waste & fruitless exp. cannot creep in. However, unless vigilance is exercised, lapses on the part of those involved in execution of programmes & may end up in waste & fruitless expenditure."

Estimating Stag * Need for Realistic Estimation - referred to by P. A. C. often.

- (1) Unrealistic & inflated budgetary provision to overcoers the need of suppl. Estimates.
- (2) Abuse of virement procedure
- (3) Excess use of virement procedure; transfers by deliberate over-estimation, without resource to prior feasibility studies before budgeting.
- (4) Fixing of Excess limits in Adv. Accts.
- (5) Using Adv. A/ cs. for purposes other than those envisaged.

Execution Stage Close monitoring of projects, evaluating performance at every stage helps in avoidance of waste. Idle labour, equipment should be watched.

There is provision for revision of Total Cost Estimates / Limits in advance Accts. It is not only upward revision by close follow-up reckoning even downward revision is called for in appropriate cases.

LOSSES AND WRITE-OFFS

1. Introduction

Elimination of waste and corruption in the public Sector of Sri Lanka had been a main topic in the Financial Management of Government Ministries and Departments. The Govt accountants who are the immediate managers of public finance have the highest responsibility to ensure that losses, waste and corruption in their organization are eliminated or minimised. In this paper an attempt is made to identify:

- The need to control losses;
- Types of losses;
- reporting system on losses;
- procedure to be followed in dealing with losses and ultimate write-offs;
- control procedures for avoiding/minimising losses.

2. The need to control losses

- Necessity for accountability arises due to scarcity or limitation of resources;
- In carrying out the accountability function scarce resources have to be managed so as to produce maximum output with a minimum input;
- If losses or wastages are high, there is no control of resources and accountability function fails;
- when there is no accountability function the entity will break-down.

The control of losses is Vital for any organisation.

3. Types of Losses

Losses

Normal losses

Accepted percentages for Evaporation, driage, shrinkage etc. (cannot be controlled)

Unavoidable & Unforeseen

Act of god or natural losses (Flood, Cyclone, Riots, War, etc.) (cannot be controlled)

Abnormal Losses

Losses in excess of the accepted limits. (need controls)

Avoidable

Losses due to negligence, frauds, etc. (need controls)
Fr-102

- physical loss of property money, stamps, stores etc.
- Damages to property
- Payment of damages to 3rd parties
- Overpayments, irregular payment's loss of counterfoil books

4. Reporting system in the Govt. Sector on losses

To whom reported

(a) Head of Depts, Ministries
Treasury

(b) Parliament

(c) General Public

i to iv - Reports facilitate quick remedial measures.

vi to viii - can be used for policy decisions.

Reported by

- Reports on losses furnished by management in terms of FRR
- By Internal Audit
- By Boards of Survey.
- By External Audit (Govt. Audit)
- Disclosure in Appropriation Accounts
 - As separate items of losses over Rs. 25, 000/- and a total of all other losses.
 - Losses pending settlement relating to previous year
- By Auditor General P. A. C.
- By Auditor General's Report

5. Procedure to be followed in dealing with losses Summary of action

FR 103 - Report to the authority where necessary (including Police)

&

FR 104 - Inquiries to be held and responsibility fixed

- Adequate steps taken for the security of books and records
- Fr 110 - Record in the Registrar of Losses
- Determine the amounts to be recovered and initiate recovery
- Take adequate steps to avoid recurrence
- Initiate independent disciplinary action
- Submit claims where appropriate

Fr 106

to

- 107 - Accounting procedure where applicable
- 109 - Order of Write - Off
- 109 - Order of waiver

6. Write - offs

(FR 108) Authorities to deal with losses

Power to surcharge, power to authorise recovery from security, or to write-off.

- | | |
|--|---|
| 1. Secretary to a ministry or State ministry who is Chief Accounting Officer | (a) Normal driages, shortages etc. prescribed by Treasury |
| | (b) Marine or air losses |
| | (c) Contractual defaults |
| | (d) Other losses not exceeding Rs. 500,000 relating to cash, cheques, stamps, stores, damages to Govt. property, counterfoil books etc. |
| | (e) losses not exceeding Rs. 1,00,000 where there is no fraud or defect in the system |
| 2. Chief Accounting Officer who is not a Secretary | losses not exceeding Rs. 25,000.00 |
| 3. Accounting Officer | (a) Losses which need not be reported, i. e. loss of consumable stores not exceeding Rs. 500.00 |
| | - other losses not exceeding Rs. 500.00 and full recovery i made, but does not include shortages of cash stamp etc. exceeding Rs. 250.00 made good by officers responsible where daily checks take place. |
| | If complete daily checks are not done shortages not exceeding Rs. 25.00 |
| | (b) Losses not exceeding Rs. 25,000.00 |

Note : In all cases where a Chief Accounting Officer has no authority, should be Treasury.

(FR 109) Order of write-off

This term is used to indicate the final order relating to a loss. relevant entries in books could be struck off from inventories, stock-cards etc. Any debits outstanding in the accounts to be dealt with in terms of FR 106 & 107 and a copy to be sent to Auditor General.

(FR 106 & 107) Accounting Procedure

- Loss of money, tickets, stamps etc. should be made good immediately. If not possible obtain an allocation from the appropriate Treasury advance account and debit it. When subsequently recovered credit the same account.
- any unrecovered amount to be charged to appropriate object or object detail exists under the departmental vote. If this not possible and the amount involved does not exceed Rs. 500.00 it may be harged to "Incidental Expenses" Otherwise obtain Supplementary Estimate or include in the Draft Estimates of the next year.
- In the case of losses relating to Advance Accounts the loss to be charged to the Profit and loss a/c after the write-off order.

Order of Waiver

When a surcharge is imposed on an officer every effort should be made to recover the amount in one lump sum. In the case of a Govt.-employee, where there is no fraud or negligence involved recovery in monthly installments permitted as indicated under FR 119.

No. of Installments		Authority by
Not exceeding installments	12 Months	Head of the Dept.
Not exceeding installments	60 Months	Secretary as chief Accounting Officer
Exceeding installments	60 Months	Treasury

However, the recovery should not extend beyond the optional data of retirement.

An order of waiver can be granted by the appropriate authority depending on the amount, if recovery is not possible.

Waivers other than those arising out of losses - (FR 113)

- | | | |
|-----------------------|---|--|
| (a) statutory waivers | - | as provided under relevant statute. |
| (b) Other Waivers | - | where there is provision for collection of Revenue, under the statute but no provisions exists therein to waive, authority should be obtained from the Treasury. |

Unless the Auditor General challenges the decision, in the case of a waiver already granted, the matter will be submitted to the Minister of Finance, whose decision is final.

Control procedures for avoiding / minimising losses

Type of loss

Matters to be concerned

- | | | |
|----------------------------|---|---|
| | - | Reconcile Bank accounts promptly and investigate uncleared items |
| | - | Allocate duties in such a way that maximum internal check is achieved |
| | - | Obtain security from those who handle cash transactions. |
| | - | Avoid delays in preparing daily accounting statements |
| | - | Ensure control over counterfoil books |
| | - | Carryout surprise verifications. |
| Stocks & stores | - | security, proper storage depending on the type of stores, proper recording, surprise verifications, annual Boards of survey and proper disposal procedures for unserviceable items maximum, minimum levels, 'FIFO' basis issuer, periodical reporting system on slow moving or unmoving items proper procedures for purchases and issues. |
| Debtors | - | Consistent follow up procedure |
| | - | Periodical age analysis |
| | - | Independent confirmations |
| | - | periodical tally with control accounts |
| | - | fixing limits for credit |
| Revenue collections | - | Control over receipts, prompt banking prompt notification of relevant rules and regulations, periodical review of various rates or charges comparison of actuals with estimates and comepadding figure in previous year, study on cost of collection, tender procedure in leasing out collection rights. |
| Expenditure | - | Cost and benefit analysis, tender procedure for work and services, compliance with rules, comparison with estimates and previous year expenditure, correct classification. |

Losses occur mainly due to following reasons:

- Weakness in the management reporting system
- Lack of adequate records
- Delays in periodical verifications
- Absence of follow up action on Audit reports. Board of survey reports.
- Absence of security from officers handling stores/cash
- Absence of proper handing over and taking over procedures
- Bad storage and non utilisation
- Non compliance with rules, regulations etc.
- Delays in preparation of accounting statements
- Lack of knowledge of the objectives of the organization
- Lack of knowledge in laws, rules etc.
- Lack of proper evaluation and planning
- Lack of co-ordination
- Undue political influence

BOARD OF SURVEY FRR 756-759 & 507

1. Objective of appointing a Board of Survey
 - i. to report a unserviceable stores held in stores advance accounts FR 756 (1) (a)
 - ii. To verify stores and or report an unserviceable stores FR 756 (1) (a)
 - iii. conventionally to take stocks as at the end of the accounting period of all advance accounting activities. for preparation of Balance Sheet. FR 507

2. Appointment of Boards of Survey
 - i. Direction for the annual verifications of stores and appointment of Bd/ Survey are issued by the General Treasury. (Regulation Div.) FR 756 (1)
 - ii. These instructions are followed by the Ministry Secretaries in respect of advance account activities FR 756 (1) (a)
 - iii. Head of Dept. in all other cases FR 756 (1) (b)

note : Implementation of these provisions have been handled as follows.

 - (a) In the case of general items by the Regulation Division of the Treasury
 - (b) In the case of advance accounts by the Budget Division

3. Composition of the Board of Survey

: FR 756 (2) lays down that 2 responsible officers be appointed to constitute a Bd/ Survey.

note : The intention of appointing two officials is to maintain independence and objectivity of the purpose and not to permit a chance of being biased or impeded on the report had a single person been appointed.

In practice there are occasions when three officials are appointed to constitute a Board and several teams are appointed to make a survey of items in a large stores, and / or survey of items located in different places.

4. Qualifications to be a member of a Board of Survey

: i. Should be a responsible official who is not below the rank of the person in charge of the stores function of the Department.

ii. Should have a broad knowledge of the Departmental activities.

iii. Level of experience and knowledge of FRR and accounting.

Where two members constitute a Board second should be one who is able to identify technical equipment, spares and raw material and should be well experienced as to be in a position to express an opinion as to the condition, usefulness or otherwise of material, spares and machinery.

Where three members constitute a Board the responsibilities are high and would be expected to display the following qualities in respect of each.

- | | |
|----------------------|--|
| (a) Chairman | All round knowledge about the Department/Corporation/Board. |
| (b) Technical member | Technical knowledge of the activity, equipment and material. eg. Machinery, Gems, Foundry. |
| (c) Third member | knowledge and experience in accounting auditing and inventory systems and controls. |

5. Powers of the Board FR 756 (3)

- i. Powers of the board arise from the letter of appointment issued under the hand of the Head of Department.
- ii. Powers will cover inter alia to
 - (a) Visit an office, stores, sub stores or bank office where stores of the Department are in use/stores.
 - (b) Meet the officer in charge, and have such officer in attendance during the course of ++++++
 - (c) Examine books balanced (as per institutions of Head of Dept.) and made available at times of the survey. FR 757 (1)
 - (e) have the stores arranged in an orderly manner so as to enable identification and counting

- (f) have the unserviceable items stores by groups, listed and made ready for inspection.
- (g) count and verify items recorded in the inventory/stock book and obtain agreement thereon.
- (h) report on the shortages and excesses on form T & A 66 FR 756 (a)

Their authority ceases once the report is handed over to the appointing authority.

(Items (d) to (f) will emanate from the instructions as annual verification of stores, copy of which will be served on each Board member together with the letter of appointment.)

iii. Board of Survey for occasions on the than annual verifications

FR 756 (4) provides for the appointment of Boards of Surveys for any specific purpose viz :

- (a) to ascertain usability or otherwise of a stock of raw material, stock of finished goods in stock.
- (b) to ascertain serviceability / unserviceability of plant and equipment
- (c) to determine method of disposal of surplus/ redundant obsolete, deteriorating stocks and stores.
- (d) to assess minimum values at which any disposable item should be sold, if sale is the method of disposal.

6. Functions of the Board of Survey - FR 757

- i. Functions of the Board of Survey are detailed in the letter of appointment issued by the Head of Department (Accounting Officer) and if complied with, would, be treated as having discharged their duties.
- ii. Read and comprehend the instructions issued for stock verification / inventory checking, with particular attention on areas of technicality relevant to a given field of activity.
- iii. Comply with the instructions regarding identifying, counting, agree in the bin balances with stock book balances and recording shortages/ excesses.
- iv. Obtaining confirmation of the officer in charge of stores on all findings.
- v. Recording of matters of general import on improvement to the system of inventory control which will be useful to the management in bringing about economy, efficiency and provide mobility of available facilities to other areas of activity
- vi. Submission of the report in the manner prescribed, i. e.
 - (a) On form T - A 66 for verification of stores as from G 43 for unserviceable stores and on other forms for other specific situations.

Claims for reimbursement of expenses incurred by members of the Bd should be submitted at this stage

Informatory

- (a) Form T & A 66 should be prepared in quadruplicate meant to be sent to the Auditor General along with the annual appropriation account, thro' the Chief Accounting Officer (Ministry Concerned)
Chief Accounting Officer would decide on he course of action to be taken, and grant authority to adjust stores records as in required by the levels of authority for write off, and the copy of the form T&A 66 retrned will be a stores Valur adgnate for the purpose.
- (b) Unserviceable stores could be deleted from the stock records on the transfer of such items to a place of disposal such as Govt. Stores, Steel Corporation, or Govt. Factory, entry being supported by such a tranfer order/voucher.
- (c) Losses are to be dealt with under the provisions of FR 102, and a list of losses written off during the year should be annexed to the annual appropriation account.

Board of Survey of advance account activities FR 507

Board of Survey of an advance account activity is normally assigned the following functions to enable the value of stocks, and fixed assets to be brought into account at accepted values.

This comprises of the functions of :-

- i. taking stock of raw material, work in progress and finished goods for trading activities.
- ii. taking stocks of spares and stores for stores advance account activities, and
- iii. verification of fixed assets and a report of the condition of the asses as reflected in the fixed assets register or the inventory register whichever is available.
- iv. valuation of stocks where this function has been specifically been assigned in the letter of appointment.

While the valuation of stock will be used for the preparation of the trading / working account, the verified statement of fixed assets should be annexed to the accounts forwarded to the audit.

Quarterly board of survey FR 758

FR 758 provides for the periodical verification of stores, and the Board is appointed by the Head of the Department.

Board is expected to carryout a test check of selected items with the book balances and report on from Treasury 127. These reports are kept in the office for reference of Audit, as to compliance of FR 758.

9. Large organisations where no annual stock taking is done

FR 759 provides for the establishment of a perpetual inventory control system, under which each item will be subjected to count at least once during the year.

Establishment of such a system requires sanction of the Ministry, approval of the Treasury and acceptance of the Auditor General.

Situations where such a system could prevail are Railway store, former Irrig. Dept. Plant stores, and Medical Stores.

10. Board of survey of Commercialised activities

- i. Activities of Corporations are governed by the instructions issued by the Public Enterprises Division of the Treasury and are subject to own manual of financial Procedures, where generally accepted accounting principles and practices coupled with best commercial practices are adopted.

Functions of a Board of Survey to report on the stocks, fixed assets and their present conditions still hold good, and the report is made to the Bd. of Directors.

- ii. Activities of privatised Business Entities

Functions of these activities which have been brought under privatisation programme have come under the companies Act 17 of 1982 and therefore the provisions of the Companies Act will apply, Sections 143 -145 sets out the basic requirements of accounting and schedule 5 sets out the general provisions to Balance sheet and profit and loss account. The functions of a Board of Survey take the form of stock takers supervised by competent officials and observed by representatives of the external auditors.

Discrepancies in the inventories are observed by the auditors, and write off and adjustments of records are authorised by the Bd. of Directors.

INDEPENDENCE, JUDGMENT, VALUATION AND REPRESENTATION IN ANNUAL
ACCOUNTS ARE AREAS WHICH DESERVE THE ATTENTION OF THE BOARD OF
SURVEY.

BOARD OF SURVEY

(by Mr. P. Kumarakurusingam, DPFM, FRFA, FMCP (Dip))

Boards of Survey or Board of Verifiers are normally appointed by Accounting officers in or around the 15th December each year. to carryout a physical verification of all stores including inventory articles in their Depts. Depots. Warehouses etc. The purpose is similar to stock-taking in the mercantile sector. In Govt. Depts. no valuation is normally made except when verifying stocks held under Trading and manufacturing Advance Accounts.

Boards of Survey may be required to verify stores, as well as to report on unserviceable stores. Boards of Survey may also be appointed at any other time as and when necessary by the Accounting officer or C. A. O. The following forms are used.

Treasury and Audit - 66 - for verification of Stores
Form General 47 - for reporting on unserviceables

Depts. Such as food, Marketing etc. operate advance Accounts which are of a Trading, Manufacturing and Trading nature and the closing stocks have to be valued for purposes of the Trading, Profit and loss Account and Balance Sheets.

Composition; Boards of Survey normally consists of two officers appointed by name, one of whom is appointed Chairman and the other a member. But considering the magnitude of the complex to be verified an Accounting officer may appoint more than two officers at his discretion. The Board should consist of officers:

- (a) Other than and not immediately subordinate to the officer or officers directly in charge of Stores.
- (b) One of whom is acquainted with the technical Stores, if any.

How appointed: The appointments are made by written order of the Accounting officer, usually executed under delegated authority by the Staff officer in charge of the subject of stores/stores Accounting. The names of the other members are included in the letter of appointment issued to the chairman and copies of this letter are given to them. In these letters the types of stores to be verified and their location is given. A copy of such letter is also sent to the officer in charge of the Stores to be verified. In the case of unserviceable stores held on Advance Accounts the Chief Accounting officer will appoint the Board.

Sample letter of appointment

Mr. X. Y. Somapala
Clerk, Class I - Finance Branch

You are appointed chairman of the Board of Survey along with Mr. R. Somarathna Clerk Class II and Mr. Deen, Book-Keeper to verify the Stores, Inventory articles etc. in the custody of Executive Engineer, Anuradhapura.

You should verify the following :

- | | | |
|-----------------|--------------------|-----------------|
| (a) Inventories | (b) General Stores | (c) Consumables |
| (d) Vehicles | (e) Tools | (f) Stationery |

The stores are located at.....etc.

Responsibilities of the Store - Keeper :

At the end of each Financial year the Store-Keeper should balance all his books as at the close of business on 31 st December and enter these balance on form Treasury and Audit - 66. He should enter such details as name of items, Stock book folio number, Balance as per Stock book etc. He should not enter the column "Verified balance". The forms should be prepared in triplicate and these should be handed over to the Board on arrival. A certificate should also be given by the Store-Keeper to the effect that the arithmetical accuracy of the balancing since the last verification has been checked and found to be correct.

Functions and responsibilities of the Board :

On arrival at the Stores to be verified, the Chairman of the Board should call for the Board should call for the Stock books, the Treasury and Audit-66 forms. The Board should then check the physical stock, item by item in the order it appears in the Inventory and Stock books, from page 1 onwards. As the verification of one item is completed, if the verified stock agrees with the book balance, one member of the board will tick the balance as correct, while the other member may enter the quantity verified in the relevant column on form T. & A. 66. Where there is a shortage or surplus and the store-keeper is unable to sort it out, then the actual quantity verified will be entered in the T. & A. 66 and the relevant shortage or surplus recorded in the columns provided.

The Board should also ensure that all items produced are new ones. Where a used or unserviceable item is also produced, in order to satisfy the quantity shown in the Stock book, then its history should be investigated. If the Board is satisfied that there is no irregularity, then the quantity will be accepted as correct, but an entry will be made in the remarks column of T. & A. 66 that one item is unserviceable etc.

The entire verification will proceed on similar lines and once all physical verification is completed, the Board will compare the book balances with the balances in T. & A. 66 for any possible carry-over errors etc. At the same time the chairman will initial the Inventory/ Stock book where the physical quantities agreed. The Board will then prepare in quadruplicate on T. & A. 66 a list of shortage and surpluses and it acknowledged by the store-keeper. Thereafter the Board will take with them the original and duplicate copies of the T. & A. 66 given by the Store-Keeper on arrival and also all the copies of the lists of shortages and surpluses with item and submit same to the Accounting officer.

Board of Survey - Unserviceable items :

Items of inventory or other stores become unserviceable by useage and until they are written-off from the Stock-books these items have to be kept in the custody of the store-keeper. It is therefore, usual to prepare a list of all unserviceable items annually on form Gen 47 and request the Accounting officer to appoint a Board of Survey. If the unserviceable items are of a technical nature, then a technical officer will also be incorporated in the composition of the Board.

The Board will be provided with a list of the items on form General 47. They are expected to Survey the items both quantity wise as well as quality wise and make their recommendations.

Items repairable - R will be marked

Items to be sold - S "

Items to be destroyed - D "

The Chief Accounting officer or Accounting officer will either accept fully or in part the recommendations, and approve the sale or destruction of the unserviceable items in the list. At least one member of the board should be present at the time of destruction of the unserviceable items. Board should testify to the effect that the items were destroyed in their presence.

How shortages and surpluses reported by the Board are dealt with.

When the Board submits its report together with the T. A 66 forms duly completed and signed, the Accounting officer will call for the explanation of the Store-keeper for the shortages and surpluses and also any other discrepancies pointed out in the report. The store-keeper may sometimes give a satisfactory explanation. Examine the following situation :

An armchair was actually issued to an officer, but the Store-keeper had by an oversight entered the issue in the Inventory book under chair (ordinary). Therefore there will be a shortage of one armchair and a surplus of one ordinary chair. Such shortages are termed "Hypothetical shortages" and the explanation of the Store-keeper will be accepted and adjustments of the books will be permitted by the Accounting officer. In all cases where the explanation is considered to be unsatisfactory the following action is appropriate:

• **Shortages :** The replacement value will be recovered from the Store-keeper in respect of the items found short.

• **Surpluses :** The Store-keeper will be requested to take the surpluses into stock.

• **Other discrepancies :** Appropriate action according to the merits of each case, not excluding disciplinary action.

Verification sheets and reports to Auditor General.

A copy of the verification report together with a copy of the list of shortages and surpluses will be sent to the Auditor General in terms of F. R. 757 (2)

Write - Offs. When recoveries are completed in respect of the shortages detected the Accounting officer will grant authority to write - off the items from the Inventory Book in terms of F. R. 108 (C).

(Recommended further reading : F. RR 102 to 107 , 109 and 110)

Advance Accounts - Boards of Survey.

In the case of Advanced Accounts, except where other methods are adopted with appropriate authority all stores, stocks and Assets should be physically verified as at the end of the Financial year i. e. 31st December for purposes of preparing the Annual Accounts. Stocks should be valued at :

- (a) Cost or market value whichever is lower in the case of Trading activities.
- (b) At cost price in the case of Stores Advance Accounts.

Appointment of the Board : This will be almost similar to the Boards appointed to verify the Inventory and other stocks already explained. The appointment will be made around the 15th December so that stocks could be verified as on 1st January. During the period of verification the issue of stores will be suspended and as far as possible no new stocks will be brought in. The Board will survey the stores and report indicating :

- (a) The physical quantities of each item existing as stock-in-hand on 31st December and its value.
- (b) The existence of the Fixed Assets relating to the Advance Accounts concerned.

Discrepancies : The Boards will also report in regard to :

- (a) Any discrepancies between the quantity recorded in the books and the actual quantity available in stock.
- (b) Any discrepancy between the book value of stocks-in-hand and the valuation of the board.
- (c) The non-existence or discrepancy in the value of fixed assets

Unserviceable articles on Advance Accounts :

The Board of survey will be appointed by the Chief Accounting Officer. All other action is similar to what has already been explained.

Boards of Survey on Cash, Stamps, Securities etc. - F. R. 350

By 15th December each year two boards of survey will be appointed by the Secretary, Ministry of Finance one to verify Cash bank balances and securities in the custody of D. S. T. and the other to verify the stamps in the custody of the commissioner of Inland Revenue. The Board will start work after the close of business on the last day of the Financial year or before the Commencement of the new Financial year. Each board will consist of two officers and the instructions to the Board will be issued on form T. A. 117 and T. A. 133 respectively.

The survey of Cash, Stamps etc at Kachecherries will be done by Boards appointed by the Secretary, Ministry of Home Affairs and the instructions to the Board will be issued on form G. A. N. 21.

Duties of the Board : The Board appointed to verify cash should count all cash in the Vaults and with the Shroffs. They should also verify the Securities. In the case of currency notes, except bundles in sealed packages all other notes should be counted. In the case of coins, except the sealed bags all other coins should be counted. After counting, all coins should be put into bags and sealed. Every endeavour should be made to complete the counting in one day.

Thereafter the board should verify whether the actual cash balances verified agrees with the balances shown in the relevant books. After the Counting etc are over the Chairman should obtain statements from the Director Accounts and payments giving the balances at date of verification as per his books. The board appointed to verify stamps in the custody of the Commissioner of Inland Revenue should count all the stamps and documents of monetary value in the Vaults and verify whether they agree with the book balances. A statement should be obtained from the Commissioner of Inland Revenue giving the balances on date of verification as per his books.

Report to the Auditor General :

On completion of all the work the forms T. A. 118, C. S. 43 or Gen. 147 should be completed and signed by all the members of the Board of survey and forwarded to the Auditor General. The date and time the Verification began should be indicated.

cast study

J. S. Bastiampillai

1. Details of stores advance accounts of the Railways are as follows :-

BALANCE SHEET OF STORES ADVANCE ACCOUNT AS AT 01/01/91

Amount due to Treasury	1,098,063,783.35	Stocks Debtors Goods in	936,884,424.50
Creditors	224,894,622.00	Transit & Prepayments	68,527,060.40
	<u>1,322,958,405.35</u>		<u>317,546,920.35</u>
			<u>1,322,958,405.35</u>

You are given following information ;

- a. Value of Stores items received during the year Rs. 431,071,663.43 and total issues Rs. 464,077.71.
- b. Value of total debits to stores advance account Rs. 377,264,554.63 and total credits Rs. 568,455,607.72 Adjustments in respect of erroneous debits amounting to Rs. 7,570,738.51 to be made in terms of Financial Regulation 503.
- c. Balances excluding the stock balances are as follows :-

Sundry Debtors	-	Rs. 9,185,597.60
Losses to be written off	-	Rs. 12,091,799.22
Goods in transit & Prepayments	-	Rs. 84,048,642.56
Creditors	-	Rs. 152,349,973.34
- d. The system of annual verification of stocks had been followed by the Department. A physical verification of stock as at 31/12/91 had been done, and Rs. 6,533,288.00 and Rs. 1,220,163.00 had been reported as stock shortages and excesses respectively.

You have been appointed as an Accountant for Stores advance account in the Railways ++++++ The Chief Accountant requests you to prepare the following accounting statements :

1. Statement of Receipts and Issues for the year 1991.
2. Balance Sheet as at 31/12/91.
2. Authorised limits of the above advance account was as follows :-

	As per Annual Estimate	Variations in Terms of Appropriation Act No. 48 in 1990
I. Maximum Limits of expenditure of the activities of Govt.	Rs. 950,000,000.00	Rs. 400,000,000.00
II. Minimum Limits of receipts to be credited to the accounts of the activities of Govt.	Rs. 950,000,000.00	Rs. 550,000,000.00
III. Maximum Limits of Debit balance of the activities of Govt.	Rs. 830,000,000.00	Rs. 900,000,000.00
IV. Maximum Limits of liabilities of the Activities of Govt.	Rs. 100,000,000.00	

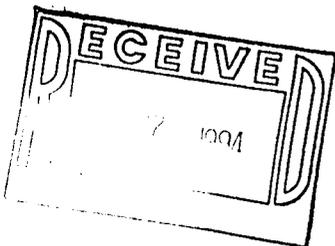
An examination of the final accounts, disclosed the following

1. Maximum limit of debit balance of the activities of Government as at 31/12/90 was Rs. 1,050,000,000.00
2. A sum of Rs. 18,773,490.00 due to the supplier of Romanian Coachers was included in the stock in transit and prepayment, amounting to Rs. 84,048,642.00. This had been provided under Capital Expenditure Project 103 Programme No. 3 Due to variation in exchange rates, provision made under the programme was not sufficient and the expenditure had been met from the advance account. Although virement procedure should have been followed to effect the transfer, it had not been done.
3. Action had not been taken to settle Rs. 64,616,913.00 payable to the Chief Mechanical Engineer for supply of finished goods and it had been shown under creditors.
4. According to the bank statement as at 31.12.91, there was a bank overdraft of Rs. 12,500,000.00 and it had been shown under creditors.

Considering the above facts, calculate the actual limits, the excesses and the shortfall in the various limits of the advance account as at December 31, 1991.

GLOBE PRINTING WORKS

No. 1 K. D. David Avenue,
Colombo - 10.





**INSTITUTE OF PUBLIC FINANCE
AND
DEVELOPMENT ACCOUNTANCY**

(IPFDA)

**Intensive Training Courses
for
Govt. Accountants
1991-1993**

Notes issued to Participants

Volume II

**INSTITUTE OF PUBLIC FINANCE
AND
DEVELOPMENT ACCOUNTANCY**

FOREWORD

This is a compendium (in two volumes) of the notes issued to participants of our Intensive Training Courses for Class II, Grade I and Class II, Grade II members of the Sri Lanka Accountants' Service from June 1991 to December, 1993, covering a total of 939 accountants.

The courses were conducted by this Institute in collaboration with the Ministry of Finance and funded by the United States Agency for International Development (USAID). We take this opportunity of thanking them for their patronage.

This publication has also been done with financial assistance from USAID which we acknowledge with gratitude.

S. X. Gnanasegaram
President
14th February, 1994

H. Anton P. Devagiri
Course Director

INSTITUTE OF PUBLIC FINANCE AND DEVELOPMENT ACCOUNTANCY

Members of the Council of Management 1993/94

Mr. S. X. Gnanasegaram	:-	President
Mr. T. M. Augustine	:-	Senior Vice President
Mr. G. D. Abensu	:-	Vice President
Dr. K. Kuhathasan	:-	Vice President
Mr. W. S. Fernando	:-	Secretary
Mr. K. A. D. S. Nanayakkara	:-	Education Officer
Mr. S. Amarakoon	:-	Assistant Secretary
Mr. A. Thamotherampillai	:-	Assistant Treasurer
Mr. Maitri Piyasena	:-	Immediate Past President
Mr. J. S. Bastianpillai		
Mr. H. A. P. Devagiri		
Mr. P. Nandisena		
Mr. W. R. A. Senaratne		
Mr. G. K. Ariyadasa Perera		
Mr. M. Sirisena		

STAFF

Mr. S. P. Rajah	:-	Admn. Secretary
Mrs. Y Wickramaarachchi	:-	Typist
Mr. B. Mahinda Perera	:-	Clerk
Mr. P. A. Nathan John	:-	Office Aide/Record Keeper

Volume II**Management**

64. Leadership	Mr. A. Joseph	5
65. Communication and Leadership	Mr. U. Karunasekera	14
66. Public Relations	Mr. U. Karunasekera	17
67. Problem Solving and Decision Making	Mr. K.S. Perera	20
68. Crisis Management	MR. S.B.W. de Silva	22

Payments

69. Travel on duty within the Island	Mr. M.D.A. Harold	26
70. Settlement of Foreign Travel Expenses	Mr. W.R.A. Senaratne	30

Pensions

71. Department of Pensions	Mr. S.M.D. Gunasena	39
72. User Friendly Chart for Computation of Civil Pensions		52
73. Employees' Provident Fund, Payment of Gratuity Act and Employees' Trust Fund	Mr. D.M.S. Dissanayake	63

Personnel Management

74. Chapter IX-The Executive, The Public Service	Mr. N.H. Perera	70
75. Attitude towards Work	Mr. S.B.W. de Silva	72
76. Managing People at Work	Mr. A. Joseph	74
77. Group Discussion and Team Approach	-do-	75
78. Motivation	-do-	82
79. People - Oriented Administration	Mr. M. B. Warsakon	87
80. Supervision	Mr. U. Karunasekera	88
81. Labour Laws of Sri Lanka	Mr. K. Wijyaratnam	90
82. Disciplinary Procedure	Mr. N.H. Perera	93
83. Forms of Disciplinary Inquiries and the conducting of Disciplinary Inquiries	Mr. S.D. Piyadasa	95
84. මෙහෙයුම් පිටපත	ඒ. එන්. ප්‍රනාන්දු මසා	100
85. The Story	Mr. A. Joseph.	108

Planning

86. Corporate Planning	Mr. K.B.M. Fonseka	109
87. Corporate Planning	Mr. A.N. Fernando	110

Project Accounting

88. Contents of a Project Proposal	Mr. I.H.K. Mahanama	114
------------------------------------	---------------------	-----

Provincial Councils and other Bodies

89. Central, Provincial Financial Relations	Mr. A.N. Fernando	116
90. Provincial Council Finance and Financial Relationships	Mr. S. Amarakoon	118
91. Provincial Council Administration and Financial Management - Discussion of Practical Problems.	Mr. S. Amarakoon	123

Quantitative Techniques

92. Quantitative Techniques	Mr. Basil Perera	125
-----------------------------	------------------	-----

Records

93. Basic Accounting Records	Mr. U. Samarasinghe	129
94. Control of Expenditure through the Appropriation Votes Ledger	-do-	130

Reports

95. Aims and Objectives of Financial Reporting in the Public Sector	Mr. G.S. Pallewatte	144
96. Financial Information for Management in Government Departments Their objectives and adequacy	Mr. A.N. Fernando	146
97. Form and Content of Memoranda and Reports	Mr. S.B.W. de Silva	149

Revenue

98. Revenue Collection and Accounting	Mr. G. Jinadasa	151
99. Schedule of Revenue Accounting Officers required to furnish Revenue Estimates	Mr. Maitri Piyasena	156

Supplies Works and Services

100. Sri Lanka Government Tender Procedure	Mr. S.A.P. Rupasinghe	165
101. Procurement from Foreign Sources	-do-	175
102. Prequalification of Tenderers	-do-	174
103. Evaluation of Total Order Cost Calculation	-do-	178
104. Bank Documentation in Foreign Procurement	Mr. K.A. Wijesekera.	179
105. Contract Administration	Mr. S. Kavuriel	182
106. Contract Management	-do-	190
107. Contract Management - Questions for Discussion	-do-	197
108. Contract Management Case Studies	-do-	198
109. Purchase of 25 Container Flat Wagons - Case Study	Mr. J.S. Bastiampillai	199

Systems

110. Systems Concept	Mr. A.N. Fernando	200
111. Communication Process	Mr. U. Karunasekera	203
112. Effective Communication	-	205
113. Introduction to Workstudy	Mr. K. S. Perera	207
114. How to overcome delays in effecting Payments	Mr. Maitri Piyasena.	208

Treasury

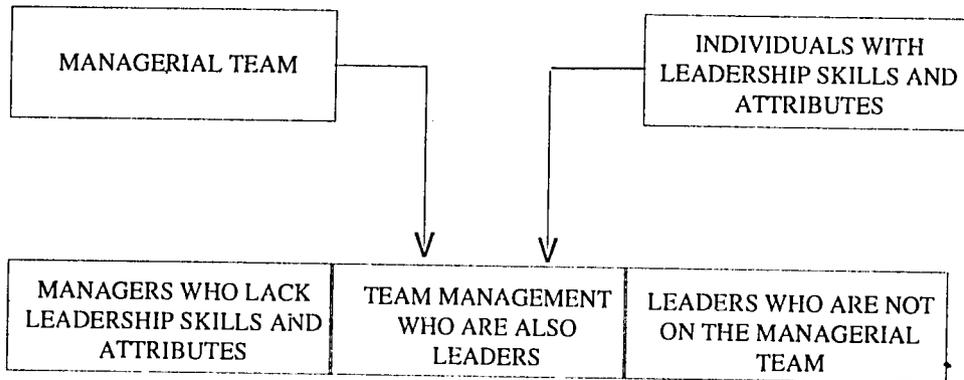
115. Organisational set up and Functions and Activities - General Treasury	Mr. G. Jinadasa	210
116. Role of of the General Treasury	Mr. A.N. Fernando	217

LEADERSHIP

What is Leadership?

A. Joseph

Leadership has been defined as an influence process. Leaders are persons that others want to follow. Leaders are the ones who command the trust and loyalty of followers. The assumption that Leadership is synonymous with management is not correct. Leaders are found not only in the managerial hierarchy but also in informal work groups. People are managers by virtue of the authority in their positions as given by the organization. The following diagram illustrates that Managers are not always effective leaders.



Leadership therefore can be defined as follows:

"Leadership is a process involving two or more people in which one attempts to influence the other's behaviour toward the accomplishment of some goal or goals."

There are at least three important implications in the definition. First leadership is a process. That is, it is an ongoing activity in an organization. Second leadership involves other people, usually in the form of subordinates. By their willingness to be influenced by the leaders - subordinates formalize the leader's role.

This suggests that the leader's attempts at influence are directional, aimed at some level of achievement.

2. Leadership Theories

- 2.1 Great man theory. The ancient Greeks and Romans concluded that leaders were born and not made. This "great man" theory of leadership said that a person was born either with or without necessary characteristics of leadership. This theory lacks validity because ordinary individuals from rustic background have also become leaders.
- 2.2 Traitist Theory postulated that leaders have certain physical characteristics, social, background intelligence, personality, task related characteristics and social characteristics that distinguished themselves from non-leaders. This theory was found to have no consistent relationship with successful leadership, in that people without much of these traits have become leaders. However research brought out some universal traits which have been identified in most of the effective leaders. These are:-
 - (a) Intelligence - Leader has higher intelligence than the average intelligence of his followers, however, the leader cannot be exceedingly more intelligent.
 - (b) Social maturity and breadth - Leaders tend to be emotionally stable and mature and to have broad interests and activities.
 - (c) Inner motivation and achievement drives - The leaders strive for intrinsic rather than extrinsic rewards. They have relatively intense motivational drives of the achievement type.

(d) Human Relations attitudes - Leader recognizes the worth and dignity of his followers.

This has led to the realistic trait theory i.e. a leader has not only certain inborn traits but his behaviour can be affected by learning and experience.

2.3 Behavioural Theory - This theory contends that leaders as well as followers adjust their behaviour according to the changes in the organizational environment.

2.4 Situational Theory

Leadership is affected by the situation.

- Previous history of organisation
- Community within which the organization operates.
- Kind of job leader holds.
- Time required for decision making
- Group personalities
- Size of group he leads.

2.5 Leadership affected by 3 dimensions.

- (a) Leader - member relationship
- (b) Degree of task structure
- (c) Leader's position power (through formal authority)

3. What makes effective Leadership?

A recent informal survey in the U.S.A. showed that leaders are expected to:

Make decisions	Communicate organizational policy & goals to subordinates
Cope with crisis	Investigate & manage changes
Define & solve problems	Serve as an information centre
Develop & take care of Subordinates	Help subordinates with their problems
Set a good example	
Find and acquire resources	
Set the "tone" of the organization	Sell ideas and decisions to those who must be persuaded.
Facilitate group effort	See that the job gets done. Represent the organisation to outsiders.

What the above list tells us most clearly is that the above responsibilities can be divided into two categories:-

(a) Behaviour concerned with the accomplishment of the groups tasks and goals.	Promoting morale of individuals or Group		
Behaviours concerned with group welfare	Developing individual skills and abilities. Dealing with personal and inter personal problems.		
	<u>Examples</u>		
	Setting Goals and Standards	Evaluating Individual and Group performance	Assigning Tasks and Pushing for high performance and achievement
	Behaviour concerned with tasks performance and goal achievement		

A leader who promotes neither the groups welfare nor the accomplishment of tasks is an ineffective leader. Ineffective leaders include both those who do nothing and those who use their positions only to promote themselves, usually at the expense of the subordinates. Leaders who successfully promote both these accomplishments and group welfare, are likely to be successful as well as effective.

Range of Styles

The autocratic leader led by command and the commands were generally obeyed to avoid punishment. This leader was task centred and tended to give punishment or criticised when productivity slowed.

The democratic leader permitted the group to discuss and make decisions. They encourage members to work with whomsoever they chose and were supportive. Laissez - faire leader allowed the group total freedom and exerted a minimal amount of personal influence.

Another set of styles of leadership is as follows:-

- 4.1 Autocratic - the leader forces compliance.
- 4.2 Persuasive - the leader sells his ideas and whips support and enthusiasm among his followers.

The degree of authority assumed by the leader and the degree of participation allowed to subordinates is shown in the following figure. The particular point on the scale that the leader should opt for depends largely on the characteristics of the working situation.

AUTOCRATIC	Manager makes the decision, then announces it
	Manager 'sells' the decision
	Manager presents his decision and invites questions.
	Manager presents a tentative decision subject to change.
	Manager explains the problem, gets suggestions, makes the decision.
	Manager defines the limits and asks the group to make the decision, subject to his approval.
DEMOCRATIC	Manager asks subordinates to make the decision.

STYLES OF LEADERSHIP

5. Leadership Roles

Mintzberg in the nature of management describes ten roles which the manager/leader should be capable of playing - though obviously the relative importance of these roles varies from job to job:

1. Figurehead - the symbolic head. This requires social and ceremonial skills.
2. Leader - motivator and director of employees.
3. Liaison expert - building and maintaining a network of outside contacts who provide information and favours.
4. Monitor - collecting information from a wide range of sources and thus acting as a kind of nerve-centre in the organisation.
5. Disseminator - transmitting information received to members of the organisation.
6. Spokesperson - telling outsiders about the organisation's activities and results.
7. Entrepreneur - constantly looking for new opportunities.
8. Disturbance - handler - overcoming unexpected disturbances and crises.
9. Resource-allocator - distributing scarce organisational resources between competing claims.
10. Negotiator - representing the organisation at major negotiations.

6. Power bases of a leader

Successful executive leaders are people who want to lead who have a drive to get things done and for this they need power.

French and Raven in "The Basis of Social Power" State that leaders to be effective require five main kinds of power.

- 6.1 Reward power, enabling them to reward followers who serve their purposes.

- 6.2 Coercive power, enabling them to punish followers who fail to serve their purposes.
- 6.3 Legitimate power, which gives the leader the full backing of his organisation.
- 6.4 Referent power, which is based on the follower's identification with and admiration for the leader.
- 6.5 Expert power, which is based on the leader's expertness in some field or on some specialised skill or knowledge. The success of an organisation is determined above all by the qualities and performance of it; leaders and that without leadership the organization will drift opportunistically, over-exposed to internal conflict and outside pressures.
- 7.1 Distributive leadership
Team work is rapidly replacing autocratic styles of leadership. But the change is far from eliminating the need for leaders. It is having the effect of distributing leadership responsibility among people than ever before.
- 7.2 Hard Work
"Successful leadership gives every evidence of relishing hard work. Hard working leaders is an achiever because he generates an atmosphere of urgency and fast movements in his unit and attracts more work, more responsibility and more success.

ON BECOMING A LEADER

CASE - 01

Asanka Perera had recently been promoted to manager of the Maintenance Division of Sasco Ltd. An electrical engineer by profession, he had spent most of his time designing and over-seeing the intallation of systems. The new job meant that he now had to manage fifteen people and make sure they carried out the sort of work he used to do.

He took over from a man who moved to more senior position within the company but on a different site, and the change over period had only been a month. Asanka hadn't been able to learn much from his predecessor because he had been too occupied in sorting out his own move to the new job. Never having had any management training, right from the start Asanka had felt completely out of his depth.

He spent a great deal of time checking that his staff were doing their jobs properly. This meant that to get through all the paper work he was coming in at 7.30 in the morning and not leaving until past 7 o'clock in the evening. He also began to take work home at night, and at week-ends, and later on he started coming into office on Saturdays to clear the backlog.

When he wasn't watching his staff, Asanka had to attend meetings which seemed to him to go on forever without achieving anything. The phone never seemed to stop ringing nor people continuously popping in for a chat. He hadn't seen his boss for more than a few minutes at a time, and after three months, he was beginning to feel really fed up about the situation.

It all came out in the open the other day when one of the men he used to work with was passing by his office and was surprised to see Asanka slumped in his chair, head in his hands and looking thoroughly miserable. "What on earth's the matter, Asanka?" he asked. "You look dreadful. I thought you would be full of joy having reached the heights of management."

Asanka sighed deeply. "It's awful," he admitted. "There aren't enough people to do the work, and those that are there don't seem to be capable of thinking for themselves. My boss is never around, except to demand more from me with unrealistic deadlines, no resources and even though I'm working round the clock, I don't seem to be getting anywhere. Even my wife's beginning to complain - she just doesn't understand the difficulties I'm facing. I don't seem to be getting anywhere. Even my wives' beginning to complain - she just doesn't to be able to rely on anybody at all-none of the other managers appear to be having all this trouble."

(The names and events cited in this case are fictional and any seeming coincidence to real life situations, is deeply regretted.)

GROUND RULES

1. Study the case individually (5 min.)
2. Discuss case among group members and analyse for presentation (10 min.)
3. Presentation of scenario with recommendations (5 min.)

7.3 Self - starter

To lead others a leader must know where he is going himself.

7.4 Decisiveness

A leader should not shirk from taking tough decisions. It is based on self-confidence and a clear sense of direction.

7.5 To create opportunity

The difference between a strong man and a weak man may not be a difference in ability but the creation of opportunities. A weak man never dares. A strong man makes opportunity.

7.6 Psychological resilience

Leader feels strong enough to fight for what he believes - in even when it endangers his own prestige or career.

"I always compromise on unimportant issues - never on vital ones". Since no important decision ever pleases everyone in the organization, the leader must be able to absorb the displeasure.

7.7 Subtle methods

An organisation needs leadership, not communication. Every manager should discover for himself his 'natural' leadership style.

8. Leadership effectiveness

An effective leader produces good results by building a successful and secure team.

In business, leadership effectiveness is judged by:

- (a) Leader's ability to achieve output goals.
- (b) Leader's ability to achieve good financial goals.
- (c) The state of morale and discipline within the leader's area of command.
- (d) The extent to which the leader helps the organisation/unit to achieve its overall objectives.

Senior Managers should know what is happening.

"I'm in on every function. So I know the right question to ask them. I can keep track of everything."

In a highly competitive world of business effective leadership can make the vital difference to success or failure. Yesterday's decisions do not fit today's problems. Initiators rather than responders may be important. Professional ability, managerial ability and entrepreneurial ability become important for effective leadership.

Read the following 35 questions and place your answers at the end of it. Your answers are:-

A. F. O. S. N.

A for Always

F for Not that you do it always but frequently

O for Occasionally

S for Seldom

N for Never

1. If there is a discussion I would most likely to act as a spokesman.
2. I would like to give people overtime work.
3. I am a person who allows people to work with complete freedom.
4. I would encourage the use of uniform procedures.
5. I would stress being ahead of other competing groups.
7. I would like to speak as a representative of the group.
8. I would needle members of the group to get things done.

9. I would try out my ideas with the group.
10. I would allow members to do their work the way they think is best.
11. I would be working hard for a promotion.
12. I would tolerate postponements and uncertainties.
13. I would speak for the group if there were visitors.
14. I would keep the work moving at a rapid pace
15. I would allow members to do their jobs without giving much details but merely mentioning what it is.
16. I would settle conflicts when they occur in the group.
17. I would get every detail.
18. I would represent the group at outside meetings.
19. I would be reluctant to allow members any freedom of action.
20. I would like to decide what should be done and how it should be done.
21. I would push for an increased output.
22. I would let some members have authority which I would keep.
23. Things would usually turn out as I anticipated.
24. I would allow the group to have a high degree of initiative.
25. I would assign group members a particular task.
26. I would be willing to make changes.
27. I would ask members to work harder.
28. I would trust the group members to exercise the good judgement.
29. I would schedule the work to be done.
30. I would refuse to explain my action.
31. I would persuade others that my ideas are to their advantage.
32. I would permit to group set its own phase.
33. I would urge the group to beat their previous record.
34. I would act without consulting the group.
35. I would ask group members to follow the standard rules and regulations.

Now look at your answers. The answers you have given in respect of under mentioned question numbers to be circled. 8, 12, 17, 18, 19, 30, 34, 35. Now you have circled 8 answers. Of the 8 answers if you have put the letters "S" or "N" please mark capital "I" against it on a side.

Now look at the other answers (other than the 8 answers indicated above) . If your answer is either "A" or "F" please mark capital "I" against these answers on a side.

Now for certain answers capital "I" is marked on a side. Now concentrate only on capital "I". If you have capital "I" in respect

of under mentioned questions please circle those capital "I". The question numbers are as follows.

Repeat you must circle capital "I" only those which are marked against the under mentioned question numbers 3, 5, 8, 10, 15, 19, 22, 24, 26, 28, 30, 32, 34, 35, (14 questions)

Now you have circled capital "I" appearing against some of or all of above numbers depending on how you have answered.

Now please count those circled capital "I".

Also count capital "I" which are not circled.

Now take a look at the paper distributed among you on leadership style profile.

The total number of circled capital "I" to be marked on the right hand side (against "P") at the appropriate place (approximately)

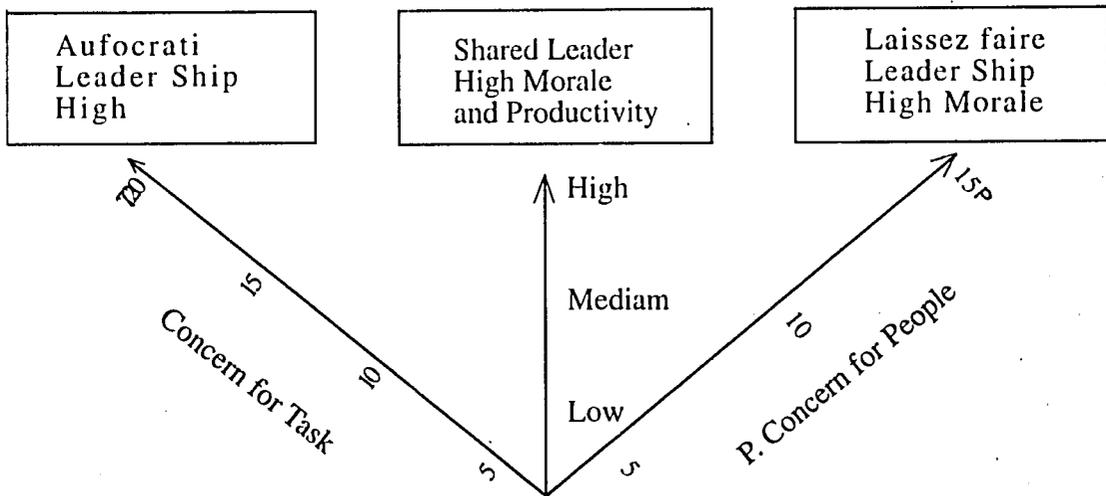
Also the total number of uncircled capital "I" to be marked on the left side (against "T") at the appropriate place (approximately)

Now please draw a line across joining the two points marked by you. Now look at the point of crossing on the centre line which indicates your shared leadership.

LEADERSHIP STYLE PROFILE

SHARED LEADERSHIP RESULTS FROM

BALANCING CONCERN FOR TASK AND CONCERN FOR PEOPLE



පහත සඳහන් ප්‍රශ්න 35 කියවා එය අවසානයේ පිළිතුරු ලියන්න. ඔබේ පිළිතුරු විය යුත්තේ A,F,O,S,N

- A - හැමවිටම
- F - නිතර
- O - ඉඳහිට
- S - කලාතුරකින්
- N - කවදාවත් නැත

01. සාකච්ඡාවක් පවතින විට දුබල ප්‍රකාශකයා ලෙස ක්‍රියා කිරීමට බොහෝවිට මා කැමතිය.
02. මම මිනිසුන්ට අතිකාල වැඩ දීමට කැමතිය.
03. මම මිනිසුන්ට සම්පූර්ණ නිදහසේ වැඩ කිරීමට ඉඩ දීමට කැමති පුද්ගලයෙකි.
04. පිළිගත් ක්‍රියා පිළිවෙල අනුව වැඩ කිරීමට මා කැමතිය.
05. මාගේ කණ්ඩායමේ සාමාජිකයින්ට ඔවුන්ගේම විනිශ්චයන් අනුව ඔවුන්ගේම ප්‍රශ්න නිරාකරනය කරන්නට මා ඉඩ දෙමි.
06. අනෙකුත් තරඟකාරී කණ්ඩායම් ඉදිරියෙන් පිටිම මම අවධාරණය කරමි.
07. මම කණ්ඩායම් නියෝජිතයෙකු ලෙස කථා කිරීමට කැමතිය.
08. කණ්ඩායමේ සාමාජිකයින් ලවා වැඩ කරවා ගැනීමට මම ඔවුන් මෙහෙයවමි.
09. මම මගේ අදහස් කණ්ඩායම ලවා ක්‍රියාත්මක කරවමි.
10. මගේ කණ්ඩායමේ සාමාජිකයින් ඉතා හොඳයි සිතන පිළිවෙලට ක්‍රියා කිරීමට ඉඩ දෙමි.
11. මම උසස්වීමක් සඳහා මහන්සි වී වැඩ කරමි.
12. අවිනිශ්චිතතා සහ කල් තැබීම් ඉවසා ගනිමි.
13. අමුත්තන් සිටි නම් මම කණ්ඩායම වෙනුවෙන් කථා කරමි.
14. වැඩ කටයුතු ඉතා ශීඝ්‍රයෙන් කෙරීගෙන යාමට සලස්වමි.
15. සාමාජිකයින්ට වැඩි වස්තර නොසපයා සාමාජිකයන්ගේ කාර්යය සඳහන් කොට ඔවුන්ට එය කරගෙන යාමට ඉඩ දෙමි.
16. කණ්ඩායම් වල ගැටුම් ඇති වන විට මම ඒවා නිරාකරණය කර ගනිමි.
17. මම සෑම විස්තරයක්ම ලබා ගනිමි.
18. බාහිර රැස්වීම්වලදී මම කණ්ඩායම නියෝජනය කරමි.
19. සාමාජිකයන්ට ක්‍රියා කිරීමේ නිදහසක් දීමට මම පැකිලෙමි.
20. යමක් කරන්නේ කෙසේද? කරන්නේ කුමක්ද යන්න තීරණය කිරීමට මම කැමතිය.
21. ඵලදයකත්වය වැඩි වීම සඳහා ක්‍රියා කරමි.
22. මා තබාගෙන තිබෙන අධිකාරි බලය සාමාජිකයන්ටද ලබා ගැනීමට ඉඩ දෙමි.
23. මා අපේක්ෂා කරන පරිදි කටයුතු ඉටු වේ.
24. මම කණ්ඩායමට ඉතා ඉහළ ආරම්භක ශක්තියකින් යුතුව ක්‍රියා කිරීමට ඉඩ දෙමි.
25. මම කණ්ඩායමේ සාමාජිකයින්ට නිශ්චිත කටයුතු පවරමි.
26. මම වෙනස් කිරීම් සිදු කිරීමට කැමැත්තෙමි.
27. සාමාජිකයින්ට මහන්සි වී වැඩ කරන ලෙස කියා සිටිමි.
28. සාමාජිකයින් ඉතා හොඳ විනිශ්චයකින් යුතුව ක්‍රියා කරන්නේ යයි මම විශ්වාස කරමි.
29. කිරීමට ඇති වැඩ කොටස මම ලිපිපත ගත කරමි.
30. මගේ ක්‍රියා කාරීකම් පැහැදිලි කිරීමට මම ප්‍රතික්ෂේප කරමි.
31. මගේ අදහස් වෙනස් අයට පිළිගන්නට සලස්වමි.

32. මම කණ්ඩායමට සිත්සේ ක්‍රියා කිරීමට ඉඩ දෙමි.

33. කණ්ඩායමේ පෙර වාර්තා බිඳ දැමීමට ක්‍රියා කිරීමට මම ආයාචනය කරමි.

34. කණ්ඩායමේ අදහස් නොවිමසා මම ක්‍රියා කරමි.

35. පවතින රෙගුලාසි සහ නියෝග අනුව ක්‍රියා කරන ලෙස මම කණ්ඩායමේ සාමාජිකයින්ට කියමි.

දැන් ඔබේ පිළිතුරු දෙස බලන්න. පහත සඳහන් ප්‍රශ්න වලට දෙන ලද පිළිතුරුවලට රවුමක් අදින්න. ප්‍රශ්න අංක 8, 12, 17, 18, 19, 30, 34, 35. දැන් ඔබ පිළිතුරු 08ක් රවුම් යොදා සටහන් කර ඇත. එම පිළිතුරු 08න් යම් පිළිතුරක් සඳහා 'S' හෝ 'N' සටහන් කර තිබේ නම් එම පිළිතුරට ඉදිරියෙන් කැපිටල් ඉංග්‍රීසි අයි (I) අකුර සටහන් කරන්න.

දැන් අනෙකුත් පිළිතුරු දෙස බලන්න. (ඉහත සලකුණු කරන ලද පිළිතුරු ෦9ට හැර ඉතිරි ඒවා) ඔබේ පිළිතුරු 'A' හෝ 'F' නම් කරුණාකර ඉදිරියෙන් කැපිටල් ඉංග්‍රීසි අයි අකුර සටහන් කරන්න.

දැන් සමහරක් පිළිතුරු වලට කැපිටල් අයි (I) ලකුණු කර ඇත. දැන් කැපිටල් අයි, සලකුණ පිළිබඳව පමණක් අවධානය යොමු කරන්න. පහත සඳහන් ප්‍රශ්නවලට ඔබ කැපිටල් අයි සලකුණු කර තිබේ නම් එම කැපිටල් අයි රවුමක් යොදා සලකුණු කරන්න. ප්‍රශ්න අංක පහත සඳහන් පරිදි වේ. 3, 5, 8, 10, 15, 19, 22, 24, 26, 28, 30, 32, 34, 35 (ප්‍රශ්න ගණන 14කි)

දැන් ඉහත සඳහන් කළ ප්‍රශ්න වලට පිළිතුරු වශයෙන් සියල්ලටම හෝ සමහරකට ඔබ විසින් කැපිටල් 'අයි' සලකුණු කර ඇත. (එය ඔබ පිළිතුරු සැපයූ ආකාරය අනුව තීරණය වන්නකි) දැන් කැපිටල් 'අයි' සලකුණු කළ සංඛ්‍යාව ගණන් කරන්න.

දැන් ඔබ අතර බෙදා දෙන ලද නායකත්වය පිළිවෙල සඳහන් සටහන දෙස බලන්න. රවුම් කරන ලද කැපිටල් 'අයි' සටහන් ගණන දකුණු පැත්තේ (P) කොටසේ නියමිත තැන සටහන් කරන්න.

රවුම් නොකරන ලද කැපිටල් අයි සටහන් ගණනද වම් පැත්තේ (T) කොටසේ නියමිත තැන සටහන් කරන්න.

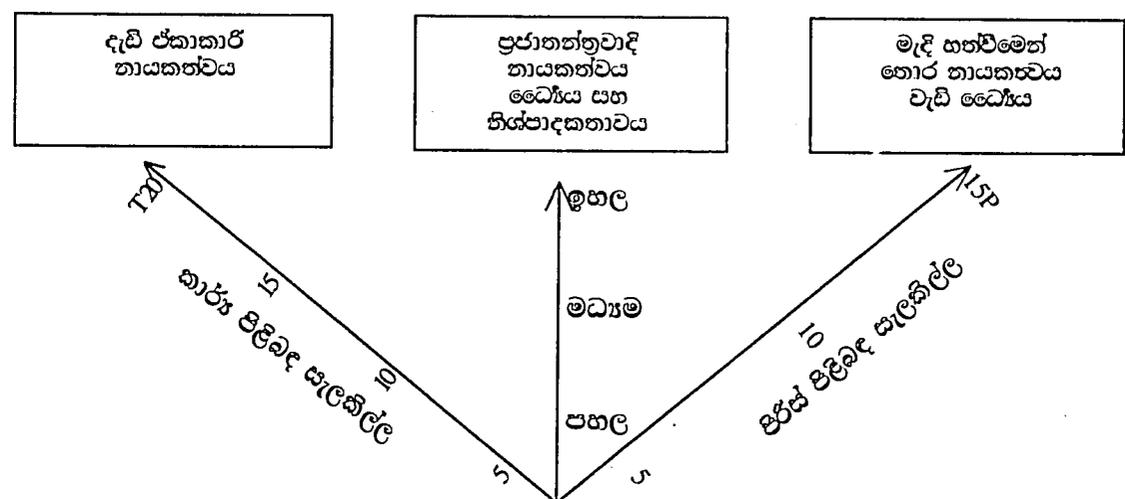
දැන් ඔබ සටහන් කරන ලද සලකුණු දෙක සම්බන්ධ වන ආකාරයට ඉරක් අදින්න. දැන් මැද ඉර කැපී යන තැන දෙස බලන්න.

ඉන් ඔබේ උසස් නිෂ්පාදකතාවය සහ ප්‍රජාතන්ත්‍රවාදී නායකත්වය පෙන්නුම් කරයි.

නායකත්වය ගෛලීය දක්වන සටහන

කාය්යීයත් සහ මිනිස් සම්පත් පිළිබඳ සැලැකිලිමත්ව තුල්‍යතාමතකව ප්‍රජාතන්ත්‍රවාදී නායකත්වය ලබන ප්‍රතිඵල

කැපිටල් අයි සලකුණු කළ නමුත් රවුම් නොකළ ගණනද ගණන් කරන්න



8. නායකත්වය ප්‍රබලතාවය (LEADERSHIP EFFECTIVENESS)

සාර්ථක හා ආරක්‍ෂක කණ්ඩායමක් ගොඩ නැගීමෙන් ප්‍රබල නායකයකු හොඳ ප්‍රතිඵල ලබා ගනී. ව්‍යාපාර කටයුතුවලදී නායකත්ව ප්‍රබලතාවය මනිනු ලබන්නේ -

- (අ) නිෂ්පාදන බලාපොරොත්තු සපුරා ගැනීමේ හැකියාව
- (ආ) හොඳ මූල්‍ය බලාපොරොත්තු සපුරා ගැනීමේ හැකියාව
- (ඇ) තමා යටතේ පවත්නා හා සෞත්‍රය තුළ ඇති ඓතිහාසික වෛරය හා විනය
- (ඈ) නායකයා සංවිධානයේ පොදු පරමාර්ථ සපුරා ගැනීමට දැන ලපකාරය මතය.

සිදුවන්නේ කුමක් දැයි පෝෂ්ඨ කළමනාකරුවන් දැන ගත යුතුය 'මම සෑම කාර්යයකටම සම්බන්ධ වී සිටිමි. එබැවින් ඔවුන්ගෙන් ඇසිය යුතු නියම ප්‍රශ්නය මම දනිමි. සෑම දෙයක්ම පිළිබඳව අවබෝධයක් මට ලබා ගත හැක.'

ඉතා තරඟකාරී ව්‍යාපාරික ලෝකයක සාර්ථකත්වයට හෝ අසාර්ථකත්වයට ප්‍රබල නායකත්වය බලපායි. ඊයේ ගත් කීරණය අද ගැටළුවකට නොගැලපේ. අනුකූලතාව දක්වන්නන්ට වඩා මූලිකත්වය ගන්නන් වැදගත් වේ. වෘත්තීයමය හැකියාව කළමනාකරණ හැකියාව සහ ව්‍යවසායක හැකියාව ප්‍රබල නායකත්වය සඳහා වැදගත් වේ.

පිළියෙල කරන ලද්දේ

ඒ. ජෝසප් - එම්.අයි.පී.එම්. (ශ්‍රී ලංකා)

එම්.බී.අයි.එම්. (යු.කේ)

නියෝජ්‍ය පොලිස්පති

(පර්යේෂණ හා සංවර්ධන)

COMMUNICATION AND LEADERSHIP

Need for Communication

The organization consists of individuals working in teams or groups. Unless each individual understands clearly the objective of the group of which he is a member as well as the objective of each individual, work will not be performed to expected standards. Thus Communication provided a tool to give an insight and understanding to employees by:

- (a) building a spirit of understanding and co-operation among employees
- (b) helping managers and supervisors to project their leadership among employees and other publics.
- (c) Providing a means to discredit detractors.

Communication is therefore a powerful force. How we communicate will definitely affect all our relationships with those whom we communicate.

Communication is also a tool for solving problems. Resistance to change, misunderstandings, grievances etc. are successfully handled and resolved by communication. Most human problems are often based upon communication failures or other conflicts. Various strategies of Communication are available to us and we could use them with advantage for the mediation of various conflicts.

Much research has been done in regard to the need for communication and recent evidence reveals that employees work more effectively and with greater job satisfaction when they understand not only their objective and accountability but also the objectives of the other members of the group and also of the whole organization.

Effective communication - (characteristics)

The characteristics could be briefly described in the following manner:

- (1) Communication is not an end in itself

248

In any situation when we say something or write something that act itself is not the goal. It brings together individuals and groups of people.

(2) There are two basic aspects of the Communication Situation

- (a) the value of the message i.e the experience, advice, instructions, attitudes, information etc. to be conveyed.
e.g. are the sentiments sincere?
 - (b) the technical aspect. It concerns the reasoning which governs the choice of medium, language and other skills.
- (3) Every act of communication must have a purpose but there is no single purpose for all communications.
 - (4) The basic objective must always be clear to the communicator before he initiates the process.
i.e. exchange ideas and thoughts and create understanding.
 - (5) The first step towards effective communication is to make one's ideas clear to himself and to plan adequately.
 - (6) The successful exercise of communication techniques depends largely on language skills.
 - (7) Successful communication depends equally on an understanding of individual and group psychology.
Communication is a social process. The human setting and the social climate has to be understood.
 - (8) Just as the transmission skills are speaking and writing the reception skills are listening and reading.
 - (9) Intellegently practiced communication skills can raise levels of works interest and productivity.

Effective Communication - (Methods and choice of media)

The language we use is often supplemented by other less obvious forms of communication. e.g. physical experiences, gestures etc. In addition there may be voice inflections which tell us much more than the words reveal. A word of praise may be transformed into Sarcasm by the tone of the speaker or writer. Even silence or the absence of language can convey a message.

Perhaps the most forceful method of communicating is not language. The employee who frequently comes to office late communicates by his behaviour that he has little regard for discipline and no concern for his superiors - (Action speaks louder than words).

A Leader has both formal and informal channels. He also has the following media:

- face-to-face
- oral
- written
- visual

In selecting the media the following Criteria will apply.

- (a) providing the right volume of information
- (b) providing the right level of information.
- (c) providing information in an appropriate and usable form.

Effective leadership requires effective communication.

Communication is central to all operations. It covers all activities that influence others. We cannot think of a more important tool for getting things done. It is also the basis for creating understanding, obtaining co-operation, and securing action.

Communication is only an atmosphere and not something you can put your finger on. Devoid of the right atmosphere misunderstanding flourishes causing inefficiency friction and failure. In the final analysis what counts is not what people are told but what they accept.

Leadership

Leadership is the influencing of the behaviour of individuals and groups towards a desired result. It involves the elimination of uncertainties about what should be done and the co-ordination of a group's effort in the direction of the groups objectives. Indeed management has been described as decision taking and communication.

Thus an individual is a leader in any social situation in which his ideas and actions influence the thoughts and behaviour of others.

Three basic functions are unique to the leadership role

- (i) - maintenance of membership
- (ii) - objective attainment
- (iii) - group interaction facilitation

All these functions require effective communication.

A leader has to be tactful in dealing with his group members. His criticism should be impersonal, yet effective. He need to criticise a decision or method without making the subordinate feel demeaned. Leadership requires interaction among people. This interaction has to be guided on profitable channels and successful interaction depends on effective communication.

The director of an orchestra serves as a useful model

- Men must have requisite Skill
- A psychological setting must be established
- Musicians share satisfaction with leader.

Communication skills are vital for the leadership role.

"Leadership" is dynamic while "Headship" is static. The leader has several roles such as "Liaison" role, "informational" role, and "decision" role. All these roles involve exchange of thoughts and ideas as well an understanding between people i.e. communication.

A leader should not attempt to do everything himself. It is not a one-man show. He should delegate. He has to provoke discussion give realistic orders, administer discipline. None of these could be achieved without communication.

Leadership styles

- * Authoritarian/Dictatorial
- * Democratic
- * Laissez faire

There is evidence from research to confirm that the democratic style of leadership is the most successful style. Freedom of thought and expression i.e. communication without any impediment is assured.

Leadership involves the exercise of social power. Five bases of social power could be identified:

- * Reward power
- * Coercive power
- * Legitimate power
- * Referent power
- * Expert power

The democratic view is that social power should be distributed and shared.

Range of Leader behaviour

This varies from highly leader centred to highly group centred:

- Telling
- persuasion

- consulting
- joining
- Delegating

There are three sets of forces which can influence the manager in selecting any one or any combination of the above:

- Forces of the leader
- Forces of the Group members
- Forces in the situation.

Prepared by: U. Karunasekera

Public Relations

What it is and why?

Public relations are as old as civilization and existed since man first realized that he had to relate and live with other men. Yet the practice of public relations - the conscious seeking of good public relations - is relatively new. It is considered to be among the least exact of the inexact sciences.

Public relations practice is like playing a game of chess: ten percent intuition, twenty five percent experience and sixty five percent hard work.

An interesting analogy can be drawn between medicine and public relations. The public relations practitioner like the medical practitioner first diagnoses and then treats. Preventive medicine is considered very important in medicine, preventive public relations is just as important as preventive medicine.

The main purpose of public relations is to establish a two-way flow of mutual understanding based on truth, knowledge and full information and includes:

- everything calculated to improve mutual understanding
- advice on the presentation of the public image
- action to discover and eliminate sources of misunderstanding
- action to broaden the sphere of influence.

It is, however, not.

- a barrier between truth and knowledge
- propaganda
- publicity (aimed at directly achieving something)
- composed of stunts and gimmicks
- merely press relations

The senses in which the term public relations is used are:

- (a) relationships with individuals as groups
- (b) ways and means to achieve favourable relationships
- (c) the quality or status of an institution's relationship.

If we use the term public relations to label both means and ends it can create confusion. This can be overcome if the term is restricted to describing.

"The planned effort to influence opinion through socially responsible and acceptable performance based on mutually satisfactory two-way communication."

Public relation is often used as a synonym for publicity, press agency, public affairs, propaganda and institutional advertising. They are only some of its functional parts.

The International Public Relations Association defines the practice of public relations in the following manner:

"Public relations is a management function of a continuing and planned character, through which public and private organizations and institutions seek to win and retain the understanding, sympathy and support, of those with whom they are or may be concerned - by evaluating public opinion about themselves, in order to co-relate, as far as possible their own policies and procedures to achieve by planned and widespread information, more productive co-operation and more efficient fulfilment of their common interests"

The British Institute of Public Relations defines as follows:

"The deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization and its publics".

Implicit in these definitions is a three-fold function viz:

- (i) to ascertain and evaluate public opinion as it relates to the organization.
- (ii) to counsel executives on ways of dealing with public opinion as it exists.
- (iii) to use communication to influence public opinion.

Persuasion and Public Opinion

There are three means of getting people to do what you want:

- pressure
- Purchase
- Persuasion

Persuasion should be used in public relations.

The basic objective is to change or neutralize opinions which are hostile, to crystalize uninformed or latent opinions in your favour and to conserve favourable opinions. The common purpose of public relations is to influence public opinion. This is the era of "public be pleased". The practice is predicated on the belief that "only an informed public can be a wise public". This does not mean sailing with the wind of public opinion but rather navigating the organization through them.

Who are the publics? What do they expect?

Every organization has a relationship with those around it. There are many publics or groups of people. The world is divided into three sets of people viz:

- (i) those who know you and like you
- (ii) those who know you but do not like you
- (iii) those who neither know you nor care for you

The aim is to reach a position where category (I) stay that way, category (II) change their opinions and category (III) wish they could meet you and do business with you.

The many publics or groups of people the organization has to deal with are the following:

- Political Structure
- Parallel Organizations
- Voluntary Organizations
- Religious bodies
- Trade unions
- Press reporters
- Community at large

The Public associate us with:

- lack of delegation
- payment delays
- unconcerned attitude
- rigid controls

- lack of consultation
- trivial routine procedure
- delay in work

They see us as slaves to rules and regulations, dependent on stereotype jargon and lacking in elementary intelligence. There is deepseated and widespread suspicion and distrust among our publics. They expect:

- Human treatment
- Courtesy
- Prompt attention
- grievances to be redressed
- good reception
- to be kept informed
- understand their plight
- Sympathise with their problems
- us to listen to them

Approach

There are four possible pathways:

1. think publicity is the sure-fire answer
2. assume that good works and good motives will provide a favourable public opinion environment
3. hold public opinion in contempt
4. Recognize that sound public relations are built on good works and sound communications practices.

The fourth is the safest and smoothest way.

Day-to-day practice consists of many little tasks and a few big tasks. It is really the application of common sense, common courtesy and common decency. Organized practice may comprise the following:

- Press agency
- Product promotion
- Publicity
- Lobbying
- Public affairs
- Empathic listening, counselling management and persuasive communication.

The last would require a breadth of knowledge, moral commitment and a high sense of ethics.

Essentials for an effective public relations programme

1. commitment on the part of management
2. competence in the public relations staff
3. centralization of policy making
4. communications from and to publics, up, down, across
5. co-ordination of all efforts toward defined goals.

Questions to ask

1. Are our services generally accepted
2. Do we have any special group opposition.

Prepared by: U. Karunasekera

IPFDA**PROBLEM SOLVING AND DECISION MAKING**

Decision making is an integral part of every manager's job. In fact management is defined as the process of decision making. Decisions involve everything from where to hold a meeting to the level of allocation of resources to a project.

Process of decision making can vary significantly depending on the situation that the manager faces. There are situations in which we make decisions that are well defined and straight-forward. There are also other situations in which decisions are quite ill-defined and not readily adaptable to a straight forward decision approach. In managerial terms, there are two types of decisions.

- (a) Programmed decisions: These are well structured problems that are generally routine and repetitive in nature. Such decisions can be made using a systematic procedure of rules.
- (b) Non - programmed decisions: These are decisions that are not well structured and are unique in nature. Standard routine procedures cannot be developed to meet such situations. Each situation is unique and it requires special study. Managers have to develop their problem solving ability to enable them to face with non-programmed decisions.

Managers make decisions so that these enable the goals of the organization to be achieved. Sometimes the achievement of these goals is assured, but there are other instances where the future is not so predictable. This position is the result of non - availability of adequate amount of information at their disposal and the degree of confidence they have on the validity of such information. The degree of availability of information for decision making determines the:

- (a) Certainty: When managers have sufficient information to make decisions so that exact results are known in advance, they are making decisions under certainty.
- (b) Uncertainty: When Managers have difficulty in assigning probabilities to outcomes, due to lack of information or absence of knowledge of outcomes, he is operating under condition of uncertainty.

Nature of decisions made at different managerial levels can be identified as -

- (a) Top management level: Strategic decisions
- (b) Middle management level: Administrative and management control decisions.
- (c) Supervisory management level: operating decisions.

Decision making Process

Maing decisions will involve a systemtic sequence of procedure based on the following six stages:

1. Awareness of Problem
2. Identification of Problem
3. Generation of alternatives
4. Evaluation of alternatives
5. Choice of best alternative
6. Implementation & Follow-up

Awareness of Problem

Before attempting to sove a problem, a manager must become aware that a problem exists and that it is important enough for managerial action.

Some individuals or managers may refuse to recognize that a problem exists because they are afraid to face the problem or because they do to know how to fully identify the problem.

A manager is constantly comparing what is actually happening in the area under his control with what should be happening. If there is a difference between the two, deviation exists. This deviation is the PROBLEM for which causes must be found and verified.

Identification of Problem

Before taking any action to solve a problem, a manager must know its cause.

To identify the problem the manager must gather enough data to understand the nature of the problem.

Basically problem identification is known as diagnosis. Without good fact gathering and diagnosis process the manager cannot make a meaningful decision.

Diagnosis is the single most important aspect of the process of decision making.

Generation of Alternatives

Alternative solutions are possible actions that can be taken to solve an Identified Problem. At this stage a Manager tentatively suggests a variety of actions that may not turn out to be realistic.

"Brain storming" is a useful technique for generating alternatives.

A group of individuals develops as many potential solutions as possible - the solutions are not evaluated in terms of realism or practicality.

These techniques can lead to the creation of new and valuable ideas.

Evaluation of Alternatives

Attempt to identify the benefits and costs and advantages of each alternative.

Ask the question "What is this alternative worth" and think about the consequences of each alternative. Identifying consequences is necessary for evaluation of alternatives.

To evaluate alternative analytical tools can be used or rely on knowledge gained through formal education or experience.

Analytical methods - from simple analysis to more sophisticated Quantitative Techniques and Statistical methods are available.

Choice of Best Alternative

This is the stage in which a decision is actually made.

A manager says "to deal with this problem I believe that this solution is the best one"

Rational approach should make the best alternative obvious.

Implementation and follow-up

Having made a decision the manager must implement. If the decision is not implemented, the whole process of decision making has to be repeated.

It is advantageous to develop a guide for implementation during evaluation and choice stages.

Follow-up procedures are often considered a necessary part of this implementation.

Follow-up checking to see whether an action is accomplishing its intended results.

Follow-up allows managers to become aware of newly developing problems associated with the solution.

It allows managers to evaluate their own decision making skills. If problems associated with a decision are detected soon enough, the solution can be modified before a major new problem develops or may decide to begin an entirely new decision making process.

Factors that should be taken into consideration which influence decision making processes are:

- (a) Organizational factors
- (b) Cultural factors
- (c) Social factors
- (d) Political factors

In making meaningful decisions the following matters should be kept in mind.

- i. Develop diagnostic skills
- ii. Set decision making goals.
- iii. Develop human and conceptual skills.
- iv. Check accuracy of information
- v. Develop innovative alternatives
- vi. Think of implications and consequences
- vii. Maintain a degree of flexibility
- viii. Gain commitment
- ix. Delegate implementation wisely
- x. Do not jump to conclusions.

Prepared by: K. S. Perera

CRISIS MANAGEMENT

1. WHAT IS A CRISIS?

1.1 Definition

Everything goes wrong all at once!" - Murphy's law

- A time of great difficulty or danger
- A decisive moment in illness, life, history etc.
- Going through a difficult period.
- Turning point
- Emergency.

1.2 Types

- Accidental
- Financial
- Personal
- Natural

1.3 Nature of Crisis

- The result of some occurrence
 - Unpredictable in relation to time
 - Necessarily highly unstable
- A crisis may be defined as a situation in which an abrupt change for the worse can be expected.

2. WHY DO CRISES OCCUR?

- Conflict
- Change
- Risky ventures
- Poor Planning
- Poor Organizing
- Poor Control
- Lack of forethought
- Carelessness
- Errors

Management bears responsibility for errors

"Accuracy is a duty, not a virtue"

- A.E. Houseman

256

3. WHO CAUSES CRISES?

- External environment
- Subordinates
- Other departments
- God
- You

In a hierarchal organization, the higher the level, the greater the confusion.

- Murphy's Law

4. HOW TO MANAGE A CRISIS

- Be calm
- Have a patience
- Have your wits about you
- Assess / verify situation
- Obtain relevant information
- Consider whether situation could deteriorate
- Effective Decision Making
- Knowledge of resources
- Knowledge of objectives
- Knowledge of Rules/regulations
- Ensure proper control
- Judgement
- Courage

"These are the times that try men's souls. The summer soldier and the sunshine patriot will, in this crisis, shrink from the service of his country, but he that stands it now, deserves the love and thanks of men and women.

- Tom Paine

- Enthusiasm
- Flexibility
- Adaptability
- Quick thinking
- Quick implementation
- Proactive thinking
- Creativity

New ideas and solutions to problems are created by changing old ideas or experiences by processing or manipulating them. Combine them in new ways, put them in a new context of time or place, add other ideas, subtract some, change their colours, meaning and prupose. A methodical organized approach is required.

- Communication
- Consult those affected, wherever possible
- Planning & Preparation
- Organising
- If unpopular decisions have to be taken, take them all at once
- Commitment
- Consider whether solution could aggravate the situation
- Remember the Human Factor.

There are no universal solutions. Select techniques and make decisions consistent with the particular demands of the situation you face.

5. PROBLEM AREAS IN CRISIS MANAGEMENT

- Often consultation is not possible

Deciding solutions cannot be delegated
 Normal working systems get disorganized
 Decision making has to be extremely fast.

"Once a Job is fouled up, anything done to improve it only makes it worse!

- Murphy's Law

6. HOW TO PREVENT CRISES

- Forecasting
- Predicting
- Learning from other's mistakes
- Organizing
- Contingency planning

Develop Multiple Scenarios

1. List assumptions crucial for organization
2. Evaluate & Identify most critical assumptions based on their impact on plans.

Establish Trigger points

1. Identify Trigger points
2. Assign responsibility for monitoring trigger points

Develop contingency plan

1. Determine General strategy
2. Develop specific steps and timing in implementation

"Many crises need never have occurred if there had been an appropriate level of planning and forethought. Proactive Management can save a lot of difficulty and embarrassment."

Michael Armstrong.

Bibliography

- (1) Effective Decisions & Emotional Fulfilment - Roland S. Parker
- (2) Management - Longenecker & Pringle
- (3) Management Concepts & Situation - Howard M. Carlisle
- (4) So you want to be a Supervisor? - Elton T. Reeves
- (5) World Executive Digest - June 1990, August 1988

(Prepared by S.B.W. de Silva, Commandant, National Auxilliary Force, Ministry of Defence 17.6.1991)

CONTROL YOUR CRISIS

Here's how to master a disaster

By Reynolds Dodson

It came suddenly and unexpectedly. Aloha Airlines Flight 243 had just left Hilo, Hawaii, for Honolulu and was leveling out at 24,000 feet when, with a loud bang, the cockpit door blew off. Capt. Bob Schornstheimer, an 11-year Aloha veteran, turned around to see rows of wind-tossed, bloodied passengers and blue sky where the first-class cabin's ceiling had been. The aging B737, a victim of metal fatigue, had just lost almost a third of its roof.

There was no known way for the pilots to handle such a bizarre event. Their left engine was dead, and several warning lights glowed ominously. But Schornstheimer and co-pilot Mimi Tompkins stayed cool. They donned their oxygen masks, and the captain turned the plane toward the island of Maui, the nearest landing site.

258

With 90 passengers clinging to their seats, the plane descended, its weakened tail section wagging up and down like the flukes of a whale. After the wheels touched down, Schornsthiemer applied the brakes. Then he joined Tompkins in shutting down the engines and dousing them with a flame-retardant. Within minutes, all passengers were evacuated.

As a writer who has covered the airline industry for years, I've often been struck by the coolness and aplomb displayed by pilots in emergencies. But after talking with experts in other high-pressure fields - from firefighting to corporate crisis management - I've learned that there are certain techniques anyone can use in times of trouble. Here are seven ways, if not to triumph over adversity, at least to push the odds greatly in your favor.

1. *Hope for the best, but prepare for the worst.* According to firefighter Capt. Fred Crocker, "People who have prepared for a fire are much more likely to survive than those who haven't". He remembers an incident in which a house was suddenly engulfed in flames. "Normally, when we arrive we find chaos," he says. "No one knows where anyone is, and parents fear their children are trapped inside. In this case, however, every member of the household was standing calmly on the sidewalk."

The father explained to Crocker that one of his children had heard a safety lecture at school and suggested the family draw up a fire evacuation plan. "We did that one night instead of watching television," said the father. A few months later it saved their lives.

Planning for a crisis can be as simple as updating an insurance policy or imagining what you would do if the car ahead of you suddenly stopped. Just considering worst-case scenarios puts you mentally on your toes- and - that's three -quarters of the battle in mastering a crisis.

2. *Look first, then act.* We have all heard the saying "Don't just stand there - do something!" But experts contend that in a crisis the better advice may be "Don't just do something - stand there!"

This lesson was brought home to Paul Epperlein and other volunteers at an emergency - medical training center. On a training exercise, Epperlein's team was confronted with a staged "accident" in which a car lay crushed under a tanker truck.

"We did everything perfectly," recalls Epperlein. "We pried open the car, stabilized the victims' bodies with vests and neck braces, and placed them on stretchers. Then our supervisor said, 'Nice job, men - and you're all dead.'"

He took the trainees around to the far side of the tanker, where a broken power line lay across the vehicle's fender. "That wire could have carried 10,000 volts of electricity," the supervisor told them. "No disaster is so dire that you don't have time to look and think before taking action."

People in law enforcement call acting without thinking a "reflexive response." Says Police Lieutenant Peter Ruane. "In our training rooms recruits are confronted with doors that swing open and windows that fly up. Behind some are cutouts of criminals with guns; behind others are pictures of innocent civilians. On the beat, shooting too quickly can spell the end of a policeman's career."

3. *When you do act, act aggressively.* "Too often, people respond to crises by exerting the least amount of effort deemed necessary to do the job," says Rob Flaherty, senior vice president of a public relations firm, that counsels companies on crisis management. "They do that in the hope the problem will go away - which, of course, it rarely does."

Acting forcefully does not contradict the principle of hesitating before acting. Confronting a crisis, says the experts, is a little like entering traffic on a fast moving highway. You have to stop and look, but once you've decided to move, push that accelerator.

4. *Seek help.* Just as police are trained to call for backup during emergencies, so the rest of us should guard against acting entirely on our own if help is available.

When fire was reported in an office building in Fred Crocker's area, firefighters were startled to see how far the blaze had progressed by the time they arrived. Construction workers on the scene had tried to put the fire out themselves. "By the time they called the fire department," says Crocker, "smoke was up to the third floor. It was amazing nobody died." Crocker points out that the proper sequence is to call for help first, and then try to handle the problem.

"Even when the crisis is psychological or emotional," says Nancy J. Napier, a marriage and family therapist, "recovery can't begin until the person asks for help. Look at Alcoholics Anonymous. It's completely dependent upon people helping other people who have been through similar circumstances. Those who go it alone are in for a very rough time."

5. *Don't get locked on a detail.* Emergency medicine specialist Dr. Neal Flomenbaum says that in emergency departments, team leaders learn not to get overly involved with individual medical procedures that might prevent them from supervising others. "It's

important that someone stand back and keep the whole situation in view," he says. "Otherwise the patient's life can slip away unnoticed.

Aloha pilot Schornstheimer told me that of all the things he and Tompkins did to bring that plane down the most crucial was not losing sight of the "big picture." "We had so many things going wrong," he said, "rapid depressurization, engine failure, conflicting hydraulic and flight-control indications, landing-gear worries. But we knew that our top priority was landing. In accomplishing our many emergency procedures, we did not allow ourselves to get preoccupied with any one of them."

6. *No matter how bad things get, be truthful.* When a crisis is of our own making, the temptation may be to lie or cover up. But "that's not only unethical, it's bad arithmetic," says Corinne Shane of a firm that advises corporations in crisis. "When something goes wrong, you've got one problem. When you try to cover it up, you've got two." Moreover, if people unearth the truth, the lie will likely haunt you far more than your original error.

Last year, executives at the Salomon Brothers investment banking firm in the United States discovered that several of their employees were guilty of making an improper bid in a U.S. Treasury auction. Instead of informing government authorities, top management, withheld the information. When the scandal finally broke, the company's integrity was so compromised that four senior officers had to resign, angry clients withdrew their business, and government officials imposed major sanctions on the firm.

"Government scandals have shown us that honesty in times of crisis is the only policy that makes sense," says Rob Flaherty. "Answering painful questions truthfully may cost you your job, a court case, or even a friendship. But you have to set priorities. Losing a job or a court case is equivalent to losing a painful battle. The war is your career, your reputation your long-term happiness."

7. *Look for the silver lining.* Gerald C. Meyers, former chairman of American Motors and now a professor, points out that many crises are nothing but the acute need to face a long-simmering problem.

"In business, almost every bankruptcy and product failure has been preceded by a "precrisis" in which executives ignored early warnings," says Meyers. Crises force the change that the executives should have made in the first place."

What is true in business is often true in our personal lives - whether the event is divorce, confrontation with a loved one, the loss of a job, or a disabling injury.

Only after a serious automobile accident ended his hopes of becoming a soccer player did singer Julio Iglesias find his true calling. While lying injured in a Madrid, Spain, hospital he learned to play the guitar and sing. Five years later he won an international singing contest and went on to sell more record albums than any other vocalist on earth. He attributes his success to lessons he learned while facing his crisis.

"As hard as it may be at the time you're going through it, try to keep in mind that crisis presents opportunity," says Dr. Seymour Rosenblatt, a professor of psychiatry. "If you lose, you will at least be a wiser person for having suffered the ordeal. If you win, it could be the greatest triumph of your life."

INSTITUTE OF PUBLIC FINANCE AND DEVELOPMENT ACCOUNTANCY

Intensive Basic Training Programme for Government Accountants.

Travel on Duty within the Island

Introduction.

All public officers required to travel on duty for the execution of their duty are paid their travelling expenses. These travelling expenses will include

- a. Milage
- b. Combined Allowances
- c. Incidental Expenses

Payment of travelling expenses are in the nature of reimbursement of expenditure incurred. This is not a personal emolument.

General conditions governing travel within the Island are given in the Chapter XIV of the Establishments Code of the Government of Sri Lanka.

Economy of Travel

Officers are required to travel

- a. Rapidly as circumstances permit.
- b. by the quickest possible route.
- c. in a manner involving least possible expenses to the government.

-Necessity for any detour or detention must be shown in the travelling claim.

-If an officer has travelled by a route involving greater expense he will be paid the amount that would be payable if he had travelled in the most economical route.

Combined Allowance

Combined allowance is paid to reimburse the expenditure incurred as lodging and subsistence.

a) General Conditions

General conditions prescribed in the Establishments Code in regard to payment of combined allowances are as follows.

- Distance travelled should exceed seven miles from their normal station of official duty.
- Not payable for travel within the Urban Authority unless such journeys involve necessity to be absent from home for a night.

b) Rates and the Period

- Period not less than 12 hours - Full combined allowance

Period not less than 6 hours - Half combined allowance

No combined allowance is payable for periods less than six hours

Payable only for uninterrupted periods.

If an officer is away on duty for more than a period of 24 hours an additional payment of 25% on his Combined allowance may be paid for each 24 hours period up to a maximum of 03 weeks.

This is not payable for a period less than 24 hours. Drivers and cleaners are not entitled to this increase.

If an officer is detained at any place beyond three days, necessity for such detention must be stated in the Travelling Claim.

If the Head of the Department is satisfied in regard to the reason for detention he could allow payment of combined allowance for a period of 3 months.

Rates applicable at present given in the **Public Administration Circular No. 37/92** dated 1992. 12. 24 are as follows.

<u>Salary Scale</u>	<u>Combined allowance for a period of 24 hours</u>
Rs. 21,960 and below p.a.	Rs. 125.00
Rs. 21,961 to 33,720 p.a.	Rs. 150.00
Rs. 33,721 to 64,799 p.a.	Rs. 200.00
Rs. 64,800 and above p.a.	Rs. 250.00

Commencement of journey and mode of travel

- Point of commencement of an official journey is regarded as the officer's place of work.
- His residence could be considered as the point of commencement provided that

261

a) Residence is in the same urban authority where his place of work situated.

or

b) His residence should be within 4 miles from place of work

or

c) Residence must be at a closer destination than his work place.

- As far as possible officers should travel by rail. They will be issued with a duty railway warrant for their travel.
- For any journey which can be performed by public conveyance, milage will no be paid (There are exceptions)
- An officer whose inspection duties made it necessary to travel by road may claim milage.
- Private or hired vehicles are not allowed for journeys when the government vehicles are available.
- Head of the department has the discretion to authorise an officer to travel by road on a route served by railway, if he considers necessary to do so in the public interest.

Reasons for authorising such travelling must be brought to the notice of the Sec/Ministry and the Auditor General.

This authority must be exercised personally by the head of the department

- When an officer travels by public conveyance he will be reimbursed the actual fare.

Travel by private vehicles or private hired vehicles instead of by public conveyance may be permitted in the following instances.

- a) Officers who draw annual salary not less than (Public Administration Circular 22/88 of 88. 07. 21 (Rs. 37,980/-)
- b) Officers who are permitted to travel 1st class on the railway (Rs. 42,720/-)
- c) When the duty is impracticable to perform by public conveyance.
- d) If a considerable luggage is to be carried by an officer.

Special circumstances

- Riot, civil commotion, fire or calamity, a subordinate of Police or Prisons Department is allowed to use private or hired vehicle but a certificate of SP or ASP should be attached.

When conducting a surprise raid or carrying a court production where risk is involved an officer of Police or Prison Department is entitled to milage at the discretion of the Head of the Department.

Rates

Rates of milage payable as specified in the Public Administration Circular No. 45/91 are as follows.

Private Vehicle	-Rs. 6.25 per km.
Hired Vehicle	- 7.50 per km.
Motor Bicycle	- 1.25 per km.
Bicycle	- 0.35 per km.

Claims for compensation for damage caused to a private motor vehicle when used on duty will not be entertained except in the case of a civil commotion or riot.

No milage is paid for officer's own car or borrowed car for empty running.

Reimbursement of hiring car charges should be supported by receipts attached to the claim.

An Officer may be allowed to use a borrowed car for a maximum period of one year by the Head of the department and further period of one year by Sec/Ministry

a) if his own car is under repairs

or

b) from the date of his first appointment until such time he purchases a car.

or

c) Period between sale of one car and purchase of another

262

- If the owner of the car is a public officer following should be furnished in the travelling claim.
 - a) his department and designation
 - b) a certificate to state that he will not claim milage for the same journey
 - c) a certificate to state that the car was used specifically and only for the purpose stated in the claim.
- If one vehicle is used by more that one officer only one of them can claim milage.

Commuted Travelling Allowances

- An officer who has extensive travelling to perform in the ordinary course of his duties Head of the Department may with the approval of the Director of Establishments assign a fixed allowance.
- A Commuted allowance covers the cost of transport, combined allowance and all other personal expenses.
- This allowance cannot be drawn for any periods of absence or leave.

Travelling expenses on change of station

- On change of station an officer may claim the full combined allowance for himself, his wife and his children.
- For this prupose family does not include a son over 21 years of age or child under 3 years.
- Paragraph 20 of the Chapter XIV of Establishments Code deals with detail aspects of travelling expenses on change of station.

Payment Procedure

- Forms used for travelling claims are as follows:

Change of station	-	General 178
Commutted allowance	-	General 161
Fixed transport allowance	-	General 35
Other Travelling claims	-	General 177

- Responsibility for the correctness of a claim vests with, in the first instance on the officers making the claim but an equal responsibility on the officer certifying the claim.
- When any part is disallowed vouchers should be ammended in red ink.
- Claims should be submitted within 30 days of completion of the journey.
- Departmental date-stamp should be affixed in every claim on the day it is presented.
- If the claim is not presented within the period allowed following deductions should be made.

<u>Period of lapse</u>	<u>Rate of deduction</u>
Not more than 1 month	3% on total claim
Not more that 2 months	10% " " "
Not more than 3 months	12% " " "
More than 3 months	15% " " "

- Claims lapsed more than 3 months require the approval given personally by the Head of the Department.
- Delays of presenting due to circumstances beyond officers control may be considered by the Head of the Department to entertain the claim without any deduction.

Travelling Advances

- An officer entitled for travelling only will be entitled for an advance.
- Advance should not exceed three quaters of the probable expenses.
- Advance should be paid only on the working day prior to the commencement of the journey.

- Officer responsible for granting advances should maintain adequate records of advances paid and recoveries made.
- If travelling is not undertaken and claim is not made within one month advance should be recovered full from the salary of the officer in one lump sum.

INSTITUTE OF PUBLIC FINANCE AND DEVELOPMENT ACCOUNTANCY

Intensive Basic Training Programme for Government Accountants

SETTLEMENT OF FOREIGN TRAVEL EXPENSES

Introduction

Foreign travel can be broadly classified into following categories.

- (a) Representing Sri Lanka at International Organizations
- (b) Duty
- (c) Training on Scholarship/Fellowship
- (d) Seminars and Workshops.

Regulations Governing Foreign Travel

General conditions governing foreign travel are embodied in Chapter XV of the Establishments Code of the Government of Sri Lanka.

Rates of subsistences and other allowances, payment of advances and settlement of claims are dealt with in circulars issued by the Secretary to the Treasury from time to time. The current instructions in this regard appear in Treasury Circular No. 864 of May 15, 1991 which is effective from June 01, 1991.

Rates of Payment

- (a) Schedules I and II of the above mentioned circular indicate the rates of payment under two groups.
- (b) Rates are further sub-divided into two categories namely, Split Rate and All Inclusive Combined Rate.
- (c) In addition to the above, payment at the rate of US \$ 25 per diem up to a maximum of 30 days is allowed for each journey outside Sri Lanka to cover incidental expenses.

Provision for Payment

Specific provision for foreign travel in connection with departmental matters has to be made in the estimates of the relevant Department.

Provision for foreign travel in connection with representing Sri Lanka at International Conferences, etc. should be met out of allocations obtained from the Ministry of Foreign Affairs. For this purpose, Departments/Ministries have to furnish their annual requirements to the Ministry of Foreign Affairs in time for inclusion in the estimates.

Payment of Advances

Advances calculated at the rates applicable to the relevant country can be paid in full before departure from Sri Lanka. These advances are payable at the split Rates shown in schedule I to Treasury Circular No. 864. These payments have to be brought to account as travelling advances. (On many occasions in the past these had been found to be debited to the relevant provision and travelling claims had not been submitted in such cases.)

Accounting for advances obtained for Foreign Travel

- (i) In terms of paragraph 2.4.1 of the circular, each officer who obtains an advance for foreign travel, should within one month from the date of return to the Island furnish a travelling claim in settlement of the advance.

264

- (ii) In terms of paragraph 2.4.3 an officer is expected to 'submit his travelling claim and renders a proper accounting of the foreign exchange allowed to him.....' This implies that a detailed statement of foreign exchange obtained, spent abroad and the balance brought back has to be submitted in addition to the travelling claim.
- (iii) Where an officer makes a claim at the Split Rate, hotel bills in support of accommodation allowance have to be produced. Where bills are submitted, the actual amount of bills or the maximum entitlement, whichever is less can be allowed. Where an officer has been compelled to spend for accommodation in excess of the maximum allowed, application can be made to the Deputy Secretary to the Treasury for authority to pay the additional expenditure supported by bills. Payment at the split rate is allowed only up to 60 days and the payment for the next 30 days will be at the all inclusive rate. Any payment in excess of 90 days will have to be made at rates authorized by the Controller of Exchange. It is not necessary to submit hotel bills when an officer makes a claim at the all inclusive rates. Incidental allowances at US \$ 25 per diem up to a maximum of 30 days for each journey outside Sri Lanka can be allowed. The above mode of payment is applicable only in respect of travel abroad on duty.
- (iv) Officers travelling abroad on scholarships, Fellowships, Seminars, Study tours, etc. where the expenses are met from foreign sources, are entitled to the out of pocket expenses at US \$ 25 per diem, up to a maximum of 30 days. Where the foreign sources provide for such expenses, only the difference between the amount so paid and the amount payable at US \$ 25 per diem only can be paid. Where such payment by a foreign source is equal to US \$ 25 per diem or more, incidental allowance is not payable.

Refund of Unexpended Foreign Exchange

Any difference between the foreign exchange obtained and the foreign exchange expended and supported by bills and the travelling claim is required to be brought back to Sri Lanka and surrendered to a Commercial Bank immediately after return to Sri Lanka. Production of the officer's Passport endorsed by a Bank after such surrender is adequate proof for this purpose.

Other Important Matters

- (i) Travel time should be excluded in computing the number of days for which allowances are paid.
- (ii) Assistance of Sri Lanka Missions has to be obtained for booking of hotel accommodation within the limits of rates prescribed.
- (iii) Claims have to be submitted within 30 days from the date of return to the Island and any delays in submitting claims are subject to the penalties prescribed in Section 28.6 of Chapter XIV of the Establishments Code.
- (iv) Special rates of accommodation are payable to Cabinet Ministers, Chief Justice, Speaker, Leader of Opposition, Provincial Governors and Chief Ministers.
- (v) Officers accompanying Ministers who are required to stay in the same hotel with the Minister for valid reasons can be allowed in the actual rates of accommodation only irrespective of the rates applicable to such officers.
- (vi) Settlement of travelling claims have to be made at the rates of exchange that prevailed on the date of purchase of foreign exchange.
- (vii) Any expenses other than accommodation and subsistence spent outside Sri Lanka should be met out of the incidental allowance.
- (viii) To qualify for subsistence and incidental allowances for a full day, an officer will be required to stay out not less than 12 hours, allowances at half rates are payable for periods less than 12 hours but not less than 06 hours and no allowances are payable for periods less than 06 hours.
- (ix) Payment for stopovers due to delays in flights or non-availability of flights can be made up to a maximum of 02 days. Non-availability of flights has to be carefully looked into and flight arrangements have to be made as far as possible¹ to avoid long stopovers. No payment can be made when an officer breaks journey for any private purpose.
- (x) Flight arrangements have to be made through Air Lanka Ltd. or the Bank of Ceylon, Ceybank Travel Centre and payment for passage has to be made only to these two institutions. Services of private Travel Agencies should not be engaged for government sponsored travel.

My No. MF/4/05/7/08/34
 Ministry of Finance
 Colombo 01.
 15.05.1991

To: All Secretaries to Ministries,
 Heads of Departments and
 Chairmen of Corporations/Boards.

Release of Foreign Exchange to Travel Abroad

Authorities to determine the rates of per diem allowances paid to officers proceeding abroad for duty are specified in Section 6, 7 and 8 of Chapter XV of the Establishments Code read in conjunction with sub-section 13:1 of Chapter XII. Accordingly the rates specified in this Circular will apply for allowances in respect of subsistence, lodging and incidental expenses payable to such officers who travel abroad on duty.

Provisions of this Circular will not be applicable to officers proceeding abroad on scholarships, fellowships, seminars, study tours, tours, observation tours, travel grants, etc. whose entire expenses are met by a Foreign Government or a Foreign Agency. However, the difference between expenses/out of pocket expenses (Transport charges, Telephone calls, Visa fees, Airport tax, Telegram Charges, Postage, Cables, etc.) paid by such Foreign Government or Foreign Agency may be paid up to a maximum of 30 days for each journey outside Sri Lanka. If the period spent outside the country is more than 30 days and if the Foreign Agency pays incidental expenses for a period over 30 days, the incidental/out of pocket expenses paid by Sri Lanka shall be the difference between the entitlement, and the proportionate amount paid by the donor agency for the period of 30 days.

2. GENERAL CONDITIONS.

- 2:1:1 Officers can elect to claim either the split rate or the combined rate up to 60 days under para 2:2:(IV)
- 2:1:2 Where the duration of the official business exceeds 60 days the allowances at the combined rate will be payable for the next 30 days. Any period in excess of 90 days should be paid at the annual rate determined by the Controller of Exchange.
- 2:1:3 When officers travel abroad on duty or on study leave they should obtain their entitlements as a travelling advance prior to their departure and obtain the necessary foreign exchange. In the event there being insufficient time to obtain the travelling advance the officer should inform the Head of the Department in writing before departure or within 2 weeks departure. In the event of such cases being approved by the Head of Department the exchange rate applicable for the payment will be that prevailing on the date of departure.
- 2:1:4 To qualify for the allowances both subsistence incidental for one full day, an officer will be required to stay out not less than 12 hours. For a period of time less than 12 hours but not less than 06 hours 1/2 of a day's allowances may be paid. No allowances (accommodation, subsistances, incidental) are payable for any period of break in a journey if an officer breaks journey for his convenience or / other private purpose.
- 2:1:5 These rates will apply to corporation employees when on duty or on Sri Lanka Government or Corporation sponsored study leave abroad.
- 2:1:6 For the purpose of paying the above allowances public officers are divided into two groups, viz,
- Group I - Heads of Overseas Missions in the Overseas Services, Secretaries, Secretaries to subject specific Ministries Secretaries to State Ministers, Chairman of Corporations and Statutory Boards, Head of Departments, Directors of Boards and Corporations and officers holding posts with an initial salary step of not less than Rs. 74,400 per annum on the consolidated salary scale.
- Group II- All other officers.

2:2 RATES OF PAYMENT

- 2:2:1 Accommodation and subsistence allowances:

266

- (i) Cabinet Ministers and the Chief Justice, Speaker, Leader of Opposition, Governors of Provinces and Chief Ministers of Provincial Councils are allowed 150% of the Group I rates indicated in schedule I. A Subject Specific Minister or a State Minister will be entitled to draw rates applicable to a Cabinet Minister if he attends a conference or proceeds abroad on official duty for or on behalf of a Cabinet Minister.
- (ii) Subject Specific Ministers, State Ministers, Members of Parliament and Members of Provincial Councils will be allowed the rates applicable to Group I.
- (iii) When a Cabinet Minister leads a delegation and the delegation consists of a Secretary, a Secretary to a Subject Ministry, a Secretary to a State Minister, a Head of a Department, a Chairman of a Board or Corporation or other staff who need to be accommodated in the same Hotel for valid reasons, the payment of actual rates for lodging could be made irrespective of the rates in schedule I Group I or Group II.
- (iv) The attached Schedule I gives separately rates for allowances for lodging and subsistences (Split rates) An officer may opt to claim either the split rate or the combined rate.
- (v) In the event the combined rate is claimed it is not necessary to furnish hotel bills in support of hotel accommodation. But in case the split rate is claimed the provision for hotel accommodation is the actual amount incurred or the maximum claims of split rates the officer should refund in foreign currency any foreign exchange drawn over and above what has been incurred in respect of hotel accommodation.
- (vi) Officers should utilize the services of our embassies and donor agencies to reserve hotel accommodation within the limits of the rates allowed to them. Travelling claims will be passed in respect of hotel accommodation only to the extent supported by bills subject to the maximum allowed under this Circular.

2:2:2 Incidental/Out of Pocket Expenses (Outside Sri Lanka)

- (i) In addition to the above allowances exchange will be released up to 30 days for each journey outside Sri Lanka at the rate of US \$ 25 per diem for incidental/out of pocket expenses incurred abroad including travelling expenses, transport charges, portage, air-tax, visa fees, cables, telegrams and telephone charges, postage etc.
- (ii) To qualify for the incidental/out of pocket allowance for one full day an officer will be required to stay for not less than twelve (12) hours. For periods less than 12 hours and not less than 06 hours half (1/2) of the allowance is payable.
- (iii) In the case of officers travelling abroad on Scholarships, Fellowships, Seminars, Study tours, Observation tours, Travel grants etc. where the entire expenses are met by the sponsoring Government or agency, only the difference between the incidental/out of pocket expenses paid by the sponsoring government or agency and the incidental expenses referred to in sub-para (i) and (ii) above, is payable.

2:2:3 Incidental Expenses (In Sri Lanka before departure)

The following expenses incurred in Sri Lanka before departure are reimbursable:

- (i) Visa Taxes
- (ii) Expenses incurred for obtaining a Passport specially for the official trip including renewal fees,
- (iii) Embarkation Taxes, and
- (iv) Travelling to and from Airport where official transport is not provided.

2.3 DELAY IN FLIGHTS & TIME SPENT IN FLIGHT:

- 2:3:1 Where an officer has to stay back in a foreign country due to a delay in flights and the air line does not provide the officer with food and lodging or an allowance in lieu thereof during his prolonged stay, he could be considered for payment of allowances applicable to that country up to a maximum of two days. If he stays in a hotel and furnishes a hotel bill, he could be reimbursed in terms of the rates specified in Schedule I. If an officer breaks journey on a direct flight, on his own accord no allowance for stop over is payable.

207

- 2:3:2 When calculating the entitlements for allowances (subsistence, lodging & incidental the time spent in flight and transit period of less than 06 hours spent at the Airport should be deducted.

2.4 ACCOUNTING

- 2:4:1 A proper accounting of the foreign exchange drawn by an officer and the foreign exchange the officer has spent as per travelling claim should be submitted within one month of the officer's return to the Island. Travelling claims not submitted within one month will be subject to the penalties prescribed in Section 28.6 of Chapter XIV of the Establishments Code.
- 2:4:2 The sums expended out of these amounts should be accounted for as far as possible (or a certificate furnished where this is not possible) and any unexpended balance in foreign currency should be refunded immediately on the officer's return to the Island, subject to the provisions in para 2:2:1 (v)
- 2:4:3 It is the responsibility of the Heads of Institutions to ensure that an officer submits his traveling claim and renders a proper accounting of the foreign exchange allowed to him within one month of the officer's return to Sri Lanka.
- 2:4:4 Whenever, an officer has to refund any part of the advance obtained, the officer should produce proof that the equivalent foreign exchange has been brought back and surrendered immediately on his return to an authorised dealer (Commercial Bank). On surrender of the foreign currency, his passport would have been endorsed and this would constitute sufficient proof of return of the excess foreign exchange. It is the responsibility of the officer concerned to show adequate proof that this excess foreign currency obtained has been duly surrendered to an authorised dealer.

2.5 PROCEDURES - LODGING, SUBSISTENCE & OTHER ALLOWANCES

When an officer has to travel abroad on official duty, he will have to apply for foreign exchange to an authorised dealer (i.e. Commercial Bank) on Form T1. The relevant page in Form T1 should be completed by the head of the Institution indicating that:

- (a) the journey is being undertaken on Government business and that the full/part cost of the journey is being charged against public funds, and that the Prime Minister's approval has been obtained, and
- (b) details of the foreign exchange entitlement appropriate to his request including exchange up to US \$ 100 which should be purchased with his private funds.

The authorised dealers will release exchange on the basis of this certificate by the Head of the Institution.

2.6 PASSAGE

An officer must make his application on Form P for purchase of air tickets from Air Lanka.

Air Lanka will quote the fare for the appropriate class for transportation by the most direct route. The head of the Institution will issue a cheque in favour of Air Lanka Ltd. for the amount quoted and Air Lanka Ltd. will issue the ticket. There is no objection to the officer re-routing within the permitted cost. Reservation of passage should be made through Air Lanka Ltd. and Bank of Ceylon Ceybank Travel Centre only, as laid down in Treasury Circular No. 852 of 11th February, 1985 and Treasury Circular No. 863 of 22nd November, 1990. All payments in respect of Government sponsored Air travel should be made payable to Air Lanka Ltd. or Bank of Ceylon Ceybank Travel Centre only.

3. It will be observed that a few countries have not been covered by the Schedules. Where it is necessary for a Minister, a Public Officer or an employee of a Public Corporation or Statutory Board to travel to a country other than those indicated in the Schedules, the Controller of Exchange will determine the rates.
4. Any exceptional situation not covered by the above provisions should be referred to the Deputy Secretary to the Treasury for a ruling.
5. The instructions contained in this Treasury Circular will be applicable with effect from 01. 06. 1991 and will replace all previous Treasury Circulars Nos 54, 55, 56, 57, 854, 862 and rulings in this regard.

Sgd:
Chief Accountant,
Ministry of Finance

Sgd./R. Paskaralingam
Secretary,
Ministry of Finance

268

TREASURY CIRCULAR NO. 863

MF64/FT/1/VOL.II
 General Treasury,
 The Secretariat,
 Colombo I
 22. 11. 1990

TO. All Secretaries to Ministries
 Heads of Departments.

AIR PASSAGES

Your attention is drawn to Treasury Circular No. 852 of 11th February, 1985 requiring that all Travel and Air Freight arrangements of Government Departments and State Corporations whether on Air Lanka or other carriers should be made through Air Lanka Limited.

Air Lanka has since appointed the Bank of Ceylon - CEYBANK Travel Centre as their Agent. The Bank of Ceylon is now able to assist the Public Sector officials in obtaining "one-point service" to meet their travel arrangements. The services offered by the Bank of Ceylon are:

- (a) Issue of Travel Tickets
- (b) Issue of Travellers Cheques
- (c) Travel Health and Baggage Insurance
- (d) Obtaining Visa and Entry Permits (Wherever possible)
- (e) Hotel Accommodation Abroad
- (f) Transit and Transfer facilities
- (g) Reconfirmation Service
- (h) Issue of Ceybank International Credit Cards (if entitled)

As the bank of Ceylon is a State Organisation, the Government has decided that all Government Departments and State Corporations should make their Travel and Air Freight Arrangements through either Bank of Ceylon or Air Lanka Limited.

All Secretaries to Ministries are requested to convey the contents of this Circular to all Departments, Corporations and Statutory Boards etc., coming under their purview, and ensure compliance with these instructions.

Sgd:
 CHIEF ACCOUNTANT

Sgd. R. Paskaralingam
 SECRETARY TO THE TREASURY

269

RATES OF SUBSISTENCE - SPLIT RATE

Name of Country	GROUP I			GROUP II		
	Accommo- dation	Cash	Total	Accommo- dation	Cash	Total
	US \$	US \$	US \$	US \$	US \$	US \$
Abudhabi	105	40	145	990	40	130
Algeria	135	50	185	105	40	145
Australia	120	40	160	105	40	145
Austria	120	50	170	90	40	130
Bahrain	105	40	145	90	40	130
Bangladesh	90	36	126	75	30	105
Barbados	105	40	145	90	40	130
Belgium	120	40	160	105	40	145
Bermuda	120	40	160	90	40	130
Brazil	105	60	165	105	50	155
Bulgaria	120	50	170	90	40	130
Burma	90	40	130	75	34	109
Canada	120	40	160	90	40	130
China	90	40	130	75	34	109
Cuba	105	40	145	90	40	130
Cyprus	105	40	145	190	40	130
Czechoslovakia	120	50	170	90	40	130
Denmark	135	40	175	120	40	160
Dubai	105	40	145	90	40	130
Egypt, Arab Rep. of	90	40	130	75	40	115
Fiji	120	40	160	105	40	145
Finland	135	40	175	120	40	160
France	135	40	175	120	40	160
Germany	135	40	175	120	40	160
Ghana	90	36	126	75	30	105
Greece	105	40	145	90	40	130
Guyana	105	40	145	90	40	130
Hong Kong	105	40	145	90	36	126
Hungary	120	50	170	90	40	130
India	90	36	126	75	30	105
Indonesia	90	50	140	75	40	115
Iran, Islamic Rep. of	105	40	145	90	40	130
Iraq	105	40	145	90	40	130
Italy (Rome)	105	40	145	90	40	130
Jamaica	105	40	145	90	40	130
Japan	135	50	185	105	40	145
Jordan	105	40	145	90	40	130
Kenya	90	36	126	75	30	105
Korea (N & S)	120	40	160	90	40	130
Kuwait	120	40	160	105	34	139
Lebanon	105	40	145	90	34	124
Libya	135	50	185	105	40	145
Malaysia	90	40	130	75	34	109
Maldives	90	36	126	75	30	105
Mexico	105	40	145	90	40	130
Mozambique	90	36	126	75	30	105

Name of Country	GROUP I			GROUP II		
	Accommo- dation	Cash	Total	Accommo- dation	Cash	Total
	US \$	US \$	US \$	US \$	US \$	US \$
Nepal	90	36	126	75	30	105
Netherlands Antilles	120	40	160	75	34	109
New Zealand	105	40	145	90	34	124
New Guinea	90	50	140	75	40	115
Nicaragua	105	40	145	90	40	130
Nigeria	90	36	126	75	30	105
Norway	135	40	175	120	40	160
Oman	105	40	145	90	40	130
Pakistan	90	36	126	75	30	105
Papua New Guinea	90	50	140	75	40	115
Peru	105	60	165	105	50	155
Philippines	90	40	130	75	34	109
Poland	120	50	170	105	40	145
Portugal	105	40	145	90	40	130
Romania	90	35	125	75	30	105
Rumania	135	40	175	105	40	145
Saudi Arabia	105	40	145	90	40	130
Seychelles	90	36	126	75	30	105
Singapore	90	40	130	75	34	109
Sudan	90	40	130	75	40	115
Sweden	135	40	175	120	40	160
Switzerland	135	40	175	120	40	160
Syrian Arab Republic	105	40	145	90	40	130
Taiwan	120	40	160	90	40	130
Tanzania	90	36	126	75	30	105
Tailand	90	40	130	75	34	109
Tunisia	135	50	185	105	40	145
Turkey	105	40	145	90	34	124
U S S R	120	40	160	105	40	145
Uganda	90	36	126	75	30	105
United Kingdom	105	40	145	90	36	126
United States	120	40	160	90	40	130
Venezuela	90	40	130	75	36	111
West Indies	105	40	145	90	40	130
Yemen Arab Republic	105	40	145	90	40	130
Yugoslavia	120	50	170	90	40	130
Zambia	90	36	126	75	30	105
Zimbabwe	90	36	126	75	30	105

RATES OF SUBSISTENCE - ALL INCLUSIVE COMBINED RATE

Name of Country	GROUP 1 US \$	GROUP 2 US \$	Name of Country	GROUP 1 US \$	GROUP 2 US \$
Abudhabi	74	66	Malaysia	66	56
Algeria	94	74	Maldives	64	54
Australia	80	74	Mauritius	64	54
Austria	86	66	Mexico	74	66
Bahrain	74	66	Mozambique	64	54
Bangladesh	64	54	Nepal	64	54
Barbados	74	66	Netherlands	80	56
Belgium	80	74	New Zealand	74	62
Bermuda	80	66	Nicaragua	74	66
Brazil	86	80	Nigeria	64	54
Bulgaria	86	66	Norway	86	80
Burma	66	56	Oman	74	66
Canada	80	66	Pakistan	64	54
China	66	56	Papua New Guinea	74	60
Cuba	74	66	Peru	86	80
Cyprus	74	66	Philippines	66	56
Czechoslovakia	86	66	Poland	86	74
Denmark	86	80	Portugal	74	66
Dubai	74	66	Rhodesia	64	54
Egypt	66	60	Rumania	86	74
Fiji	80	74	Saudi Arabia	74	66
Finland	86	80	Seychelles	64	54
France	86	80	Singapore	66	56
Germany	86	80	Spain	74	66
Ghana	64	54	Sudan	66	60
Greece	74	66	Sweden	86	80
Guyana	74	66	Switzerland	86	80
Hong Kong	74	64	Syria	74	66
Hungary	86	66	Taiwan	80	66
India	64	54	Tanzania	64	54
Indonesia	74	60	Thailand	66	56
Iran	74	66	Tunisia	94	74
Iraq	74	66	Turkey	74	62
Italy	74	66	U S S R	80	74
Jamaica	74	66	Uganda	64	54
Japan	94	74	United Kingdom	74	64
Jordan	74	66	United States	80	66
Kenya	64	54	Venezuela	66	58
Korea (N & S)	80	66	West Indies	74	66
Kuwait	80	70	Yemen, North	74	66
Lebanon	74	62	Yugoslavia	86	66
Libya	94	74	Zambia	64	54
			Zimbabwe	64	54

Institute of Public Finance and Development Accountancy

Department of Pensions

Commencing from 1993 the expenditure of the Dept. of Pensions is mainly divided into two Programmes. Programme 1 indicates the expenditure on General Administration of the Dept. of Pensions, while Programme 2 indicates the expenditure on implementation of the Pension Scheme.

Programme 2 is sub-divided into 5 Projects differentiating the different types of pension schemes implemented.

- Project 1-Pensions, Gratuities & Compensation.
- 2-Pensions to Widows, Widowers & Orphans.
- 3-Pensions to Teachers, Widows & Orphans.
- 4-Public Service Provident Fund.
- 5-Local Govt. Service Pensions.

Head 60 - 2 - 1 - 1502

The Civil Pension Scheme came into existence in Sri Lanka in the Year 1901. The Civil Pension Scheme is a non contributory pension scheme. Even prior to the existence of the Civil Pension Scheme a scheme for the payment of widows' & orphans' pensions had been in existence from the year 1898. All public servants were required to contribute 4% of their salaries towards the Widows and Orphans Pension Scheme in order to safeguard the interests of the dependents.

Most of the Public Servants at that time were Europeans because Sri Lanka was under the colonial regime. Any person who joined the public service at that time whether as a public servant or as a teacher was eligible for a non contributory pension under the Civil Pension Minute. As time passed by several assisted schools came into existence and teachers were recruited to such institutions. The number of teachers expanded in numbers but were not eligible for pensions because the schools were not government schools. The assisted school teachers started agitating for pensions since they were not eligible for pensions as those who were in Govt. schools.

In the year 1928 the School Teachers Pension Ordinance was passed in the State Council and the assisted school teachers were afforded with an opportunity for pensions. The teachers who became eligible for pensions under the STP Ordinance were required to contribute 4% of the salary towards their pension. The STP Scheme is a contributory pension scheme.

In the year 1934 it was decided that any teacher whether he joined the Govt. School or any other Assisted school contributes to the School Teachers Pension Scheme and will not be eligible for a civil pension.

The Section 5 and 6 of the STP Ordinance indicated that a widows pension scheme should be established with the consent of the Finance Minister for the dependents of an asstd. school teacher to be eligible for a widows and orphans pension. However, this requirement was not complied with until 1.10.1951. The Teachers, Widows and Orphans Pension Fund was established on 1951. 10. 01 The dependents of Asstd. school teachers who retired prior to 1.10. 1951 were deprived of the benefits under Widows and Orphans Pension Fund as they were not contributors in a fund enabling them to contribute for a W. & O. Pension Scheme.

With effect from 1.10.1951 assisted school teachers were required to contribute 4% for their pension and 2% towards their widows and orphans pension.

Public servants who are eligible to receive a non contributory pension under the civil pension minute also had the benefits of the Widows and Orphans Pension Scheme. Public Servants were eligible for the benefits of a pension as well as widows and orphans benefits by contributing only 4% of their salaries while assisted school teachers became eligible for these benefits after having contributed 6% of their Salaries. The benefits under the Civil Pension Minute and the Widows and Orphans Scheme were much higher than the benefits under the School Teachers Pension Ordinance and the benefits under the Teachers W. & O. P. Fund. Again the asstd. school teachers agitated for the reduction of the contributions. This was brought to the notice of the Government and the asstd. school teachers contribution towards their pension was reduced by 2%. Now the asstd. school teachers are contributing 2% towards their pension and 2% towards the benefits under the T/W & O. P. Fund.

Though the public servants and the asstd. school teachers thereafter contributed an equal amount towards their pensions and the widows pensions the benefits or the pensions payable under both these schemes were different. Therefore again the assisted school teachers agitated for equal benefits. To make them all equal the assisted school teachers were absorbed in to the Civil Pension scheme w.e.f. 1.4.1970. Now only the teachers in pirivena and private school contribute to the Teachers Pensions Scheme and the Teachers W. & O.P. Fund.

Death Gratuities

The dependents of any public servant who dies while in service after having completed 5 years reckonable service in a post is eligible to receive a death gratuity. The death gratuity is equal to one year's salary of the officer or the commuted gratuity payable to the officer if he had retired on the date of death whichever is greater. If the officer is married one half is payable to the widow and the other half is equally divided among the dependent children who are unmarried and unemployed. The share of the dependent children who are under 18 years of age should be deposited in a Fixed Deposit Account in the National Savings Bank and should be released on completion of 18 years of age.

When the officer is a bachelor or a spinster the death gratuity should be equally divided and paid to the parents of the deceased. When either of the parents is dead the full amount is payable to the father or the mother who is living. When both the mother and father are dead it is payable to the brothers and sisters of the deceased who are unemployed and unmarried.

To decide on the dependents of the deceased a report from the Divisional Secretary is required in addition to the other particulars required to compute the death gratuity.

Gratuity

Gratuity is a lump sum payment to an officer who retires from the public service before completion of 10 years gross Service.

If an officer is retired from the public service before completion of 10 years gross service on grounds of ill-health, abolition of office, on completion of age or on disciplinary grounds he will not be eligible for an annuity (pension) but will be eligible for a gratuity. The gratuity is calculated taking into consideration the number of months he had served. For every complete month he or she will be paid 1/12th of his last salary. In other words for every complete year one month's salary will be paid. He or she will not be eligible for a monthly pension.

The pattern of the assignment of pension numbers is spread over a series of Lakhs. This was introduced in order to identify the period during which a pensioner has retired as there are different methods of calculations of pensions. The pension number indicates some sort of a facility as to the grant of allowances or benefits. The series of numbers that have been issued up to date are as follows:-

up to 1977.12.31	- 1 Lakh Series
1978.10.10 to 1982.01.01	- 2 " "
1982.01.02 to 1984.12.31	- 3 " "
1985.01.01 to 1987.11.16	- 4 " "
1987.11.17 to 1990.10.17	- 5 " "
1990.10.18 to 1992.12.31	- 6 " "
1993.01.01 onwards	- 7 " "

eg. The pensioners whose pension numbers are in the 7 lakh series are not eligible to receive the Rs. 300 allowance granted Under P. A. Circular 37/92 of December 24, 1992.

The calculation of pensions upto and including 3 lakh series was on a formula basis. The maximum benefit that a pensioner could have obtained as pension was 2/3 of the salary drawn at retirement.

The net service together with the climate bonus and the last salary drawn by the officer was taken into account when calculating the pension. The formula adopted in the calculation of pension upto 31.12.1984 was as follows:-

$$\frac{\text{Net Service} + \text{Climate Bonus} \times \text{Last Salary Drawn}}{720}$$

720

A climate bonus of 10 years was added to the net service if a person retired at 55 years. A person who retired at 56 was given 9 years. Similarly the Climate bonus was reduced by one year for each year of service up to 60 years.

274

In the case of 1 Lakh Series the last Salary taken into account for the calculation of pensions was the hypothetical salary, while the 2 Lakh Series took the consolidated salary for the calculation of pension. The 3 Lakh Series considered the new consolidated salary for the calculation of pensions.

4 Lakhs and 5 Lakhs series changed the pattern of calculation and took over a percentage system which had great relevance to the last salary and the age at retirement. While the 6 Lakhs and the 7 Lakhs series switched on to percentages afforded by the Public Administration Circular-44/90. The 7 Lakhs series was introduced purely for the purpose of identifying pensioners who are not digible to receive the Rs. 300 allowance granted by P. A. Circular 37/92 of 24. 12. 1992.

In the calculation of 4 Lakhs & 5 Lakh series 0.2% was deducted for each month of No-pay or part thereof. Also for retirements prior to reaching the age of 55 years 1% was deducted for each year that fell short of 55 years.

No deduction for No-pay or any other shortfall is applicable for 6 and 7 lakhs series.

Widows' and Orphans' Pension Scheme

This scheme is affording benefits to the dependents of public officers. A widow is someone who becomes a destitute after the demise of a public servant. A widow who was legally married to her husband becomes eligible for a pension so long as she is not remarried. The widows pension does not depend on the number of children she has, but based on the salary and the period the husband has served the government.

Only when the father and the mother are both dead an orphan becomes eligible for a pension. If the orphan is a female she must be less than 21 years of age and unmarried while a male becomes eligible for a pension if he is less than 21 years of age whether married or single. A guardian should always be appointed to pay an orphan's pension unless the paying authority decided otherwise. To appoint a guardian a report from the Divisional Secretary of the area is required recommending that the person nominated is a fit and proper person to be appointed as the guardian.

When several guardians are appointed in respect of several orphans in one family the pension should be proportionately divided and paid to the guardians. It is treated as one pension and should not exceed the pension paid to the widow. Allowances should also be paid proportionately.

At the time of death the officer should have been holding a permanent and pensionable post irrespective of whether he has obtained a W. & O. P. number or has contributed towards the W. & O. P. Scheme, to enable the widow to become eligible for a pension.

Prior to 2.7.1984 on which date the W & O. P. Ordinance was amended to simplify the calculation of widow's pension an officer had to contribute of a period for 35 years or up to 65 years of age whichever is earlier. The production of the birth certificate of the wife was compulsory as the W. & O.P. Pension had very great relevance to the calculation of pension.

Immediately on appointment to a permanent and pensionable post a public officer is required to declare his family particulars on form Gen. 86 and send it to the Secretary - Accountant W. & O.P. Office through the Head of Dept. Any changes in the family should similarly be notified to the Secretary & Acct. W.&O.P. Scheme. When an officer is married, production of the marriage certificate and the birth certificate of the wife was compulsory.

The calculation of the widows pension prior to 2.7.1981 involved several variable factors such as the age of the husband and the age of the wife. Also for each increase of salary there was a calculation of pension. This was a very tedious task and thereby granting of widows pensions were delayed. In order to avoid this delay and to simplify the calculation the W & O.P. Ordinance was amended by Act No. 44 of 2.7.1981. The main features of the amendment are as under:-

- i. The widows' pension was made equal to the husband's unreduced pension.
- ii. Adopted children were made eligible for orphans' pension.
- iii. Disabled orphans were made eligible for orphans' pensions.
- iv. Contributory period to the W & O.P. Scheme was changed, Contributors were required to contribute till retirement and not thereafter.
- v. Widows of dismissed officers were made ineligible for pension but were made eligible to receive the entirety of the contributions paid by them while in service.

Widowers' & Orphans' pensions Scheme

Widowers' and Orphans' Pension Scheme was established on 1.08.1983. This scheme provides benefits to the dependents of female public servants. Any female public officer joining the state service on a permanent and pensionable basis on or after 1.8.1983 in compulsorily required to contribute to this scheme. Those female public servants who joined service prior to 1.8.1983 were required to exercise an option to join this scheme. As most of the female public servants did not opt to join this Scheme, the period was extended up to May 10, 1986 by W.&O.P. Circular No. 291 of May 21, 1985. However, the exercise of option to join this Scheme is still open to these female public officers

Teachers' W & O.P. Fund

The T/W. & O.P. Fund was established on 1.10.1951 and at the time it was established all male teachers who were contributors to the Teachers' Pension Scheme were eligible to contribute to this Fund. Though the Teachers' Pension Scheme was in force since 1928 no fund had been established to afford widows and orphans pension benefits to the dependents of teachers who died or retired prior to 6.10.1954. Since there was no Fund or Scheme to afford dependent benefits (W. & O.P.) to the widows and orphans of teachers prior to 1.10.1954 any widow or an orphan of a teacher who died or retired prior to 1951-10-01 will not be eligible to receive a widows' pension.

The first teacher pensioner whose widow becomes eligible for a widows pension commences with the pension number 4829/T. Therefore 4828 teacher pensioners who retired prior to 1.10.54 have not contributed to a Widows' Pension Fund and therefore their dependents are deprived of W. & O. Pension benefits.

All contributors in the Teachers' W. & O. P. Fund, were required to obtain a W. & O. P. number. For this purpose every contributor should furnish his family particulars on form TWP6 together with the marriage and birth certificate of the wife if married. The numbers issued by the Teachers' W & O.P. Fund bears the letters TWP before the number.

All teachers except pirivena and private school teachers were absorbed into the Civil Pension Scheme with effect from 1.4.1970. Prior to this absorption the number of contributors in the Fund were estimated to be around 45,000. The present strength of the T.W. & O.P. Fund is in the region of 5000 contributors. At present the Teachers W. & O.P. Fund is in the process of transferring the contributions of those who were absorbed into the Scheme to the W. & O.P. Scheme. (Rev. Hd. 7. S. D). This involves the contributions paid by them prior to 1.4.1970. If not for the pirivena and private teachers who are still contributors in the T.W. & O.P. Fund the Fund could have been wound up. However it is still continuing as a part and parcel of the Dept. of Pensions.

S. M. D. GUNASENA
Justice of Peace
Chief Accountant
DEPARTMENT OF PENSIONS
COLOMBO 1

Public Service Provident Fund

The P.S.P. Fund was established on 1.4.1942 under P.S.P.F. Ordinance No. 18 of 1942. This Fund provides Provident Fund benefits to those public servants who are not pensionable. In other words it provides savings benefits to those who are deprived of receiving a pension. At present the following categories of officers are the contributors in the Fund.

1. Reserve Police Officers
2. Sub-Post Masters.
3. Sub-Station Masters
4. Local recruits in the Foreign Missions abroad.
5. Temporary monthly paid employees.
6. Non-pensionable employees.

The Contributors to the Fund are expected to contribute 6% of their salaries to the Fund and this contribution is called the compulsory contribution. Prior to 1.1.1972 the rate of contribution to the Fund was 5%. The Government Contributes 9% which is called the Bonus or the Government Contribution.

The excess monies of the Fund are invested in gilt edged securities in the Central Bank which carries interest in the range of 4½% to 16%. Annually the rate of interest payable to the contributors are declared in the annual accounts of the Funds taking into

2/10

account the amount of interest earned on the investments and the expenditure incurred on administering the Fund. The minimum interest payable to the contributors is 2 $\frac{1}{2}$ % while the maximum interest so far declared is 13 $\frac{1}{2}$ %.

The refunds to contributors are made under 3 sections of the P.S.P.F. Ordinance i.e. Sections 14, 16 and 20.

- Section 14 - When a contributor resigns from the Govt. Service while being a contributor and if such resignation is accepted by the Govt. the contributions paid in by such contributor together with the Govt. Bonus and compound interest on both contributions are payable to the contributor.
- Section 16- When a contributor resigns his post without the consent of the government his compulsory contribution together with compound interest are payable.
- Section 20- When a contributor is made pensionable in his post or accepts another pensionable post in the Govt. Service his contributions together with compound interest are payable. No. Govt. contribution is payable. However his contributory period in the P.S.P. Fund is taken into account for his pension purposes.

A person who has obtained a refund under section 16 of the P.S.P.F. Ordinance is not eligible to count the P.S.P.F. contributory period for pension purposes under any circumstances. However a refund under Section 14 of the P.S.P.F. Ordinance could be converted to that of Section 20 by refunding the Govt. Contribution and the compound interest paid to him together with a 4% simple interest from the date he obtained the refund up to the date he is prepared to refund the amount.

When a contributor ceases to become a contributor to the Fund facilities were afforded earlier to obtain 85% part payment. This facility has stopped from 1.7.1988 as most of the department did not follow the procedure in executing the part payments.

විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහය යටතේ විග්‍රාම වැටුප් ගෙවීම

පහත සඳහන් විධිවිධානවලට අනුකූලව විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහය යටතේ රජයේ නිලධාරීන්ට විග්‍රාම වැටුප් හා පාරිභෝගික ගෙවීමට විධිවිධාන සැලසී ඇත.

- (1) විග්‍රාම වැටුප් /පාරිභෝගිකය - විග්‍රාම වැටුප් සහිත තනතුරකින් විග්‍රාම ලැබූ විට
- (2) මරණ පාරිභෝගිකය - සේවයේ යෙදී සිටියදී මිය යාම.

02. (i) විග්‍රාම වැටුප් සහිත තනතුරක රථ සේවය ස්ථිර කර ඇති දළ සේවය මාස 120න් හෝ ඊට වැඩි සේවය සම්පූර්ණ කළ නිලධාරියෙකු විග්‍රාම ලබන විට පහත සඳහන් විධිවිධාන යටතේ විග්‍රාම වැටුප්පතට හිමිකම් ලබයි.
(වයස අවුරුදු දහසයකට අඩු රජයේ සේවයකුගේ සේවය විග්‍රාම වැටුප්පතට හෝ පාරිභෝගිකයකට ගණන් ගනු නොලැබේ)

(1) (අ) වයස අවුරුදු 55 හෝ අවුරුදු 60 අඩු විග්‍රාම ගැනීම විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2-17 26 (ix) වගන්තිය.

(ආ) වයස අවුරුදු 60 සම්පූර්ණ වී විග්‍රාම ගැනීම - විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2-17 වගන්තිය.

(2) වෛද්‍ය හේතූන් මත විග්‍රාම ගැනීම - විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2-14 වගන්තිය.

(3) තනතුර හෝ දෙපාර්තමේන්තුව අහෝසි කිරීම මත විග්‍රාම ගැනීම - විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2-7 වගන්තිය.

(4) භාණ්ඩාගාර වක්‍රලේඛ 700 යටතේ සිංහල භාෂාවෙන් වැඩ කිරීමට තැනියාව නොමැති නිසා විග්‍රාම ගැනීම - විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2-48 (ක) වගන්තිය.

(5) විග්‍රාම වැටුප් ආරක්ෂා කරගනිමින් රජයේ නිලධාරියෙකු සංස්ථාවකට හෝ මණ්ඩලයකට මුද්‍රා භාර වයස අවුරුදු 55 සම්පූර්ණ වීම නිසා හෝ අකාර්යක්ෂම තත්ත්වය හෝ දූෂණය හැර වෙනත් හේතූන් මත විග්‍රාම ගැනීම - විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2-48 (ආ) වගන්තිය.

(6) (අ) 20 අවුරුදු සේවා කාලය සම්පූර්ණ වීම මත විග්‍රාම ගැනීම. - විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2-14 වගන්තිය.

(ආ) රාජ්‍ය පරිපාලන වක්‍රලේඛ අංක 30/88 යටතේ විග්‍රාම ගැනීම විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2-14 වගන්තිය.

(7) විග්‍රාම ගන්නා අවස්ථාවේදී විෂමාචාර ක්‍රියාවකට වැරදි කරුවීම නිසා විග්‍රාම ගැනීම - විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2-12 වගන්තිය.

(8) අකාර්යක්ෂමතාවය මත විග්‍රාම ගැනීම - විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2-15 වගන්තිය.

(9) 1980 ජූලි වැඩ වර්ජනයට සහභාගිවුවනට සහන සැලසීම මත විග්‍රාම ගැනීම - විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2-10 (ඒ) 2 වගන්තිය.

(10) ශ්‍රේණිධාරිකරණය, අභියාචනාධාරිකරණය, මහාධාරිකරණය ඇතුළු විනිශ්චයකරුවන් සහ අධිකරණ නිලධාරීන් විග්‍රාම ගැනීම - විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2-25 වගන්තිය.

(11) විග්‍රාම වැටුප්පත් හිමි නිලධාරියෙකු / නිලධාරිනියක විග්‍රාම වැටුප්පත් හෝ පාරිභෝගිකය නොලබා මිය ගිය විට විග්‍රාම වැටුප් ගෙවීම - විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2-39 (3) 1,2, 3, 4 වගන්ති.

02. (ii) විග්‍රාම වැටුප්පත් සහිතව විග්‍රාම ලබන නිලධාරියෙකුට අඩු කළ විග්‍රාම වැටුප්පත් සඳහා ඔහුට හෝ ඇයට මනාපය පළ කළ හැකිය. අඩු කළ විග්‍රාම වැටුප්පත් සඳහා මනාපය කළ පුද්ගලයකුට පළමු අවුරුදු 10 තුළ අඩු කළ විග්‍රාම වැටුප්පත් ඊට පසු සම්පූර්ණ විග්‍රාම වැටුප් ද ගෙවනු ලැබේ.

විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2 ඒ 1 (ii) වගන්තිය.

02. (iii) මාසික විග්‍රාම වැටුප්පත් ගෙවීම සඳහා පෙහි අවුරුදු 1 සඳහන් තොරතුරු හා පහත සඳහන් ලියකියවිලි අවශ්‍ය වේ.

- (i) උපදේශන සහතිකය හෝ වයස සනාථ කෙරෙන දිවුරුම් සහතිකයක්.
- (ii) පරිවර්තිත පාරිභෝගිකය ලබා ගැනීම සඳහා වූ මනාපය (පිටපත් කුනකින්)
- (iii) සේවා කාලය සහතික කෙරෙන පරිශා සටහන.

(දෛනික වැටුප් ලැබූ සේවය සඳහා පොදු 226 (ඒ) විග්‍රාම වැටුප් අහිමි සේවය සඳහා පොදු 234, විග්‍රාම වැටුප් හිමි සේවය සඳහා 53වැනි ආකෘති පත්‍ර)

276

- (iv) ආදර්ශ අත්සන් (පිටපත් දෙක බැගින්)
- (v) වෛද්‍ය භේදන මත විග්‍රාම ගත් විට වෛද්‍ය මණ්ඩල වාර්තාව
- (vi) තනතුර හෝ දෙපාර්තමේන්තුව අනෝමි කළ විට තනතුර හෝ දෙපාර්තමේන්තුව අනෝමි කළ බවට අනුමැතියක්
- (vii) ඡායාරූප පිටපත් 3ක් $3 \frac{1}{4}' \times 2 \frac{1}{4}'$ සහ භාණ්ඩාගාර 147 ආකෘති පත්‍ර එකක් හා භාණ්ඩාගාර 148 ආකෘති පත්‍ර දෙකක්.
- (viii) විග්‍රාම වැටුප් ව්‍යවස්ථාවේ 2-15 සහ 2-12 යටතේ විග්‍රාම යාමේදී පහත සඳහන් ලියවිලි ද කිබිය යුතුය.
 - (අ) චෝදනා පත්‍රය.
 - (ආ) අයදුම්කරුගේ නිදහසට දී ඇති කරුණු ඇතුළත් ලිපි.
 - (ඇ) දෙපාර්තමේන්තු ප්‍රධානියාගේ නිර්දේශය.
 - (ඈ) රාජ්‍ය සේවා කොමිෂන් සභාව හෝ අධ්‍යාපන සේවා විනය කමිටුව ගෙන ඇති නිරණවල සහය පිටපතක්.
- (ix) විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2-48 (අ) යටතේ විග්‍රාම ගැනීමේ දී සංස්ථාවකට හෝ මණ්ඩලයකට මුද්‍රා හැරීමේ ලිපියේ සහය පිටපතක්.
- (x) විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2-48 (ක) යටතේ විග්‍රාම ගැනීමේ දී රාජ්‍ය පරිපාලන අමාත්‍යාංශයේ ලේකම් විසින් විග්‍රාම ගැනීම අනුමත කළ ලිපියේ සහය පිටපතක්.
- (xi) විග්‍රාම වැටුප් ව්‍යවස්ථාවේ 2-39 (3) 1, 2, සහ 3 වගන්තිය යටතේ විග්‍රාම වැටුප් ගෙවීමේ දී -
 - (ඒ) මරණ සහතිකය,
 - (ඈ) උප දිසාපති වාර්තාව.

03. විග්‍රාම වැටුප් හිමි තනතුරු දැරූ පහත සඳහන් සේවා කාලයක් ද විග්‍රාම වැටුප් කාර්යයන් සඳහා ගණන් ගනු ලැබේ.

- (1) වැඩ බැලීමේ කාලය - විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 3 (ආ) වගන්තිය.
- (2) පුහුණු වීමේ කාලය - විග්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 4 (ආ) වගන්තිය.
- (3) වාර්ෂික ඇස්තමේන්තු වලින් ප්‍රතිපාදිත වැටුප් වලට හැර වෙනත් මාර්ග වලින් වැටුප් ගෙවූ අවස්ථා - විග්‍රාම ව්‍යවස්ථා සංග්‍රහයේ 3 වගන්තිය.

04. දෛනික වැටුප් සේවය

දෛනික වැටුප් සේවය සඳහා තමා වශයෙන් ම වැඩ සඳහා දින ගණන් විග්‍රාම වැටුප් සඳහා ගණන් ගනු ලැබේ. කොන්දේසියක් වශයෙන් ඉරිදි / පෝය / රජයේ නිවාඩු දින වැඩ කළ යුතු නම් සම්පූර්ණ මාසයක් සේවය සඳහා වැඩ කළ දින 30ක් මාස 01ක් වශයෙන් ගණන් ගනු ලැබේ. කොන්දේසියක් වශයෙන් ඉරිදි / පෝය / රජයේ නිවාඩු දින වැඩ නොකළ යුතු නම්, වැඩ කර ඇති දින 26ක් මාස 01ක් වශයෙන් ගණන් ගනු ලැබේ.

දින ගණන මාස වලට පරිවර්තනය කිරීමේ දී ඉහත සඳහන් පදනම් දෙක අනුව ගණන් බැලිය යුතු යි.

නිදසුන් :- විග්‍රාම වැටුප් අයදුම්පතේ 16 ඡේදයේ සහ 226 (අ) ආකෘති පත්‍රයේ ඉරුදින / පෝය රජයේ නිවාඩු දින වැඩ කළ යුතු බවට 'සව' යනුවෙන් සඳහන් කළේ නම් දෛනික සේවය මෙසේ ගණන් ගනු ලැබේ.

'ඒ' තමැති කම්කරු 1987 වර්ෂයේ පහත සඳහන් පරිදි එක් එක් මාසයේ වැඩ කර ඇත.

වර්ෂය ජන. පෙබ. මාර්තු. අප්‍රේ. මැයි ජූනි ජූලි අගෝ. සැප්. ඔක්. නො. දෙසැ.

1957	18	20	26	15	(30)	27	29	14	19	25	(30)
------	----	----	----	----	------	----	----	----	----	----	------

මේ අනුව දින 30ක් වැඩ කර ඇති මාස ෪ වටා වරහන් කිරීමෙන් සලකුණු කර ඇත. ඉතිරි මාස 10 වැඩ කරන ලද මුළු දින ගණන් දින 222

වැඩ කළ දින 30ක් මාසයක් වශයෙන් සැලකූ විට - 222 + 30 = මාස 7 දින 12

'ඒ' තමැති කම්කරුවාට 1957 වර්ෂයේ විග්‍රාම වැටුප් සඳහා ගණන් ගනු මාස 09 දින 12යි

ලබන දේව සේවා කාලය යටතේ ඉහත

ඉහත නිදර්ශනයේ දී ඉරු දින / පෝය / රජයේ නිවාඩු දින වැඩ කිරීම අවශ්‍ය නැත යන්න කොන්දේසිය මත වූ විට එම කාලය විග්‍රාම වැටුප් සඳහා ගණන් ගනු ලබන අයුරු මෙසේය.

එවිට මාර්තු අප්‍රේල්, ජූනි, ජූලි, අගෝස්තු, දෙසැම්බර් යන මාස වැඩ කළ සම්පූර්ණ මාස වන හෙයින් මාස 06කි.

ඉතිරි මාස මුළු දින ගණන - දින 111

දින 26ක් වැඩ කළ එක් මාසයක් වශයෙන් ගණන් ගනු ලබන නිසා - 111 + 26 - මාස 4 දින 7

1987 වර්ෂය වෙනුවෙන් 'ඒ' කම්කරුවාට විශ්‍රාම වැටුප් සඳහා ගණන් ගනු ලබන ශුද්ධ සේවය මාස 10 දින 07කි.

05. විශ්‍රාම වැටුප් අභිමි මාසික සේවය විශ්‍රාම වැටුපට ගණන් ගනු ලබන අයුරු.

විශ්‍රාම වැටුප් අභිමි සේවා කාලය තුළ දී රාජ්‍ය සේවා අර්ථසාධක අරමුදලට දායක මුදල් ගෙවනු ලැබේ.

විශ්‍රාම වැටුප් අයදුම්පත් 17 'අ' ඡේදයේ දක්වා ඇති විස්තර සහ විශ්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 48 වන වගන්තිය යටතේ අදාළ වූ විධි විධාන මෙයට අදාළ වේ.

- (අ) ඒ අනුව නිලධාරියෙකු විශ්‍රාම වැටුප් හිමි තත්වයට පත් කළ පසු රාජ්‍ය සේවා අර්ථ සාධක අරමුදලට අය කරන ලද සේවකයාගේ කොටස පමණක් රාජ්‍ය සේවා අර්ථ සාධක අරමුදලට ආදාය පතනේ 20 වැනි වගන්තිය යටතේ ගෙවා ඇති බව තහවුරු වේ නම් එම කාලය විශ්‍රාම වැටුපට ගණන් ගනු ලැබේ.
- (ආ) රාජ්‍ය සේවා අර්ථ සාධක අරමුදල ප්‍රදානය එම ආදාය පතනේ 14 වන වගන්තිය යටතේ ගෙවා ඇති විට (මෙයින් සේවකයාගේ දායක මුදලක්, සේවකයා වෙනුවෙන් රජය ගෙවූ රජයේ මුදලක් ඇතුළුව කොටස් දෙකම ආපසු ගෙවා ඇත.) රජයේ ප්‍රසාද මුදල සහ එම මුදල ගෙවූදින සිට 4% බැගින් පොලීය ද ආපසු අයකර ගැනීමෙන් පසු එම කාලය ද ගණන් ගනු ලැබේ.
- (ඇ) සඳොස් වගන්තිය යටතේ ගෙවූ විට එම මුළු කාලය ද විශ්‍රාම වැටුපට ගණන් ගනු ලැබේ.

06. විශ්‍රාම වැටුප් ගණන් බැලීම

වයස අවුරුදු 55 ඵලඹ්බට පෙර හා දළ සේවය මාස 120ක් සම්පූර්ණ කර ඇති විට විශ්‍රාම ගන්නා නිලධාරියෙකුගේ විශ්‍රාම වැටුප එසේ අඩු වන එක් එක් වර්ෂය සඳහා අදාළ ප්‍රතිශතයෙන් 1%ක් බැගින් අඩු කිරීමට එක් විය යුතුය.

එසේ ම වයස අවුරුදු 55 ඵලඹ්බෙන් පසු විශ්‍රාම ගන්නා වූ යම් නිලධාරියෙකුගේ විශ්‍රාම වැටුප වැඩි වන එක් අවුරුද්දක් සඳහා අදාළ ප්‍රතිශතයෙන් 1% බැගින් වැඩි විය යුතුය.

නිලධාරියෙකු වැටුප් රහිත නිවාඩු ලබා ඇති විට එක් මාසයක් හෝ ඉන් කොටසක් වෙනුවෙන් අදාළ ප්‍රතිශතයෙන් 2% ක් අඩු විය යුතුය.

තනතුර අහෝසි කිරීමේ පදනම මත විශ්‍රාම යන විට අදාළ ප්‍රතිශතයට 5% අතිරේකව එකතු කරනු ලැබේ. මෙසේ එකතු කිරීමේ දී වයස අවුරුදු 60ට හිමි ප්‍රතිශතය නොඉක්මවා නොයා යුතුය

මේ අනුව අමුණා ඇති වක්‍රය උපයෝගී කරගත යුතුය.

රජයේ නිලධාරියෙකුට දෙනු ලබන විශ්‍රාම වැටුප හෝ පැරිනෝමියන් හෝ ඔහු විශ්‍රාම යන අවස්ථාවේ දී ඔහු ලැබූ වැටුප මත ගණන් බැලිය යුතුය. එසේ වුවද, අකාර්‍යක්ෂමතාය නිසා සේවයෙන් පහ කිරීම වෙනුවට සානුකම්පිත විකල්පයක් වශයෙන් හෝ තනතුර අත් හැර මත නිලධාරියෙකු විශ්‍රාම ගන්නා විට විශ්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 15 වන වගන්තිය හෝ 12 වන වගන්තිය යටතේ විශ්‍රාම වැටුපක් ගෙවනු ලබන අවස්ථාවක එවැනි නිලධාරියෙකුට ගෙවනු ලබන විශ්‍රාම වැටුප, අවස්ථාවෝචිත පරිදි ඒ නිලධාරියා සේවයෙන් පහ කරනු ලැබූ අවස්ථාවේ හෝ තනතුර අත්හැර ගිය අවස්ථාවේ හෝ ලැබූ වැටුප මත ගණන් බැලිය යුතුය

07. අඩු කළ විශ්‍රාම වැටුප ලබා ගැනීමට මනාපය පළ කළ නිලධාරියෙකුට මාස 24ක අඩු නොකළ මාසික විශ්‍රාම වැටුප පාරිතෝමිකය වශයෙන් ලැබේ. (විශ්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2 අ (1) වගන්තිය)

මෙම ගණනය කිරීම වෙනත් නිලධාරියෙකු පරීක්ෂා කළ පසු, විශ්‍රාම වැටුප් ප්‍රදානයක් ආකෘති පත්‍ර අංක භාණ්ඩාගාර 79 යටතේ නිලධාරියා සේවය කළ දෙපාර්තමේන්තු ප්‍රධානියා වෙත, විශ්‍රාමිකයාට ද , විගණකාධිපතිට, වැන්දඹු අනාථ දරු විශ්‍රාම වැටුප් කාර්යාලයේ ලේකම් වෙතට ද ගෙවීම් නිලධාරියාට පිටපත් 2ක් ද යවනු ලැබේ.

දෙපාර්තමේන්තු ප්‍රධානියා විසින් සඳහන් කර ඇති නිලධාරියා ලබා ගත් ණය, අත්තිකාරම්, නැති වීම් හෝ වැටුප් රහිත හෝ අඩු වැටුප් රහිත නිවාඩු සඳහා යම් අයකිරීමක් ඇත්නම් එය විශ්‍රාම පාරිතෝමිකයෙන් හා විශ්‍රාම වැටුප් හිඟ මුදල් වලින් අය කළ යුතු වේ.

විශ්‍රාමිකයාගේ ආදායමෙහි කඩවීමක් සිදු නොවනු සඳහා රාජ්‍ය පරිපාලන වක්‍ර ලේඛ අංක 29/90 හා 1990. 06. 15 දිනැති වක්‍ර ලේඛයෙන් තාවකාලික විශ්‍රාම වැටුපක් සඳහා ඉල්ලුම් පත්‍රයක් ඉදිරිපත් කරන ලෙස සියළුම දෙපාර්තමේන්තු වලට බලය දී ඇත. (හිමිකම් ලබන විශ්‍රාම වැටුපෙන් 70%) රාජ්‍ය පරිපාලන වක්‍ර ලේඛ අංක 29/90 ඇමුණුම 1 පරිදිය.

විශ්‍රාම වැටුප ගණන් බලා ගෙවීමේ දී ගෙවා ඇති කාවකාලික විශ්‍රාම වැටුප අඩු කර ගනු ලැබේ.

08. අවුරුදු 10 සේවා කාලයක් සම්පූර්ණ වීමට පෙර විශ්‍රාම ලබන නිලධාරීන් එක් වසරක සේවය සඳහා මාසික දායකත්ව 1/2 පදනම මත ගණන් බැඳු පාරිභෝගිකයකට හිමි කම් ලබයි. මෙම නිලධාරීන්ද විශ්‍රාම වැටුප් සහිත සේවයක හෝ තනතුරක ස්ථිර කර තිබිය යුතුය. (විශ්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 2 වගන්තිය / උප වගන්තිය)

වෛද්‍ය හේතුව මත හෝ වයස නිසා විශ්‍රාම යන දෛනික වැටුප් ලබන නිලධාරීන් ද එක් වසරක සේවය සඳහා මාසික දායකත්ව 1/12 ගණනේ ගණන් බැඳු පාරිභෝගිකයකට හිමිකම් ලබයි. (විශ්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 29 (1) වගන්තිය)

09. මරණ පාරිභෝගිකය

(විශ්‍රාම වැටුප් ව්‍යවස්ථා සංග්‍රහයේ 1 ආ වගන්තිය)

විශ්‍රාම වැටුප් සහිත තනතුරක තනතුරේ ස්ථිර කර ඇති අවුරුදු 5ක සේවයක් ඇති නිලධාරියෙකු මිය ගිය විට ඔහුගේ යැපෙන්නන්ට මරණ පාරිභෝගිකයකට හිමිකම් ඇත. අවුරුදු 01 වැටුප් හෝ විශ්‍රාම ලබන නිලධාරියෙකුට ගෙවනු ලබන පාරිභෝගිකය අනුව ගණන් බලන මුදලින් වැඩි මුදලට හිමිකම් ඇත. මරණය සිදු වූ දින නිලධාරියා විශ්‍රාම ලැබුවා සේ සඳහා ඒ පදනම මත පාරිභෝගිකය ගණන් බැඳිය යුතුය. විශ්‍රාම වැටුප්පත් ගෙවීම සඳහා අවශ්‍ය තොරතුරු සමග යැපෙන්නන් පිළිබඳව ප්‍රාදේශීය ලේකම්ගේ වාර්තාවක් මරණ පාරිභෝගිකය ගෙවීම සඳහා අවශ්‍ය වේ. යැපෙන්නන් අවුරුදු 18ට අඩු බාල වයස්කාරයන් වන අවස්ථාවකදී එම මුදල් ජාතික ඉතිරි කිරීමේ බැංකුවේ එම බාල වයස්කරුවන් නමින් ස්ථිර තැන්පත් ගිණුමක තැන්පත් කර වයස සම්පූර්ණ වූ විට පාස් පොත් නිදහස් කරනු ලැබේ.

මරණ පාරිභෝගිකයක් ගෙවීම සඳහා පහත සඳහන් පරිදි යැපෙන්නන් තීරණය කරනු ලැබේ.

- (අ) විවාහක නිලධාරියෙක් නම් වැන්දඹුව හෝ වැන්දඹු පුරුෂයා සහ රැකියා විරහිත අවිවාහක ළමයින්, මරණ පාරිභෝගිකයෙන් අඩක් වැන්දඹුවට හෝ වැන්දඹුපුරුෂයාටත් ඉතිරි ඉඩ සමයේ ළමයින්ට ද ගෙවනු ලැබේ.
- (ආ) අවිවාහක නිලධාරියෙකුගේ මව හෝ පියා, ඒ දෙදෙනාම නැති අවස්ථාවක රැකියා විරහිත හා අවිවාහක සහෝදරියන් යැපෙන්නන් වශයෙන් සලකනු ලැබේ. මව ජීවත්ව සිටිනේ නම් සම්පූර්ණ කොටස මවට ගෙවනු ලැබේ. ඒ දෙදෙනාම නොමැති විට සම්පූර්ණ මුදල යැපෙන්නන් වශයෙන් සිටින සහෝදරයින් අතර බෙදා ගෙවනු ලැබේ.

Service Pensions. (Army Pensions)

1. This includes Army Navy & Air Force personnel.
2. P.A. Circular 44/90 does not apply to these pensions.
3. Based on 1981 (amendment) to the
 - Army Pensions & Gratuities Code
 - Air Force Pensions & Gratuities Code
 - Navy Pensions & Gratuities Code of 1962
4. There are 3 types of pensions & 2 types of Gratuities
 - i. Service Pensions
 - ii. Disability pensions
 - iii. Dependent pensions
 - iv. Service Gratuities.
 - v. Death Gratuities.
 - i. Service pensions
 - (a) Number of years service required to qualify for a pension.
 - Commissioned officers - 20 years
 - (Second Lieutenant & above)
 - Others 22 years
 - (b) If an officer is entitled to a Disability pension the service required for a service pension is reduced by 10 years, that is, 10 years for Commissioned Officers and 12 years for others.
 - (c) The salary at retirement includes all allowances payable to such personnel.
 - (d) All service personnel should retire at the age of 55 years.
 - (e) Calculation of pensions prior to 1.1.1985 are on a formula basis while calculations after 1.1.85 are on a percentage basis.

Calculation of service pensions prior to 1.1.1985

The following benefits are afforded.

- (i) Salary at retirement is decided by adding all allowances payable to them while in service.
- (ii) Service benefit of 90 months is added to the normal service.
- (iii) Half the period between the age at retirement and 55 years is added to the normal service.

Service + Service benefit (90 months + 1/2 Difference in age x last salary

660

e.g.: Mr. K. Perera a Second lieutenant in the Army retired on 1.1.1984. His Salary at retirement was Rs. 10500/P.A. He joined service on 1.1.1964. His age at retirement was 42 years. Calculate his pension.

(a) Service 20 years Or 240 months.

(b) Difference between his age and 55	=		=	13 years
i.e. $\frac{13 \times 12}{2} = \frac{156}{2}$				= 78 months
$\frac{240 + 90 + 78 + 10500}{660}$:			= Rs. 6490.00

This amount should not exceed $\frac{2}{3}$ of his last salary

$\frac{10500 \times 2}{3}$	=	:	=	Rs. 7000
----------------------------	---	---	---	----------

Unreduced pension =

Reduced Pensions

3/4 of Unreduced Pension	=	Rs. $\frac{6490.90 \times 3}{4}$	=	Rs. 4868. 17 P.A.
--------------------------	---	----------------------------------	---	-------------------

Commuted Gratuity	=	Rs. $6490.90 \times 2 \frac{1}{2}$	=	Rs. 16227.25
-------------------	---	------------------------------------	---	--------------

200

The monthly pension payable should be converted by the respective conversion tables payable from 1.1.1987 and 1.1.1988

Calculation of pensions after 1.1.1985

This is calculated on a percentage basis as follows

No. of years Service	Percentage for Commissioned officers	Percentage for Non Commissioned officers
10 years	55	-
11 years	56	-
12 years	57	40
13 years	58	61
14 years	59	62

1% should be added for every year of service up to 35 years of service and not beyond.

The rates given above are applicable to the unreduced pension. 10 points should be deducted to arrive at the rates applicable to reduced pension.

Any service under the British Crown is reckoned for pension purposes.

e.g. :- A commissioned Officer Mr. K. Fernando retired on 1.1.1992 having completed 20 years of service. His monthly salary at retirement was Rs. 3500/- calculate the unreduced pension, reduced pension and the commuted gratuity payable to him.

1. As per chart the rate of unreduced pension is 65% The reduced pension rate is 55%

$$\text{Unreduced pension} \quad \frac{3500 \times 65}{100} = \text{Rs. } 2275/= \text{ P.M.}$$

$$\text{Reduced pension} \quad \frac{3500 \times 55}{100} = \text{Rs. } 1925/= \text{ P.M.}$$

$$\text{Commuted gratuity} \quad 2275 \times 24 = \text{Rs. } 54600/=$$

Monthly pension on 1.1.1992

$$\text{Reduced pension} = 1925/=$$

$$\text{P.A. Cir. 63/89 from 1.1.90} = \text{Rs. } 200/=$$

$$\text{P. A. Cir. 50/90 (ii) from 1.11.1990} = \text{Rs. } 200/=$$

(unreduced pension is more than Rs. 2000/=)

$$\text{P.A.Cir. 1/92 for 1.1.1992} = \text{Rs. } 100/=$$

(unreduced pension less than Rs. 3000/=)

$$\text{Monthly Pension} = \text{Rs. } 2425/=$$

Disability Pensions.

An annual disability pension may on the recommendation of the Commander of the Army be awarded in accordance with the scales set out hereunder to an officer in the event of disablement or illness certified by an Army Medical Board.

The Medical Board will recommend the percentage of his earning capacity. The scales set out below represents the annual pension payable according to the earning capacity recommended.

If a disabled commissioned officer does not have 10 years service or a disabled non-commissioned officer does not have 12 years of service he will be awarded only a disability pension.

Commissioned Officers		Percentage Disability								
		20	30	40	50	60	70	80	90	100
1.	Captain, Second Lieutenant, a Cadet Officer	585	875	1165	1400	1750	2040	2335	2625	2915
2.	Major	665	1000	1335	1665	2000	2335	2665	3000	3335
3.	Lientenant Colonel	835	1250	1665	2085	2500	2915	3335	3750	4165
4.	Colonel	1000	1500	2000	2500	3000	3500	4000	4500	5000
5.	Brigadier	1165	1750	2335	2915	3500	4085	4665	5250	5835
6.	Major General	1335	2000	2665	3335	4400	4665	5335	6000	6665
7.	Lieutenant General	1500	2250	3000	3750	4500	5250	6000	6750	7500

Non-Commissioned Officers.

1.	Lance Coporal or equal Rank	280	420	565	705	845	985	1130	1270	1410
2.	Corporal or equal Rank	305	445	595	730	870	1010	1155	1295	1435
3.	Sergeant or equal Rank	330	470	615	755	895	1035	1180	1320	1460
4.	Staff sergeant or equal Rank	355	495	640	780	920	1060	1205	1345	1485
5.	Warrant Officer II	380	520	655	805	945	1085	1230	1370	1510
6.	Warrant Officer I	405	545	690	830	970	1010	1255	1395	1535

An officer who is not entitled for a service pension a compensatory monthly allowance will also be paid as follows:

Commissioned officer - Rs. 500

Non - Commissioned officer Rs. 400

e.g. A captain of the army while on active service became disable and the Medical Board recommended that his earning capacity would be 60% throughout his life. Calculate his disability pension. He became disable on 1.2.1993 He joined service on 1.1.1984 The corresponding annual rate of pension for 60% disability-

is Rs. 1750

1750

12

145.83

Compensatory allowance

500.00

645.83

Pension as per conversion table in terms of

Table 4 effective from 1.1.1987 (unreduced table)

1.1.1987 = Rs. 932.00

Pension as per Conversion Table effective from 1.1.1988 for Army officers.

1.1.1988 = Rs. 1736.00

Pension payable on 1.1.1993

monthly pension = Rs. 1736.00

Other allowances as

per P.A. Circulars = Rs. 900.00

2636.00 monthly

284

Normally a commissioned officer and a non-commissioned officer becomes eligible for a service pension only after completion of 20 years and 22 years of service respectively. However if he becomes disable he will eligible for a service pension after completion of 10 years and 20 years of service respectively.

If the officer becomes eligible for a service pension and a disability pension the compensatory allowance of R. 500 or Rs. 400 is not payable.

If the Army Medical Board recommends that the disability is a permanent one the disability pension will be paid throughout his life. On the expiry of the period of any temporary disability recommended by the Army Medical Board the officer should be presented before a Civil Medical Board. If such a Medical Board recommends that he is no longer disable the disability pension should be stopped forthwith.

Dependent pension

Dependents of officers who died while in active service are eligible to receive a dependents pension. If the officer is married the widow and the male children under 18 years and the females under 21 are eligible for this pension. There is no minimum number of years service required for the dependents to be eligible for a dependents pension.

In addition to the annual dependents pension mentioned below a compensatory allowance of Rs. 500 for dependents of commissioned officers and Rs. 400 for non-commissioned officers dependent are payable.

The rates of annual dependent pension payable as mentioned in Army & Air Force Code 1981 are given below:

Commissioned officers	If marrie		Bachelor
	Widow - (1) Rs.	Child each (2) Rs.	Parents (3) Rs.
1. Second Lieutenant Cadet	1500	400	1165 P. Annum
2. Captain	1665	400	or 3/4 of the
3. Major	2335	400	amount mentioned
4. Lieutenant Colonel	3000	400	in column (1)
5. Colonel	3335	400	
6. Brigadier	4000	400	
7. Major - General	4670	400	
8. Lieutenant General	5335	400	

If the mother is dead Rs. 665 per each child.

Non Committed Officers

1. Lance Corporal or equal Rank	975	325	540
2. Corporal or equal Rank	1040	325	540
3. Sergeant or equal Rank	1105	325	540
4. Staff sergeant equal Rank	1170	325	540
5. Warrant Officer ** II	1235	325	540
6. Warrant Officer * I	1300	325	540

If the mother is dead Rs. 650 for each child

A compensatory allowance of Rs. 500 to the dependents of a commissioned officer and Rs. 400 to the dependents of a non-commissioned officer is payable.

Service Gratuities

A service gratuity is payable to those officers who leave the service under the following grounds. No gratuity is payable if the service is less than 5 years.

- i. Termination of service.
- ii. Resignation
- iii. Cessation under disciplinary grounds.
- iv. Compulsory retirement.

285

The gratuity is calculated at 1/12 of the last salary (monthly) for each month of service.

- i.e. An officer who had 12 years (144 months) of service and resigned while drawing a salary of Rs. 3000/= per month. His gratuity would be $3000/12 \times 144/1 = \text{Rs. } 3600$

Death Gratuity

Dependents of officers who died while in service after completion of 5 years service but less than 10-12 years service are eligible for one years gratuity (last salary x 12 months)

Dependents of officers who had more than 10-12 years service are eligible for the commuted gratuity payable to the deceased officer as death gratuity.

prepared by S.M.D. Gunasena
Chief Accountant.
Department of Pensions.

USER FRIENDLY CHART FOR COMPUTATION OF CIVIL PENSIONS

First and the foremost thing is to ensure that the officer has qualified for a pension. For this purpose the following should have been fulfilled by the officer.

- (i) The officer should have retired from a permanent and pensionable post.
- (ii) If the officer is retiring under any circumstances other than Public Administration Circular 44/90 the minimum service required to qualify for a pension is 120 months reckonable gross service.
- (iii) If the officer has retired purely under Public Administration Circular 44/90 of 18. 10. 1990 the minimum service required to qualify for a pension is 120 months reckonable net service.

1. Receipt of Application

Date stamp the application and check whether the application is signed by a responsible officer of the Department placing the rubber stamp indicating the designation and the name of the Department.

2. Documents required for the award of pension

- (i) Duly perfected application on form Gen. 55
- (ii) Birth certificate. If there is a difference in the name it should be supported by an affidavit sworn in by a close elder relative of the officer.
- (iv) Option for commuted gratuity.
- (v) Certified signature of the officer by the head of Department. (In duplicate)
- (vi) Identity cards on Form Gen. 147.
Identity cards on Form Gen. 148 (In duplicate)
- (vii) Three photographs of the officer duly endorsed and certified (Size 3 1/4" x 2 1/4)
- (viii) Approval of retirement if retired under abolition of office or on language policy.
- (ix) Retirements under medical grounds should be supported by a Medical Board report.
- (x) Option under P. A. Circular 44/90 if retired under that circular.
- (xi) If the retirement is on disciplinary grounds (2-12) or on compulsory retirement grounds (2-15) the following documents should also be available.
 - (a) A copy of the charge sheet.
 - (b) Explanations of the officer and the recommendations of the Head of Department thereon.
 - (c) Decisions of the Public Service Commission, the Minister or the Cabinet if available.

- (xii) Certified copies of the History Sheets.
- Daily paid service - Gen. 226 A
- Non-pensionable
- monthly paid - Gen 234
- Pensionable service - Gen. 53A

3. If the application is complete in every respect assign a number corresponding to the date of retirement as follows:

- Retirements prior to 31.12.1977 - 1 Lakh series
 Retirements between 01.01.78 - 01.01.1982 = 2 Lakh series
 Retirements between 02.01.82 - 31.12.1984 = 3 Lakh series
 Retirements between 01.01.85 - 16.11.1987 = 4 Lakh series
 Retirements between 17.11.87 - 31.08.1990 = 5 Lakh series
 Retirements between 01.09.90 - 17.10.1990 = 590000 series
 Retirements between 18.10.1990 - 17.11.1992 = 6 Lakh series
 Retirements between 18.11.92 - to date = 7 Lakh series

Note : - Assignment of numbers are given in PN. Circular 6/92 of 09.06.1992. When numbers are assigned by the Divisional Secretaries the District number, Divisional Secretariat Number and the category number of pension should be inserted before the number assigned in lakh series.

i. e. District No. /D.S. No. / Category of Pensions No. / 700001

Open a file and file papers immediately preferably in the turner system. All pages to be numbered. Any additional letters received or sent thereafter should be filed on the right hand side of the papers already in the file. Enter the file number and other particulars in the register on form Treasury 67.

4. Insert calculation sheet into the file.

- (i) Form PN. 10 for retirements prior to 01.01.1985
 (ii) Form PN. 10 for retirements after 01.01.1985

Convert daily paid service, if any, into months.

Check section 16 of the application on form Gen. 55 and see whether the officer is required to work on Saturdays and Sundays. If the answer is No the following method should be applied when converting the number of days into months.

Daily paid service prior to 01. 04. 1974

(Please see Pension Dept. circular No. 17/93 of 11.08.1993)

Daily paid services are recorded on history sheets (Form Gen. 226 A) in number of days served by the officer in that particular month. Round up all months where the officer has Served 26 days or more. 24 days or more Served in by the officer in the month of February should also be rounded up. Then total the number of days that are not rounded up and divide it by 26 to convert the number of days into months. Number of months rounded up in the history sheet and the number of months converted into months will form the gross service during the daily paid period. Any remaining days less than 26 will not be taken into account.

Daily paid period after 01. 04. 1974

The same method as mentioned above should be applied when converting the number of days into months. But 21 days should be considered as one month for months other than February. 19 days is regarded as one month for February.

If the officer is required to work on Saturdays and Sundays the number of days required to qualify for one month is 30 days.

Retirements prior to 01. 01. 1978

- (a) 1 Lakh series numbers to be assigned.
 (b) Arrive at the hypothetical salary. If the salary given at cage 19 of the application on form Gen. 55 or the history sheet is consolidated salary convert it to hypothetical salary as per P. A. Circular No. 770 and P.A. Circular No. 96 from 01.04 1975.

287

- (c) Ascertain the net service. Check the history sheet carefully and see whether there are any breaks of service not supported by documents. Any service terminated on reasons other than on disciplinary grounds will be counted for pension.

Gross Service = Daily paid converted into months
 Non - pensionable monthly paid in months
 Period of Pensionable service in months.

Net Service = Gross service minus No-pay leave and breaks of service.

- (d) Add climate bonus to the net service as under.

Age 55 years = add 120 months climate bonus
 56 years = add 108 months climate bonus
 57 years = add 96 months climate bonus
 58 years = add 84 months climate bonus
 59 years = add 72 months climate bonus
 60 years = add 60 months climate bonus

Retirements prior to reaching the age of 55 years under any section of the Pension Minute should be given only 60 months Climate Bonus.

Total net service + Climate Bonus not to exceed 480 months.

Retirements prior to 01. 01. 1978 - Formula

Net service + Climate Bonus x Last Salary (hypothetical)
 720

N.B.- This type of calculation will arise in respect of those who had frozen their pensions and joined Corporations or Boards. The officer should satisfactorily complete the service in the Board or the Corporation until he reaches 55 years of age or retirement. The continuation should be supported by documents. The date of retirement is not the date he left Govt. service to join the Corporation or the Board but the actual date of retirement from the Board or the Corporation is the date of retirement.

The calculation should however be related to the method that was in existence at the time he left Govt. Service to join the Corporation or the Board. Assignment of pension numbers should also be related to the date he left Govt. service.

The arrears of pension have to be calculated from the date of retirement from the corporation.

The chart indicating the cost of living allowances payable is attached.

Retirements prior to 01. 01. 1978: Example

Mr. Karunatilake was born on 01.04.1937. He joined public service as a G.C.C. clerk on 01.01.1957. On 01.02.1977 he joined the Fisheries Corporation after having frozen his pension. His retirement papers have been received from the Insurance Corporation on completion of his 55th Year of age, i.e. 01.04.1992. Calculate the pension payable to Mr. Karunatilake. Mr. Karunatilake's salary on 01.02.1977 was 2400/- He has obtained 5 days no-pay leave.

1. Retirement should be under section 2-48 (A) of the Pension Minute (page 11 of the pension application.)
2. In addition to the documents referred to above a supporting document should be available to prove that he had uninterrupted service after leaving the Fisheries Corporation.

Date of retirement	01.04.92	Date of leaving service	01.02.77
Date of birth	01.04.37	Date of joining service	01.01.57
Age	55 yrs.	Gross service	0.01.20
		No pay leave	<u>05. -- --</u>
		Net service	<u>25. -- 20</u>
Net service	=	240 months	
Add - climate bonus	=	60 months	
		300 Total months to be taken for calculation	
<u>300 x 2400</u>	=	Rs. 1000 per annum	
720			

253

Unreduced Pension	=	Rs. 1000 per annum
Commuted Gratuity	=	$\frac{1000 \times 10}{4} = \text{Rs. } 2500$
Reduced Pension	=	$1000 - 250 = \text{Rs. } 750$ per annum
Pension to be paid from 01. 04. 1992		
Monthly pension of Rs. 62. 50. to be converted as per tables from 01.01.1987 and from 01.01.1988		
Pension on 01.01.1987	=	Rs. 580
Pension on 01. 01. 1988	=	Rs. 1284
Pension on 01.04.1992	=	Rs. 1284
Add Allowances	=	Rs. 600
		Rs. 1884 per month
Rs. 300/- allowance is also payable from 01. 01. 93 to 31 05. 93		
Pension from 01. 06. 1993	=	Rs. 1284
Allowances	=	Rs. 1160
		Rs. 2444 per month

N.B. - 1987 Table is applicable to those who retired prior to 01.01.1985

1988 Table is applicable to those who retired prior to 17.11.1987

Retirements between 01.01.1978 to 01. 01. 1982

Pension numbers assigned during this period represents 2 lakh series. The only difference is the last drawn salary at retirement and the formula so far applied remain the same. Last drawn salary should be the consolidated salary. An annual pensionable allowance of Rs. 1680/- should be added to the consolidated salary.

If the annual salary falls below Rs. 2550/- the pensionable allowance to be added should be adjusted as follows:-

i.e. $\frac{\text{Annual Salary} + \text{Rs. } 1170}{5}$

$\frac{2000 + \text{Rs. } 1170}{5} = \text{Rs. } 1570$

Annual pensionable allowance to be added would then be Rs. 1570/- and not Rs. 1680/-

A monthly additional allowance is also payable to the pensioner based on the net service + Climate bonus related to the last salary drawn by the officer in terms of the Gazette notification. The additional allowance should be shown separately as an addition to the monthly pension.

This additional allowance is not taken into account when calculating the commuted gratuity.

Example - Retirements between 01.01.1978 & 01.01.1982

Date of birth	-	01.02.1924
Date of joining Public Service	-	01.04.1947
Date of retirement	-	01. 02. 1979
Last salary	-	Rs. 6720 p.a.
No - pay leave	-	65 days
Date of retirement	-	01.02.1979
Date of joining	-	01.04.1947
	-	10. 31 Gross service
less - No-pay leave (65 days) 3 months to be deducted		3
		07. 31 Net Service
		12
		379 Months
All climate Bonus		120
		499 Net Service + Climate Bonus
		not to exceed 480

289

Date of retirement		01.02.1979
Date of birth		01.02.1924
		55 age
Last Salary	=	Rs. 6720
Add pensionable allowance	=	Rs. 1680
		Rs. 8400
480 x 8400		
720		
Unreduced Annual Pension	=	Rs. 5600
Commuted Gratuity $Rs. 5600 \times \frac{10}{4 \times 1}$	=	Rs. 14000
Reduced Annual Pension 5600-1400	=	Rs. 4200
Monthly Unreduced Pension	=	Rs. 466.66 + Ad. M.a. Rs. 116.33
Monthly Reduced Pension	=	Rs. 350 + Adl. M. A. Rs. 151/-

Monthly additional allowance should not be taken into account when computing the commuted gratuity.

Retirements between 02.01.1982 to 31.12.1984

Pension numbers assigned during this period represent 3 lakh series. Only difference is the last drawn salary at retirement and the formula so far applied remains the same. Last drawn salary should be the New Consolidated Salary. Temporary Salary adjustments shown in Public Administration Circular No. 197 should be added to the retiring salary. If this salary adjustment is not added it will not correspond to the charts shown to obtain the compensatory allowance payable.

A monthly compensatory allowance is also payable to the pensioner based on the net service + climate bonus related to the last salary drawn by the officer as per compensatory allowance chart.

Retirements from 01.01.1985 to 16.11.1987

17.11.1987 to 31.08.1990

Up to end of 31.12.1984 pensions were computed on a formula system. Beginning from 01.01.1985 the formula system was completely changed and a percentage system took its place. Any person who had 10 years gross service at the time of retirement was eligible to receive a full pension while in the formula system a person had to complete 30 years at the age of 55 to qualify for a full pension.

This Percentage chart was formulated to read a percentage related to the last drawn Salary and the age commencing from 55 years. A percentage for the reduced pension is also shown related to the salary and age at retirement. A person retiring before the age of 55 years has to forgo 1% for every year that fall short of 55 years (i.e. a person retiring at the age of 50 years will get a reduction of 5% from the percentage shown in the chart for 55 years) Also -0.2% is deducted for every month of no-pay or part thereof.

Retirements from 01.01.1985 to 16.11.1987 are assigned with 4 lakh series numbers and retirements from 17.1.1987 to 31.08.1990 are assigned with 5 lakh series numbers. The percentage chart applicable for both are same. Only difference is retirements after 17.11.1987 represent higher salary steps.

Example for retirements between 01.01.1985 to 31.08.1990

Mr. K.K.Perera retired under medical grounds on 01.02.1987. He was born 02.09.1941. He joined service on 01.01.1972. Mr. Perera has taken 9 months and 14 days no-pay leave. His salary at retirement was Rs. 20640/- p.a. Calculate the commuted gratuity, unreduced pension and the reduced pension payable to Mr. Perera.

Date of retirement	01.12.1987
Date of birth	02.09.1941
	29.02.45 Age.
Date of retirement	01.12.1987
Date of joining service	01.01.1972
	11.15 Service.

		Unreduced	Reduced
Percentage applicable for Rs. 20640/- in respect of 5 lakh series for 55 yrs.		88	78
Less - Difference of Age	10	12	12
No pay leave 10x0.2%	2	76	66

20640 x 76

100 Unreduced Annual Pension - Rs. 15686.40

20640 x 66 Reduced Pension = Rs. 13622.40

100

20640 x 76 x 2 Commuted Gratuity = Rs. 31372/-

100

N. B. - Commuted Gratuity is 24 times the unreduced monthly pension.

Retirements between 01.09.1990 to 17.10.1990

Retirements during this period are assigned with numbers commencing from 590,000 series. A separate percentage table is introduced to calculate the pensions. The percentages are related to last salary and service at retirement. Minimum service required to qualify for the percentage indicated in the table is 25 years. Shortfall in the service by 6 months is subject to a reduction of 1% in the percentage. Also the percentage is increased by 1% for services more than 25 years.

Following no-pay leave will not be taken into account.

- (i) No. Pay leave up to 1 year.
- (ii) No-pay leave availed of by the officer to obtain higher qualifications which are directly connected with the duties in the department
- (iii) No-pay and half-pay leave obtained by the teachers before they were absorbed into the civil pension scheme on 01.04.1970

Example - Retirement between 01. 09. 1990 and 17. 10. 1990

Mr. Silva joined clerical service on 01.04.1970 and retired on 11.09.1990 after reaching the age of 60 years. His salary at retirement was Rs. 33,900/= p.a. and he has availed of 13 months and 15 days no-pay leave. Calculate his pension.

Date of retirement	11. 09. 1990	
Date of joining	01. 04. 1970	
	10. 05. 20	Gross Service
	0. 0. 25	Years
	10. 05. 20	Less Gross Service
	20. 06. 04	Shortfall of service to complete 25 years
1% to be deducted for every 6 months or part thereof	x 2	
	--	
	08	
	01	
	01	
	10	Percentage to be deducted

Percentage to be deducted for no-pay leave

Total No-pay leave		
Availed of during the service	-	13 months 15 days
Less No-pay leave concession	-	12 months 0 days
		1 Month 15 days

0.2% to be deducted for every
month of no-pay or part thereof $0.2\% \times 2 = 0.4\%$

		Unreduced	Reduced
The percentage for 25 years service for Rs. 33,900/= annual salary as per chart		76%	66%
Less Shortfall in Service	10%		
No-pay leave	0.4%	10.4%	10.4%
		<u>65.6%</u>	<u>55.6%</u>

Calculation of pension

Unreduced pension	$\frac{65.6}{100}$	x	$\frac{33900}{1}$	= Rs. 1853.20 p.m.
	$\frac{55.6}{100}$	x	$\frac{33900}{12}$	= Rs. 1570.70 p.m.
Commutated Gratuity (24 times of the Unreduced Pension)			1853.20 x 24	= Rs. 44476

Retirements after 18.10.1990

In addition to the other grounds of retirements a public officer can retire under Public Administration Circular No. 44/90. If an officer retires purely under circular 44/90 the following conditions should be fulfilled.

- (i) The officer should have retired after completing 120 months net service from a pensionable post.
 - (ii) The option for retirement under 44/90 should be submitted to the Head of Department one month before retirement.
 - (iii) The officer should retire on or before 01.01.1991 purely under 44/90 circular to qualify for 30 months commuted gratuity. All such officers who have not completed 59 years 01 day are eligible for 30 months gratuity.
 - (a) all officers retiring after 01.01.1991 are eligible to a commuted gratuity of 24 months calculated at 90% of their salaries at retirement.
 - (b) All officers are eligible to have their earned increments added to their salaries at retirement provided the increments are earned
- (a) & (b) mentioned above applies to all those who retire after 18.10.1990 under circular 44/90 or on any other ground.

There are three methods under which an officer can retire in terms of circular 44/90

1st Method

(i) An officer can retire after completing 10 year net service but should hold a pensionable post at the time of retirement to be eligible for a pension. The reckonable net service should be 120 months or more. Daily paid service, monthly paid non pensionable service and pensionable service are regarded as reckonable services. The officer is eligible to draw the commuted gratuity calculated at 90% of the last salary plus earned increment for 24 months. However the officer becomes eligible to draw the monthly pension on completion of 20 years from the date of joining public service or on completion of 55 years of age whichever is earlier.

N.B. - When counting net service any service terminated on grounds other than on disciplinary grounds will be taken for pension purposes.

Example of retirements under circular 44/90 before completion of 20 years gross service.

Unreduced Pension 90 % - Reduced Pension 80%

Mr. Fernando Clerk G.C.C. Retired on 12.07.1992 under Public Administration Circular 44/90. He was born on 12.06.1940 His salary at retirement inclusive of earned increment was Rs. 24000/- p.a. He joined the public service on 01.01.1976. He has not obtained any no-pay leave. Calculate his pension.

270

Date of retirement 12.07.1992
 Date of joining 01.01.1976
 11. 06. 16 Net Service

Date of retirement 12.07.1992
 Date of birth 12.06.1940
 00.01.52 Age

(i) Commuted Gratuity

$$\frac{24000 \times 90 \times 2}{100 \times 1} = \text{Rs. } 43200$$

Rs. 43,200/- will be paid to Mr. Fernando on retirement Viz. 12.07.1992

(ii) Reduced Pension

$$\frac{24000 \times 80}{12 \times 100} = \text{Rs. } 1600 \text{ p.m.}$$

Date on which he becomes eligible to draw the reduced pension.

Age	Service 20 Years
12.06.1940	12.01.1976
55 Yrs	20 Yrs
12.06.1995	12.01.1996

Mr. Fernando will be completing 55 years of age on 12.06.1995. Therefore payment his reduced pension should commence from 12.06.1995

Date of payment of the unreduced pension

Reduced pension will be commenced on 12.06.1995

Add 10 years 10
 12.06.2005

Mr. Fernando will be completing 10 years of receiving the reduced pension, on 2005-06-12 but the payment of unreduced pension will commence on 01.07.2005 only.

N.B. - Any person retiring on a day other than the 1st day of any month will receive the unreduced pension commencing from the 1st day of the month following the completion of 10 years.

2nd Method

An officer can retire under Public Administration Circular No. 44/90 on completion of 20 years gross service. The officer is eligible to receive a commuted gratuity calculated at 90% of the last salary at retirement for 24 months. The officer is also eligible to draw a reduced monthly pension calculated at 80% of the last salary at retirement. The unreduced pension calculated at 90% will be paid on completion of 10 years from date of retirement.

Calculation of pension is the same as method 1.

3rd Method

An officer who has completed 30 years net service in the public service is eligible to draw an unreduced pension calculated at 90% from the date of retirement until his or her death.

The officer is also eligible to draw a commuted gratuity calculated at 90% of the last salary for 24 months.

There is no reduced pension applicable in this method.

The conditions and the requirements applicable to retirements on grounds other than the retirements under Public Administration Circular 44/90 remain the same. But their calculation of unreduced pension and the commuted gratuity will be based on 90% of the last salary plus earned increment and the reduced pension will be 80% of the last salary plus earned increment if the net service is less than 30 years

293

When the net service is more than 30 years the reduced pension is not applicable

Retirements after 18.11.1992

Retirements after 18.11.1992 are assigned with 7 lakh series. This is purely to identify the pensioners who are not eligible to receive the allowance of Rs. 300/- payable from 01.01.1993. Any officer retiring during the year 1993 is eligible to have the pension calculated based on the salary due to be paid on 01.07.93 and 01.01.1994. All the other percentages, conditions and the requirements remain the same.

Following are the different sections of the Pension Minute under which public officers are eligible to retire.

Section 2-7	Retirements on abolition of office
2-10 (A) 2	Retirements of strikers 1980
2-12	Retirements of disciplinary grounds
2-14	Retirements on Medical grounds
2-15	Retirements due to inefficiency
2-17	Retirements on Completion of 60 years
2-17.26 (ix)	Retirements of Completion of 55 years.
2-25	Retirements of Judicial officers
2-39 (3)	Payment of pensions of a deceased Officer.
2-48 (A)	Retirements from a Corporation or a Board
2-48	Retirements for non - proficiency

Prepared by:-
S.M.D. Gunasena
Chief Accountant
Department of Pensions

Ready reckoner for the payment of variable CLA based on the Cost of Living Index.
විග්‍රාහිකයින්ට ජීවන වියදම් දර්ශකය මත ගෙවිය යුතු වෙනස් වන ජීවන වියදම් පිළිබඳව දර්ශකය

Year	month	Allow.	Total	Year	Month	allow.	Total	Year	month	allow.	Total
වර්ෂය	මාසය	දීමනාව	එකතුව	වර්ෂය	මාසය	දීමනාව	එකතුව	වර්ෂය	මාසය	දීමනාව	එකතුව
1981	Nov.	62	62	1984	May	348	5072	1986	Nov.	504	19324
	Dec.	76	138		June	348	5420		Dec.	504	19828
1982	Jan.	90	228		July	348	5768	1987	Jan.	504	20332
	Feb.	92	320		Aug.	348	6116		Feb.	504	20836
	March	94	414		Sept.	404	6520		March	504	21340
	April	94	508		Oct.	404	6924		April	504	21844
	May	106	614		Nov.	404	7328		May	504	22348
	June	110	724		Dec.	404	7732		June	504	22852
	July	112	836	1985	Jan.	504	8236		July	504	23356
	Aug.	116	952		Feb.	504	8740		Aug.	504	23860
	Sept.	118	1070		March	504	9244		Sept.	504	24364
	Oct.	120	1190		April	504	9748		Oct.	504	24868
	Nov.	124	1314		May	504	10252		Nov.	504	25372
	Dec.	126	1440		June	504	10756		Dec.	504	25876
1983	Jan.	132	1572		July	504	11260				
	Feb.	140	1712		Aug.	504	11764				
	March	140	1852		Sept.	504	12268				
	April	140	1992		Oct.	504	12772				
	May	140	2132		Nov.	504	13276				
	June	140	2272		Dec.	504	13780				
	July	140	2412	1986	Jan.	504	14284				
	Aug.	140	2552		Feb.	504	14788				
	Sept.	246	2798		March	504	15292				
	Oct.	246	3044		April	504	15796				
	Nov.	246	3290		May	504	16300				
	Dec.	246	3536		June	504	16804				
1984	Jan.	246	3782		July	504	17308				
	Feb.	246	4028		Aug.	504	17812				
	March	348	4376		Sept.	504	18316				
	April	348	4724		Oct.	504	18820				

FROM 01.01.1988
NEW SALARY REVISION

294

වැටුප්		55		56		57		58		59		60	
සන්ලක කාණ්ඩයේ	සාරලක කාණ්ඩයේ	අඩු	අඩු										
1987. 11. 17 සිට	1987. 01. 01 සිට 1987. 11. 16 දක්වා	නොකළ	කළ										
18240 සහ ඊට අඩු	9600 දක්වා	90%	80%	90%	81%	90%	82%	90%	83%	90%	84%	90%	84%
18241 - 18960 දක්වා	9601 - 9780 දක්වා	89%	79%	90%	80%	90%	81%	90%	82%	90%	83%	90%	84%
18961 - 20640 දක්වා	9781 - 10320 දක්වා	88%	78%	89%	79%	90%	80%	90%	81%	90%	82%	90%	83%
20641 - 21660 දක්වා	10321 - 10500 දක්වා	87%	77%	88%	78%	89%	79%	90%	80%	90%	81%	90%	82%
21601 - 22800 දක්වා	10501 - 10680 දක්වා	86%	76%	87%	77%	88%	78%	89%	79%	90%	80%	90%	81%
22801 - 29400 දක්වා	10681 - 18000 දක්වා	85%	75%	86%	76%	87%	77%	88%	78%	89%	79%	90%	80%
29401 - 30600 දක්වා	18001 - 19600 දක්වා	84%	74%	85%	75%	85%	76%	87%	77%	88%	78%	89%	79%
30601 - 32100 දක්වා	18601 - 19300 දක්වා	83%	73%	84%	74%	85%	75%	86%	76%	87%	77%	88%	78%
32101 - 33000 දක්වා	19201 - 19800 දක්වා	82%	72%	83%	73%	84%	74%	85%	75%	86%	76%	87%	77%
33001 - 34800 දක්වා	19801 - 20400 දක්වා	81%	71%	82%	72%	83%	73%	84%	74%	85%	75%	86%	76%
34800 ට වැඩි	20401 ට වැඩි	80%	70%	81%	71%	82%	72%	83%	73%	84%	74%	85%	75%

1 සිට 199999 සිවිල්

1 සිට 49999 හමුදා

1 සිට ශුරු

විශේෂ දීමනා

73. 10. 01 සිට රු. 20 ක උපරිමයට යටත්වී සි. වැ. හා ඊ. දී. මත 10%ක්.

74. 04. 01 සිට රු. 80ක උපරිමයට යටත්වී ඩී. වැ. හා ඊ. දී. මත 20%ක්

75. 02. 01 සිට අමතරව රු. 25/-ක් උපරිමයේ රු. 75/-

76. 11. 01 සිට අමතරව රු. 95/- උපරිමයේ රු. 90/-

77. 12. 01 සිට අමතරව - අවමය රු. 50/-කට යටත්ව වි. වැ. සහ ඊ. දී. එකතුව මත 10%ක් (අතිරේක දීමනා)

79. 09. 01 සිට අමතරව රු. 55/- පරිපූරක දීමනා.

80. 11. 01 සිට අමතරව රු. 70/-ක් (ජීවන ක්‍රියාදම් දීමනා)

83. 03. 01 සිට අමතරව රු. 100/- (ජීවන අනුකූල මත පදනම් වූ

දීමනා හැර මසකට රු. 1000/-කට අඩු මුළු විශ්‍රාම වැටුප් ලබන විශ්‍රාමිකයින්ට පමණි. මෙම දීමනාව 83. 05. 31 දක්වා පමණි.

295

1990. 09. 01 සිට 1990. 10. 17 දින දක්වා කාලය තුළ විශ්‍රාම ලැබූ විශ්‍රාමිකයින්ගේ විශ්‍රාම වැටුප් ගණන් බැලීමේ ප්‍රතිශත වක්‍රය
 විශ්‍රාම ගන්නා අවස්ථාවේ දී සේවා කාලය (විශ්‍රාම වැටුප් අංක කාණ්ඩය 5,90,000)

විශ්‍රාම ගන්නා අවස්ථාවේ දී ලැබූ වාර්ෂික වැටුප	අවු. 25		අවු. 25 මාසය 6		අවු. 26 මාස 6		අවු. 26 මාස 6		අවු. 27		අවු. 27 මාස 6		අවු. 28		අවු. 28 මාස 6		අවු. 29		අවු. 29		අවු. 30	
	අවු නො කළ %	අවු කළ %																				
18240 සහ ඊට අඩු	85	75	86	76	87	77	88	78	89	79	90	80	90	81	90	82	90	83	90	84	90	85
18241-18960	84	74	85	75	86	76	87	77	88	78	89	79	90	80	90	81	90	82	90	83	90	84
18961-20640	83	73	84	74	85	75	86	76	87	77	88	78	89	79	90	80	90	81	90	82	90	83
20641-21600	82	72	83	73	84	74	85	75	86	76	87	77	88	78	89	79	90	80	90	81	50	82
21601-22800	81	71	82	72	83	73	84	74	85	75	86	76	87	77	88	78	89	79	90	80	90	81
22801-29400	80	70	81	71	82	72	83	73	84	74	85	75	85	76	87	77	88	78	89	79	90	80
29401-30600	79	69	80	70	81	71	82	72	83	73	84	74	85	75	86	76	87	77	88	78	89	79
30601-32100	78	68	79	69	80	70	81	71	82	72	83	73	84	74	85	75	86	76	87	77	88	78
32101-33000	77	67	78	68	79	69	80	70	81	71	82	72	83	73	84	74	85	75	86	76	87	77
33001-34800	76	66	77	67	78	68	79	69	80	70	81	71	82	72	83	73	84	74	85	75	86	76
34801 සහ ඊට වැඩි	75	65	76	66	77	67	78	68	79	69	80	70	81	71	82	72	83	73	84	74	85	75

26

Employees' Provident Fund

(In Brief outline)

01. Employees' Provident Fund Act and amendment there to

1. Employees' Provident Fund Act No. 15 of 1958 came into effect with effect from June 01, 1958
2. Amendment Act No. 16 of 1970 became effective from March 24, 1970
3. Amendment Act No. 08 of 1971 became effective from February 12, 1971
4. Amendment Act No. 24 of 1971 became effective from June 28, 1971
5. Amendment Act No. 26 of 1981 became effective from May 05, 1981

In addition to these the following regulations under the Act have been enacted.

1. Regulations published in Government Gazette No. 11573 of October, 31, 1958
2. Regulations published in Government Gazette No. 13101 of May 11, 1962
3. Regulations published in Government Gazette No. 14,200 of October, 16, 1964

02. Objectives of the Act.

The objective of this Act was to establish a fund to sustain the lives of those who will be unemployed due to ageing and infirmity and the dependents of employees in the event of their deaths.

03. Scope of the Act.

Employers including those employing even one employee are liable to pay contributions to the Fund. This includes the local employees engaged abroad in connection with local businesses.

This includes the following types of employees.

Apprentices
 Permanent
 Non-permanent
 Temporary
 Casual
 Daily paid
 Paid on Commission Basis
 Paid on Contract Basis
 Paid on Piece Rate Basis
 Engaged periodically
 Engaged on field daily
 Working for less than a full day
 Working at irregular intervals in a day
 Engaged by several firms as travelling sales-men

04. Employments not Covered

1. Employer's Husband / Wife.
2. Businesses carried on only with the employer's family members, where even one other person is employed, contribution have to be paid on account of all employees including children but excluding husband / Wife.
3. Employees in Public Services and Local Government Service Commission (only these entitled to Pensions)
4. Services as a Director of an institution. However if a salary is paid for the service rendered, contributions have to be paid.
5. Share holders of a joint venture (Even in case of a share holder receiving a salary for the services rendered,

contributions are payable.)

6. Employees entitled to a pension scheme of a foreign country.
7. Those employed abroad who are not normally resident in this country.
8. Those below 14 years of age.
9. Domestic Service.

05. Contribution payable as per Act	Employer	Employee
From June 1958 to December 1970	8%	4%
From January 1971 to December 1980	9%	6%
From January 1981 up to date	12%	8%

06. Basic Earnings taken in to Account in the payment of contributions

Basic salary, cost of living allowances, allowances similar to cost of living allowances, holiday pay, payments on piece rate basis, commissions and value of food taken for the compensation of total earnings.

07. Payment of Contributions.

Monthly contributions to the Fund should be paid to the Employees' Provident Fund before the end of the subsequent month. The employer has the authority to recover the contributions from the employee's salary where no recovery has been made the employer is liable to pay both employer's and employee's shares.

08. Surcharges on Delayed Payments

<u>Effective Period</u>	<u>Period of Delay</u>	<u>Surcharge</u>
(a) From the inception of the Fund up to December, 1970	Any period of Delay	10%
(b) From January 1971 to December 1980	1. Less than 01 month	10%
	2. More than 01 month but less than 03 months	15%
	3. More than 03 months but less than 06 months	20%
	4. More than 06 months	25%
	1. Less than 10 days	05%
	2. More than 10 days but less than 01 month	15%
	3. More than 01 month but less than 03 months	20%
	4. More than 03 months but less than 06 months	30%
	5. More than 06 months but less than 12 months	40%
	6. More than 12 months	50%

Withdrawal of Provident Fund Contributions

1. Males on completion of 53 years of age and women on completion of 50 years of age.
2. Women on marriage
3. On medical grounds.
4. Leaving Sri Lanka for permanent settlement abroad.
5. Appointment to a pensionable post in the Public Service or a post in the Local Government Service Commission.

6. On death - by heirs.
7. On peoplisation or winding up of Companies.

PAYMENT OF GRATUITY ACT

1. Act and Amendments to Principal Act.

There are no amendments to the Payment of Gratuity Act No. 12 of 1983. The Act became effective from March 31, 1983.

2. Objectives of the Act.

1. Provide for grant of gratuities to employees through the Labour Department instead of through Labour Tribunals.
2. Regularisation Certain payments to those employed in State Plantations or Vested Estates

3. Scope of the Act.

1. Employee strength to be not less than 15.
2. Needs 5 years service.

4. Responsibilities of the Employer

Where the conditions in paragraph 3 have been fulfilled, gratuity has to be paid within 30 days. The employee is entitled to the Gratuity in the event of resignation, dismissal or death.

5. Responsibilities of the Employee

The employee should not

1. Defraud the Fund.
2. Damage the property or
3. Equipment of the Employer.

Any less can be recoverd from the gratuity.

6. Basis of payment

$1/2$ of one month's salary = Half month salary to be multiplied by the number of years worked. (for each year of work $1/2$ month's salary should be paid).

Payment of Gratuity Act comprises two Parts. Part I relates to estate employees and Part II relates to all other employees.

EMPLOYEES' TRUST FUND.

01. Employees' Trust Fund Act and Amendment to the Principal Act.

1. The Fund was created by the Employees' Trust Fund Act. No. 46 of 1980
2. The Principal Act had been amended by the Amendment Act. No. 03 of 1982

02. Objectives of the Act.

The objectives of the Act are to provide for

- Promotion of employee ownership, employee welfare and economic democracy by the participation in supply of finance and investment participation.

Cause the employee participation in management through the acquisition of ordinary shares in enterprises and, provision of a non-contributory benefit at retirement or the termination of employment.

03. Scope of the Act.

The scope of the Act covers all employees of the Private Sector, all Boards and Corporations in the Public Sector.

04. Contributions

1. By the employers in respect of their employees
2. By voluntary contributions made of by a person of his behalf.

05. Areas not covered by the Scope

1. Domestic service
2. Charitable Institutions
3. Social service organizations (generally the Organizations providing industrial training to juvenile delinquents, refugees, and deaf and blind persons)
4. Institutions where only family members are employed.

06. Commencement of payment of contributions

1. Institutions employing over 150 employees were covered with effect from March 01, 1981
2. Institutions employing not less than 50 employees were covered with effect from September 01, 1981
3. Institution even with one employee were covered with effect from January 01, 1982

07. Contributions payable under the Act.

Every employer should pay to the Fund a sum equivalent to 3 per cent of the total earnings of each employee. No recoveries are to be made from their salaries.

Contributions payable in respect of a month should be deposited with the Fund on or before the last day of the subsequent month.

08. Investment

Fund to be utilized to

1. Purchase of shares in any institution
2. Establishment of any commercial or industrial venture.
3. Development of immovable properties.

09. Benefits accruing to members

Employees are entitled to

1. Dividends out of profits from investments
2. Interest of not less than 3 per cent on contributions deposited to the personal accounts of the employees.

10. Refund of Benefits

1. On the termination of employment of members and once in 05 years on account of infirmity.
2. On the death of members, to the heirs of the members.

11. Non-contributory life Insurance Scheme for Employees (Members)

This scheme commenced with effect from March 01, 1986. Under this scheme, on the death of members while in employment, their heirs, on application made to the Board can obtain insurance benefits in addition to the contributions. The insurance premiums in respect of the insurance policies are paid by the Board to the Insurance Corporation of Sri Lanka.

05. සේවක අර්ථ සාධක අරමුදල - සංකීර්ණ ලෙස

01 සේවක අර්ථසාධක අරමුදල් පණත හා සංශෝධන

1. 1958 අංක 15 දරන සේ.අ.අ.පනත 1958 ජුනි 01 සිට ක්‍රියාත්මක විය.
2. 1970 අංක 16 දරන සංශෝධනය 1970.03.24 දින සිට නීතිගත විය.
3. 1971 අංක 08 දරන සංශෝධන 1971. 02. 12 දින සිට නීතිගත විය.
4. 1971 අංක 24 දරන සංශෝධන 1971. 06. 28 දින සිට නීතිගත විය.
5. 1981 අංක 26 දරන සංශෝධනය 1981. 05. 05 සිට නීතිගත විය.

මෙයට අමතරව බොහෝ පනතේ රෙගුලාසි කීපයක් වේ.

1. 1958. 10. 31 දින අංක 11573 දරන ගැසට් පත්‍රයෙන් පලකළ රෙගුලාසි.
2. 1962. 05. 11 දින අංක 13101 දරන ගැසට් පත්‍රයෙන් පලකළ රෙගුලාසි.
3. 1964. 10. 16 දින අංක 14200 දරන ගැසට් පත්‍රයෙන් පලකළ රෙගුලාසි.

02. පනතේ අරමුණ:-

වයෝවෘද්ධත්වය සහ බෙලහිතත්වය නිසා එළඹෙන රක්ෂා ව්‍යුත්පාදිත ද, මරණය නිසා සේවකයාගේ යැපෙන්නන්ට ද ජීවිකාව ගෙන යාමට අරමුදලක් පිරිසිදුවීම මෙහි අරමුණ විය.

03. පනතේ ආවරණය:-

එක් සේවකයකු පවා සේවයේ යොදවා ඇති සියලුම සේවා යෝජකයින් දායක මුදල් ගෙවීමට බැඳී සිටී. මෙරට ව්‍යාපාර සඳහා විදේශයක ගෙන යන සේවාවන් ද ඇතුළත් ය.

ආයුධික, ස්ථිර, අස්ථිර, නාවකාලික, අනියම්, දෛනික පඩි ලබන, කොමිස් ක්‍රමයේ පඩි ලබන, කොන්ත්‍රාත් වැටුප් ලබන, නිමකළ වැඩ ප්‍රමාණයට ගෙවීම් ලබන, කලින් කල සේවය ලබන, කෙසේ නමුත් කාර්යයන්හි නියුතු පුද්ගලයන්හි නියුතු පුද්ගලයන්හි දිනයකට අඩු කාලයක් වැඩ කරන, දවසේ කඩින් කඩ වැඩ ඇති, භාණ්ඩ අලෙවිය සඳහා වාරිකාවෙහි යෙදෙන එකකට වැඩි ආයතන ගණනක සේවය කරන සියලුම අය මෙයට අයත් ය.

04. ආවරණය නොවන සේවා.

1. සේවා යෝජකයාගේ ස්වාමි පුරුෂයා / භාග්‍යාව.
2. සේවා යෝජකයාගේ පවුලේ සාමාජිකයන් සමඟ පමණක් ගෙන යන ව්‍යාපාර. එක සේවකයකු හෝ දෙයටුවහොත් සේවා යෝජකයාගේ භාග්‍යාව/පුරුෂයා හැර දැරුවන්ද ඇතුළත් සියලු දෙනා සඳහා දායක මුදල් ගෙවිය යුතුය.
3. රජයේ හා පළාත් පාලන කොමිෂන් සභා සේවයේ නියුතු සේවකයින් (විශ්‍රාම වැටුප් වලට අයත් අය පමණි)
4. යම් ආයතනයක් අධ්‍යක්ෂක වරයකු වශයෙන් පමණක් ගැනෙන සේවය. (සේවය සඳහා වැටුපක් ලබන්නේ නම් නිල නාමය අධ්‍යක්ෂ ජ්‍යෙෂ්ඨ දායක මුදල් ගෙවිය යුතුය.)
5. හවුල් ව්‍යාපාරයක කොටස් අයිතිකරුවන් (කොටස් කරුවකු වුවද ආයතනයේ සේවය කර වැටුප් ලබයි නම් දායක මුදල් ගෙවිය යුතුය.)
6. විදේශයක පවත්නා විශ්‍රාම ගෙවීම් ක්‍රමයට හිමිකම් ඇති සේවකයින්.
7. විදේශයක සේවයේ යොදවා ඇති සාමාන්‍යයෙන් මෙරට පදිංචි නැති සේවකයින්.
8. වයස අවුරුදු 14ට පහළ අය.
9. ගෘහ සේවය

05. පනත අනුව ගෙවිය යුතු දායක මුදල් සේවා යෝජන සේවකයා

1958 ජූනි - 1970 දෙසැම්බර් දක්වා	6%	4%
1971 ජනවාරි - 1980 දෙසැම්බර් දක්වා	9%	6%
1981 ජනවාරි සිට මේ දක්වා	12%	8%

06. දායක මුදල් ගෙවීමේ දී සැලකිල්ලට ගත යුතු මූලික ඉපයීම්

මූලික වැටුප, ජීවනාධාර ගෙවීම්, ජීවනාධාර වලට සමාන ගෙවීම්, නිවාඩු, කැපී මිමීමේ ගෙවීම්, කොමිස් ක්‍රමයේ ගෙවීම්, මුළු ඉපයීම් සඳහා ගැනෙන ආහාර වල වටිනාකම.

07. දායක මුදල් ගෙවීම

මාස් පතා දායක මුදල් ඊළඟ මාසයේ අවසන් දිනට පෙර සේ.අ.අ. වෙත ගෙවිය යුතුය. සේවකයාගෙන් අඩු කර ගෙවීමට සේවකයාට බලය ඇත. අඩු නොකළහොත් කොටස් දෙකම ගෙවීමට සේවකයාට සිදු වේ.

08. ප්‍රමාද වී ගෙවීම් වල අධිකාර.

බලපවත්වන කාලය	ගෙවීම් ප්‍රමාද වූ කාල සීමාව	අධිකාර දඩ
(අ) අරමුදල ආරම්භයේ සිට 1970 දෙසැම්බර් තෙක්	ප්‍රමාද කාලය කොතෙක් වුවත්	10%
(ආ) 1971 ජනවාරි - 1980 දෙසැ. දක්වා	1. මාස 1ට අඩු	10%
	2. මාස 1ට වැඩි මාස 3ට අඩු	15%
	3. මාස 3ට වැඩි මාස 6ට අඩු	20%
	4. මාස 6ට වැඩි	25%
(ඇ) 1981 ජනවාරි - මේ දක්වා	1. දින 10 ට අඩු	5%
	2. දින 10ට වැඩි මසකට අඩු	15%
	3. මාස 1ට වැඩි මාස 3ට අඩු	20%
	4. මාස 3ට වැඩි මාස 6ට අඩු	30%
	5. මාස 6ට වැඩි මාස 12ට අඩු	40%
	6. මාස 12ට වැඩි	50%

09. අර්ථසාධක අරමුදල් ආපසු ගත හැකි අවස්ථා

1. පිරිමි වයස අවුරුදු 53 සහ ස්ත්‍රීන් අවුරුදු 50 පිරිමෙන් පසු ගත හැක
2. ස්ත්‍රීන්ගේ විවාහ වීම හේතුව මත
3. වෛද්‍ය හේතු මත
4. පෙරළා නොදීමට ශ්‍රී ලංකාව අත්හැර විදේශයක ස්ථිර පදිංචියට යාම
5. විශ්‍රාම වැටුප් සහිත රජයේ හෝ පළාත් පාලන කොමිෂන් සභා සේවයට පත්වීමක් ලැබීමේ දී.
6. මිය ගිය විට උරුම කාරයන්ට.
7. ජනතා කරණය කිරීමේ දී සහ සමාගම් විසුරුවා හැරීමේදී

පාරිතෝෂික දීමනා පනත

01. පනත හා සංශෝධන

1983 අංක 12 පනත මගින් ප්‍රතිෂ්ඨාපනය වූන අතර සංශෝධන නැත. පනත 1983 මාර්තු 31 දින සිට ක්‍රියාත්මක වේ.

02. පනතේ අරමුණ:

1. කම්කරු විනිශ්චය සභාව මගින් වෙනුවට කම්කරු දෙපාර්තමේන්තුවෙන්ම පාරිතෝෂික ලබා දීමේ පිණිට සේවකයන්ට දීම.
2. රජයට හෝ අන් කර ගත් ඉඩම් වල සේවයේ යොදවන සේවකයන්ගේ යම් යම් ගෙවීම් ක්‍රමානුකූල කිරීම.

03. පනතේ ආවරණය

1. සේවකයන් 15කට නොඅඩු සේවක ප්‍රමාණයක් සිටිය යුතුය.
2. වසර 5ක සේවා කාලයක් තිබිය යුතුය.

ඉහත 3 ක්ෂේත්‍ර සම්පූර්ණ වී ඇත්නම් දින 30ක් තුළ පාරිතෝෂික ගෙවිය යුතුය. ඉල්ලා අස්වූවන් අස්කළත් මිය ගිය සේවකයන්ට පාරිතෝෂික හිමිය.

05. සේවක වැටුප්

- සේවකයාගේ
1. අරමුදල් වලට වංචා නොකිරීම
 2. දේපලවලට අලාභ
 3. උපකරණවලට අලාභ නොකළ යුතුය.
- අලාභ කළොත් පාරිතෝෂිකයෙන් අඩු කළ හැක.

06. ගෙවන පදනම

BEST AVAILABLE COPY

මාසික වැටුප ගෙන ඉන් 1/2ක් මාස භාගයක වැටුප වැඩි කළ වීම් ප්‍රමාණයෙන් වැඩි කළ යුතු ය. (වැඩි කළ එක් එක් වර්ෂය සඳහා මාස 1/2ක වැටුප ගෙවිය යුතුය.)

පාරිතෝෂික පනත කොටස් දෙකකට බෙදේ. ඉන් පළමු කොටස වතු සේවකයන් සඳහාද දෙවන කොටස සියලුම අනිකුත් සේවකයන් සඳහා ද බලපායි.

362

සේවා නියුක්තයන්ගේ භාර අරමුදල

01. සේ. නි. භාර අරමුදල් පනත හා සංශෝධන

- 1. 1980 අංක 46 දරන පනත මගින් ආරම්භ විය.
- 2. 1982 අංක 3 පනත මගින් සංශෝධනයක් ඇති විය.

02. පනතේ අරමුණු:-

මූල්‍ය සම්පාදනයට හා ආයෝජනයට සහභාගි වීමෙන් සේවක අයිතිය, සේවක සුභ සාධනය, ආර්ථික ප්‍රජාතන්ත්‍රිකය ප්‍රවර්ධනය කිරීම, ව්‍යවසායනික සාමාන්‍ය කොටස් අත්කර ගැනීමෙන් කළමනාකරණයෙහි සේවක සහභාගිත්වය ඇති කිරීම, සේවකයන් විශ්‍රාම ගැනීමේ දී සේවය අවසන් කිරීමේ දී දායක නොවන ප්‍රතිලාභයක් ලබා දීමට විධි විධාන සැලසීම හා සේවක සුභ සාධනය ඇති කිරීම.

03. පනතේ ආවරණය

පෞද්ගලික අංශයේ හා රාජ්‍ය අංශයේ ව්‍යවස්ථාපිත මණ්ඩල හා සංස්ථා වල සියලුම සේවා නියුක්තයන් ආවරණය කර ඇත.

04. දායකත්වය කවුරුන් විසින් ද

- 1. සේවා නියුක්තයන් වෙනුවෙන් ඔවුන්ගේ සේවා යෝජකයන්.
- 2. තමා වෙනුවෙන් ම ස්වේච්ඡාවෙන් මුදල් කැන්පන් කිරීමෙන්.

05. ආවරණය නොවන අය.

- 1. ගෘහ සේවය
- 2. පුනරායතන
- 3. සමාජ සේවා දායකයන් (ප්‍රධාන වශයෙන් බාලපරාධ කරුවන්ට, අනාථයන්ට, අදහොලු හෝ බිහිරි කැනැක්තන්ට කාර්මික පුහුණුව ලබා දෙන දායකත.)
- 4. පවුලේ අය පමණක් සේවය කරන දායකත.

06. දායක මුදල් ගෙවීම් ආරම්භය

- 1. සේවා නියුක්තයන් 150කට වැඩි සංඛ්‍යාවක් සිටින දායකත 1981. 03. 01 දින සිට ආවරණය වුනි.
- 2. 1981. 09. 01 දින සිට සේවක සංඛ්‍යාව 50ට නොඅඩු දායකත ආවරණය විය.
- 3. 1982. 01. 01. දින සිට එක් සේවකයකු සිටිය විටද ආවරණය වේ.

07. පනත යටතේ ගෙවිය යුතු දායක මුදල්

සෑම සේවකයකු වෙනුවෙන් සේවා යෝජක විසින් මුළු ඉපයීමෙන් 3%කට සමාන මුදලක් අරමුදලට ගෙවිය යුතුය. සේවකයන්ගේ චේතනයෙන් අඩු කිරීම නොකළ යුතුය.

යම් මාසයක් වෙනුවෙන් ගෙවිය යුතු දායක මුදල් එම මාසයට පසුව එළඹෙන මාසයේ අවසාන දිනට හෝ එදිනට පෙර මෙම අරමුදලට කැන්පන් කළ යුතුය.

08. ආයෝජනය.

- 1. ජිනෑම දායකනයක කොටස් මිලදී ගැනීමට.
- 2. වාණිජමය සහ කම්පන ව්‍යවසායන් පිහිටුවීම.
- 3. නිශ්චල දේපල සංවර්ධනය කිරීම.

09. සාමාජිකයන්ට සැලසෙන ප්‍රතිලාභ

- 1. ආයෝජනයෙන් ලැබෙන ලාභ අනුව ලාභාංශ
- 2. සේවා නියුක්තයන්ගේ පෞද්ගලික ගිණුමේ කැන්පන් වී ඇති දායක මුදල් මත අවම වශයෙන් 3%කට තොරතුු පොළී.

10. ප්‍රතිලාභ ආපසු ගෙවීම

- 1. සාමාජිකයින් තම සේවා නියුක්තිය අවසන් වූ විට. බෙලහීනතාව මත වසර 05ක එක් එක් කාලයට එක් වරක් පමණි.
- 2. සේවා නියුක්තියන්ගේ මරණය සිදුවීම නිසා උරුමකරුවන්ට.

11. සේවා නියුක්තයන් (සාමාජිකයන්) සඳහා වන නොමිලයේ ජීවිත රක්‍ෂණ යෝජනා ක්‍රමය

1986 මාර්තු මස 01 සිට ආරම්භ විය. මේයටතේ සේවා නියුක්ත කාලය තුළදී මිය ගිය විට උරුමකරුවන්ට දායක මුදල් වලට අමතරව රක්‍ෂණ වන්දි මුදල් ද මණ්ඩලයට ඉල්ලීම් ඉදිරිපත් කිරීමෙන් ලබා ගත හැකිය. මෙම රක්‍ෂණ වාරික මුදල් රක්‍ෂණ සංස්ථාවට බදිනුයේ මණ්ඩලය විසිනි.

THE CONSTITUTION OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA
CHAPTER IX
THE EXECUTIVE
THE PUBLIC SERVICE

54. APPOINTMENTS BY THE PRESIDENT.

The President shall appoint all public officers required by the Constitution or other written law to be appointed by the President, as well as the Attorney General and the Heads of the Army, the Navy, the Air Force and the Police Force.

55 THE PUBLIC SERVICE.

01. Subject to the provisions of the Constitution, the appointment, transfer, dismissal and disciplinary control of public officers is hereby vested in the Cabinet of Ministers, and all public officers shall hold office at pleasure.
02. The Cabinet of Ministers shall not delegate its powers of appointment, transfer, dismissal and disciplinary control in respect of Heads of Departments.
03. The Cabinet of Ministers may from time to time delegate its powers of appointment, transfer, dismissal and disciplinary control of other public officers to the Public Service Commission:
Provided that the Cabinet of Ministers may, from time to time and notwithstanding any delegation under this Article, delegate to any Minister its power of transfer in respect of such categories of officers as may be specified, and upon such delegation, the Public Service Commission or any Committee thereof shall not exercise such power in respect of such categories of officers:
For the purposes of this proviso, "transfer" means the moving of a public officer from one post to another post in the same service or in the same grade of the same Ministry or Department with no change in salary.
04. Subject to the provisions of the Constitution, the Cabinet of Ministers shall provide for and determine all matters relating to public officers, including the formulation of schemes of recruitment and codes of conduct for public officers, the procedure for the exercise and the delegation of the power of appointment, transfer, dismissal and disciplinary control of public officers.
05. Subject to the jurisdiction conferred on the Supreme Court under paragraph (1) of Article 126 no court or tribunal shall have power or jurisdiction to inquire into, pronounce upon or in any manner call in question, any order or decision of the Cabinet of Ministers, a Minister, the Public Service Commission, a Committee of the Public Service Commission or of a public officer, in regard to any matter concerning the appointment, transfer, dismissal or disciplinary control of a public officer.
06. For the purposes of this Article and Articles 56 to 59 (both inclusive "public officer" does not include a member of the Army, Navy or Air Force.

56. PUBLIC SERVICE COMMISSION.

01. There shall be a Public Service Commission which shall consist of not less than five persons appointed by the President. The President shall nominate one of the members of the Commission to be the Chairman.
02. No person shall be appointed or continue as a member of the Public Service Commission if he is a Member of Parliament.
03. Every person who, immediately before his appointment as a member of the Public Service Commission, was a public officer or a judicial officer shall, when such appointment takes effect, cease to hold such office, and shall be ineligible for further appointment as a public officer or judicial officer:

Provided that any such person shall, until he ceases to be a member of the Public Service Commission, or while continuing to be such a member, attains the age at which he would, if he were a public officer or a judicial officer, as the case may be, be required to retire, be deemed to be a public officer or a judicial officer, and to hold a pensionable office in the service of the State, for the purposes of any provision relating to the grant of pensions, gratuities or other allowances in respect of such service.
04. Every member of the Public Service Commission shall hold office for a period of five years from the date of his appointment, unless he earlier resigns office by a writing under his hand addressed to the President, or is removed from office by the President for cause assigned, but shall be eligible for reappointment.
05. The President may grant leave from his duties to any member of the Public Service Commission and may appoint a person qualified to be a member of the Public Service Commission to be a temporary member for the period of such leave.
06. A member of the Public Service Commission shall be paid such salary as may be determined by Parliament. The salary payable to any such member shall be charged on the Consolidated Fund and shall not be diminished during his term of office.
07. There shall be a Secretary to the Public Service Commission who shall be appointed by the Commission.

08. The quorum for any meeting of the Commission shall be three members.
09. The Public Service Commission shall have power to act notwithstanding any vacancy in its membership, and no act or proceeding of the Commission shall be, or be deemed to be, invalid by reason only of any such vacancy or any defect in the appointment of a member.
10. For the purposes of Chapter IX of the Penal Code, a member of the Public Service Commission shall be deemed to be a public servant.

57. COMMITTEES OF PUBLIC SERVICE COMMISSION.

01. Whenever the Cabinet of Ministers so directs the Chairman of the Public Service Commission shall appoint a Committee of the Public Service Commission to exercise the powers of the Commission in respect of such categories of public officer as are specified in such direction.
02. Upon a direction being made under paragraph (1) of this Article, the Chairman of the Public Service Commission shall appoint a Committee consisting of three members of the Public Service Commission. Where such Chairman is member of the Committee so appointed, he shall be the Chairman of the Committee, and where he is not a member of the Committee so appointed, then such member of that Committee as may be nominated in writing by such Chairman, shall be the Chairman of that Committee.
03. Upon the appointment of any such Committee, the Public Service Commission shall cease to exercise its powers of appointment, transfer, dismissal and disciplinary control in respect of the categories of public officers specified in the direction for the appointment of such Committee.
04. There shall be a Secretary to each such Committee who shall be appointed by the Public Service Commission.
05. The quorum for any meeting of any such Committee shall be two members.
06. Any such Committee shall have power to act notwithstanding any vacancy in its membership and any act or proceeding of any Committee shall not be, or be deemed to be, invalid by reason only of any such vacancy or any defect in the appointment of a member.

58. DELEGATION BY PUBLIC SERVICE COMMISSION OR ANY COMMITTEE THEREOF.

01. The Public Service Commission or any Committee thereof may delegate to a public officer, subject to such conditions as may be prescribed by the Cabinet of Ministers, its powers of appointment, transfer, dismissal or disciplinary control of any category of public officers.
02. Any public officer aggrieved by any order of transfer or dismissal, or any other order relating to disciplinary matter made by a public officer to whom the Public Service Commission or any Committee thereof has delegated its power under the preceding paragraph shall have a right of appeal to the Public Service Commission or such Committee, as the case may be.

59. POWER OF CABINET OF MINISTERS TO ALTER, VARY OR RESCIND APPOINTMENTS.

The Cabinet of Ministers shall have the power to alter, vary or rescind-

- (a) any appointment, order of transfer or dismissal or any other order relating to a disciplinary matter made, on appeal or otherwise, by the Public Service Commission or a Committee thereof;
- (b) any order of transfer made by a Minister; or
- (c) any appointment made by a public officer to whom the Public Service Commission or any Committee thereof has delegated its powers under Article 58(1)

60. INTERFERENCE WITH PUBLIC SERVICE COMMISSION & C., AN OFFENCE.

Every person who, otherwise than in the course of his duty, directly or indirectly, by himself or by any other person, in any manner whatsoever, influences or attempts to influence any decision of the Public Service Commission, or of any Committee thereof, or of any member of such Commission or of any public officer exercising any powers delegated by such Commission or Committee, shall be guilty of an offence, and shall, on conviction by the High Court after trial without a jury be liable to a fine not exceeding one thousand rupees or to imprisonment for a term not exceeding one year or to both such fine and such imprisonment and fine:

Provided that nothing in this Article shall prohibit any person from giving a certificate or testimonial to any applicant or candidate for any public office.

61. OFFICIAL OATH OR AFFIRMATION.

A person appointed to any office referred to in this Chapter shall not enter upon the duties of his office until he takes and subscribes the oath or makes and subscribes the affirmation set out in the Fourth Schedule.

ATTITUDE TOWARDS WORK 113/91

1. HOW IS WORK CREATED?

- Organizational Goals & Objectives
- Functions of Management
 - Planning - Sets Targets
 - Organizing - Deciding on how to get the targets achieved method.
 - Staffing - People in positions
 - Directing - Instructing what should be done
 - Controlling - Controlling progress of plan
- Work should be targeted towards the Organizational Goals or Objectives
- Efficiency
 - Speed
 - Quality
 - Economy
- Difference between
 - "Doing the right thing"
 - "Doing the thing right"
- Work will be efficient only under proper direction
 - What should be done
 - How should it be done
 - When should it be done
 - Where should it be done
 - Who should do it
 - Why should it be done
- Work becomes meaningful when the purpose is known & when the target is known
- Controls - progress review - systems
- Proper Coordination
- Division of work
- Assignment of responsibility
- Delegation of authority
- Equity
- Each individual should understand his role and understand the role of others

2. ATTITUDES

- An attitude is an individual's feelings, thoughts, or predisposition towards something
- Proper attitudes arise from knowledge of goals & targets
- Could be developed

3. ABSENCE OF CORRECT ATTITUDES LEADS TO:

- Indiscipline
- Unproductive practices
- Traditional Thinking
- Failure in the organization's Goal achievement

4. DEVELOPMENT OF ATTITUDES

- At point of recruitment & later

Education		Training	
Attitudes	20	Attitudes	33 1/3
Skills	10	Skills	33 1/3
Knowledge	70	Knowledge	33 1/3

- Team work
- Motivation
- Proper Job - man relationship
- Unity of Command
- Span of control
- Proper supervision
- Management must be serious about tasks
- Avoid unnecessary rules & regulations
- Good leadership
- Proper organization of work

"When did you start working in this Company?"

"Well, I have been with the Company two years, but it wasn't until a couple of months ago when the Boss threatened to fire me that I started to work"

Reader's Digest Jan. 1983

"Work expands to fill the time available for its completion; the thing to be done swells in perceived importance and complexity in a direct ratio with the time to be spent in its completion"

-Parkinson's First Law

Prepared by: S.B.W. de Silva, Commandant, National Auxiliary Force, Ministry of Defence

MANAGING PEOPLE AT WORK

1. WHAT ARE THE EXPECTATIONS OF PEOPLE AT WORK?

At organizational level - Total effectiveness
Individual Level - Work effectiveness

2. THE SIGNIFICANCE OF EFFECTIVENESS AND EFFICIENCY IN A WORK ENVIRONMENT.

Rules and Controls - necessary
Too many rules and controls are counter productive.
Such controls suffocate the creative and self motivational spark in employees.

3. TERMINAL OBJECTIVES

Individual variables

- (a) Ability
- (b) Intelligence and aptitude
- (c) Attitudes
- (d) Personality
- (e) Motivation

4. ORGANIZATION VARIABLES

- (a) Group influence
- (b) Leadership Style
- (c) Communication
- (d) Performance Evaluation System
- (e) Reward System

5. STRUCTURAL VARIATIONS

- | | |
|-------------------------------------|--------------------------------|
| (a) Mechanistic | Vs. Organic |
| (b) Centralized | Vs. Decentralized |
| (c) Co-ordination through hierarchy | Vs. Task Forces |
| (d) Position based authority | Vs. knowledge based authority. |

Prepared by: A. Joseph, Director,
Police Higher Training Institute.

GROUP DISCUSSION AND TEAM APPROACH

1. INTRODUCTION

1.1 The importance of groups

All day long we interact first in one group and then in another. We live in a dwelling as part of a group, we learn in groups contained in the same classroom, we work in groups, we interact with friends in groups, and we spend much of our leisure time in groups. Our family life, our leisure time, our friendships, and our careers are all filled with groups. We are born into a group called the family, and we would not survive the first few minutes, the first few weeks, or even the first few years of our lives without membership in this group. It is within our family and peer groups that we are socialized into ways of behaving and thinking, educated, and taught to have certain perspectives on ourselves and our world. Our personal identity is derived from the way in which we are perceived and treated by other members of our groups. We learn, worship, and play in groups. As humans we have an inherent social nature: Our life is filled with groups from the moment of our birth to the moment of our death.

2. WHAT IS A GROUP ?

A group has the following characteristics :-

- 2.1 - Interpersonal Interaction
- 2.2 - Perceptions of Membership
- 2.3 - Interdependency
- 2.4 - Goals
- 2.5 - Motivation
- 2.6 - Mutual Influence

A group may be defined as two or more individuals who (a) interact with each other, (b) are interdependent, (c) define themselves and are defined by others as belonging to the group, (d) share norms concerning matters of common interest and participate in system of interlocking roles, (e) influence each other, (f) find the group rewarding, and (g) pursue common goals.

3. EFFECTIVE GROUPS AND EFFECTIVE GROUP SKILLS.

Any effective group has three core activities: (1) accomplishing its goals, (2) maintaining itself internally, and (3) developing and changing in ways that improve its effectiveness. A successful group has the quality and kind of interaction among members that integrate these three core activities. Group members must have the skills to eliminate barriers to the accomplishment of the group's goals, to solve problems in maintaining high-quality interaction among members, and to overcome obstacles to the development of a more effective group. To be an effective group member, you need an understating of what group effectiveness is and how your behaviour can contribute to this effectiveness. There are several dimensions of group effectiveness that relate to these core activities, and together they make up a model that can be used to evaluate how well a group is functioning. This model provides a sense of direction to the building of the productive group by stating what, ideally, the group should be. An awareness of the difference between the ideal model and the way in which their group is functioning will motivate group members to improve their effectiveness.

- 3.1 Group goals must be clearly understood, be relevant to the needs of group members, highlight the positive interdependence of members, and evoke from every member a high level of commitment in their accomplishment.
- 3.2 Group members must communicate their ideas and feelings accurately and clearly. Effective two-way communication is the basis of all group functioning and interaction among group members.
- 3.3 Participation and leadership must be distributed among members. All should participate, and all should be listened to. As leadership needs arise, members should all feel responsibility for meeting them. The equalization of participation and leadership makes certain that all members will be involved in the group's work, committed to implementing the group's decisions, and satisfied with their membership. It also assures that the resources of every member will be fully utilized, and increases the cohesiveness of the group.
- 3.4 Appropriate decision making procedures must be used flexibly if they are to be matched with the needs of the situation. There must be a balance between the availability of time and resources (such as members' skills) and the method of decision making used. Another balance must be struck among the size and seriousness of the decision, the commitment needed to put it into practice, and the method used for making the decision. The most effective way of making a decision is usually by consensus (unanimous agreement). Consensus promotes distributed participation, the equalization of power, productive controversy, cohesion, involvement, and commitment.
- 3.5 Power and influence need to be approximately equal throughout the group. They should be based on expertise, ability, and access to information, not on authority. Coalitions that help fulfil personal goals should be formed among group members on the basis of mutual influence and interdependence.
- 3.6 Conflicts arising from opposing ideas and opinions (controversy) are to be encouraged. Controversies promote involvement in the group's work, quality and creativity in decision making, and commitment to implementing the group's decisions. Minority opinions should be accepted and used.

- 3.7 Group cohesion needs to be high. Cohesion is based on members liking each other, each member's desire to continue as part of the group, the satisfaction of members with their group membership, and the level of acceptance, support, and trust among the members. Group norms supporting psychological safety, individuality, creativeness, conflicts of ideas, and growth and change need to be encouraged.
- 3.8 Problem-solving adequacy should be high. Problems must be solved with minimal energy and in a way that eliminates them permanently. Procedures should exist for sensing the existence of problems, inventing and implementing solutions, and evaluating the effectiveness of the solutions. When problems are dealt with adequately, the problem-solving ability of the group is increased, innovation is encouraged, and group effectiveness is improved.
- 3.9 The interpersonal effectiveness of members needs to be high. Interpersonal effectiveness is a measure of how well the consequences of your behaviour match your intentions.

4. TYPES OF GROUPS IN ORGANIZATIONS

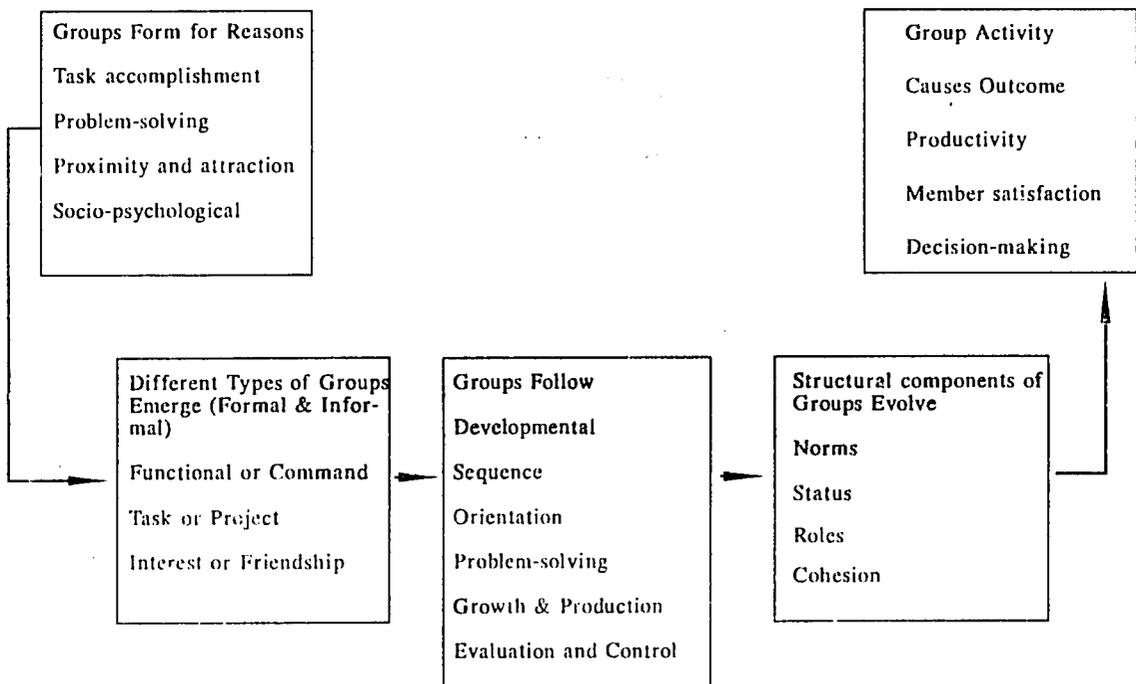
Group Type	Characteristics	Examples
Functional Groups	<p>Member relationships specified by the structure of the organization.</p> <p>Involves superior subordinate relationship.</p> <p>Involves accomplishment of ongoing tasks.</p> <p>Generally can be considered a formal group.</p>	<p>Head nurses supported registered nurses, practical nurses, and nurses' aids.</p> <p>Manager of accounting supported by staff accountants, financial analysts, computer operators & secretaries.</p>
Task of Project Groups	<p>Member relationships established for the accomplishment of a specific task.</p> <p>Short-term or long-term duration.</p> <p>Can involve superior-subordinate relationship.</p> <p>Generally can be considered a formal group.</p>	<p>Project-planning teams</p> <p>Committees,</p> <p>Special task forces</p>
Interest and Friendship Groups.	<p>Member relationships formed because of some common characteristics such as age, political beliefs, or interests.</p> <p>Generally can be considered a formal or informal group.</p> <p>Goals can be congruent or incongruent to organization's goals.</p>	<p>Trade unions also can be a functional group.</p> <p>Social groups</p> <p>Recreation clubs.</p>

5.GROUP COHESIVENESS

Each one of us at one time or another has observed or been part of a group that possessed a degree of closeness or solidarity that made working with the group a pleasure. Termed group cohesiveness, this is a structural situation in which the factors acting on group members to remain and participate in the group are greater than those acting on members to leave it. Group cohesiveness presents at least two important implications for managers. First, cohesiveness is an important indicator of the degree of influence the group as a whole has on individual members - the greater the cohesiveness, the greater the group's influence on members.

- 5.1 **Group goal achievement.** If the group agrees on the purpose and direction of its activities, the group is bound together for better performance.
- 5.2 **Frequency of interaction.** When group members have the opportunity to interact frequently with each other, the probability for cohesion to develop will increase. For the shuttle group, the manager may want to schedule a number of meetings (formal and informal), and possibly, physically design the office lay out so that officers are close together.
- 5.3 **Personal attractiveness and dependence.** Cohesiveness is increased when members are attracted to one another, creating a state of mutual trust and support. This can be accomplished by adding members who get along well with others and have the expertise to perform at high levels. What the group stands for and what it does -its norms, friendships, communication networks - are bonds that attract the individual to the group.
- 5.4 **Evaluation as a group.** While it is important that individual performance be evaluated and rewarded, cohesion can be increased by evaluating the group as a whole.
- 5.5 **Group prestige and status.** Cohesion can increase by according the group some prestige or status - in other words, aspects that make existing group members feel good that they are members and that cause other employees to want to become members. This can be done by openly recognizing the excellent performance of the group, frequently rewarding or promoting group members, stressing the important skills and abilities required for group membership, or allowing great independence of action among group members.

GROUPS IN ORGANIZATIONS



THE NEED QUIZ

EXERCISE The following questions have seven possible responses:

01. Please mark one of the seven responses by circling the number that corresponds to the response that fits your opinion. For example, if you "strongly agree" circle the number "+3".

02. Complete every item. You have about ten minutes to do so.

	Strongly Agree	Agree	Slightly Agree	Don't Know	Slightly disagree	disagree	Strongly disagree
	+3	+2	+1	0	-1	-2	-3
01. Special wage increases should be given to employees who do their jobs very well.	+3	+2	+1	0	-1	-2	-3
02. Better job descriptions would be helpful so that employees would know exactly what is expected of them.	+3	+2	+1	0	-1	-2	-3
03. Employees need to be reminded that their jobs are dependent on the company's ability to compete effectively.	+3	+2	+1	0	-1	-2	-3
04. Managers should give a good deal of attention to the physical working conditions of their employees.	+3	+2	+1	0	-1	-2	-3
05. Managers ought to work hard to develop a friendly working atmosphere among their people.	+3	+2	+1	0	-1	-2	-3
06. Individual recognition for above standard performance means much to employees.	+3	+2	+1	0	-1	-2	-3
07. Indifferent supervision can often bruise feelings.	+3	+2	+1	0	-1	-2	-3
08. Employees want to feel that their real skills and capacities are put to use on their jobs.	+3	+2	+1	0	-1	-2	-3
09. Company welfare facilities are important factors in keeping employees on their jobs.	+3	+2	+1	0	-1	-2	-3
10. Almost every job can be made more stimulating and challenging.	+3	+2	+1	0	-1	-2	-3
11. Many employees want to give their best in everything they do.	+3	+2	+1	0	-1	-2	-3
12. Management could show more interest in employees by sponsoring social events after hours.	+3	+2	+1	0	-1	-2	-3
13. Pride in one's work is actually an important reward.	+3	+2	+1	0	-1	-2	-3
14. Employees want to be able to think of themselves as "the best" at their own jobs.	+3	+2	+1	0	-1	-2	-3
15. The quality of the relationship in the informal work group is quite important.	+3	+2	+1	0	-1	-2	-3
16. Individual incentive bonuses would improve the performance of employees.	+3	+2	+1	0	-1	-2	-3
17. Visibility with upper management is important to employees.	+3	+2	+1	0	-1	-2	-3
18. Employees generally like to schedule their own work and to make job-related decisions with minimum supervision.	+3	+2	+1	0	-1	-2	-3
19. Job security is important to employees.	+3	+2	+1	0	-1	-2	-3
20. Having good equipment to work is important to employees.	+3	+2	+1	0	-1	-2	-3

312

Step 1: Transfer the numbers you circled in the questionnaire to the appropriate places in the spaces below.

Self-actualization needs

- 10.
- 11.
- 13.
- 18.

Total

Social Needs

- 05.
- 07.
- 12.
- 15.

Total

Esteem Needs

- 06.
- 08.
- 14.
- 17.

Total

Security Needs

- 02.
- 03.
- 09.
- 19.

Total

Basic Needs

- 01.
- 04.
- 16.
- 20.

Total

Step 2: Record your total scores in the following chart by marking an "X" in each row next to the number of your total score for that area of needs motivation.

N E E D S	- 12	- 10	- 8	- 6	- 4	- 2	0	+ 2	+ 4	+ 6	+ 8	+ 10	+ 12
Self-actualization													
Esteem													
Social													
Security													
Basic													

Low High

313

පහත දක්වා ඇති ප්‍රශ්න 20 ක් ඇත්විය හැකි ප්‍රතිචාර හක බැගින් වේ.

01. සිව්වැනි මහාසංගමයේ ප්‍රතිචාරයට ඇදී අංකය රවුම් කරන්න. උදා සිව් කඳින් එක්වත් නම් '3' අංකය රවුම් කරන්න.
02. සෑම කොටසක්ම සම්පූර්ණ කරන්න. එසේ කිරීම සඳහා විනාඩි 10 ක් පමණ කාලයක් ගත කළ හැක.

	කඳින් එකතුවේම	එකතුවේම.	මඳුවයෙන් එකතුවේම	නොදැනීම.	ලිදුවයෙන් එකතුවේම.	එකතුවේම	කිසිවක් එකතුවේම
01. විශේෂ වේදිකාධික දිය දැව්පත් කළ කාර්යයන් ඉතා හොඳින් ඉටු කරන සේවකයින් විය.	-3	-2	-1	-0	-1	-2	-3
02. තමාගෙන් ස්ථිර වියෙන් බලාපොරොත්තු වන කාර්ය භාරය කුමක්දැයි සේවකයින්ට අවබෝධ කර ගැනීමට උපකාර වන සිතිය කාර්යයන් හොඳින් විස්තර කරදීම ප්‍රයෝජනවත් වේ.	-3	-2	-1	-0	-1	-2	-3
03. වෙනත් ව්‍යාපාර හා ප්‍රවේල ලෙස කරන කිරීමට ඇති හැකියාව අනුව සේවකයින්ගේ ශක්තියට ගැළපවත්වා බල සලසා ගැනීමට හැකි හැකියාව පුහුණු කළය.	-3	-2	-1	-0	-1	-2	-3
04. කළමනාකරුවන් විසින් සේවකයින්ගේ සෞභාග්‍යය පහසුකම් ගැන අවධානය යොමු කළ යුතුය.	-3	-2	-1	-0	-1	-2	-3
05. කළමනාකරුවන් විසින් තම සේවකයින් අතර පුහුණු ව්‍යාපාරයන් ඇති කිරීම සඳහා දිරිමත් විය යුතුය.	-3	-2	-1	-0	-1	-2	-3
06. සාමාන්‍ය ප්‍රමාණයට වඩා හොඳින් වැඩ කරන සේවකයින්ට විශේෂත්වයක් දැක්වීම සලසා ගැනීමට හැකි විය යුතුය.	-3	-2	-1	-0	-1	-2	-3
07. උද්‍යමන අධ්‍යයනය බොහෝ විට සිත් පූර්විකාව කුඩාදේ.	-3	-2	-1	-0	-1	-2	-3
08. කළමනාකරුවන් විසින් තම දක්ෂතා හා හැකියාවන් ප්‍රයෝජනයට ගනු ලබන බව හැඟවීමට සේවකයින්ට උපකාරය.	-3	-2	-1	-0	-1	-2	-3
09. සේවකයින් සේවයේ රඳවා ගැනීම සඳහා පුහුණු සහ සහ පහසුකම් පුද්ගලිකව වේ.	-3	-2	-1	-0	-1	-2	-3
10. සෑම කාර්යයක්ම හොඳින් ප්‍රයෝජනවත් හා තරඟකාරී එකක් කළ හැක.	-3	-2	-1	-0	-1	-2	-3
11. තමා කරන සියලුම කළමනාකරුන් තමාගේ උපරිම දක්ෂතාව පෙන්වීමට බොහෝ සේවකයින්ට අවකාශය වේ.	-3	-2	-1	-0	-1	-2	-3
12. රාජකාරී කාලයෙන් පසු සම්භාව්‍ය අදාළ පුද්ගලිකව සේවකයින් ගැන පැමිණිලි කරනු ලබන බව කළමනාකරුවන්ට එක්ව ගැනීමට හැකි.	-3	-2	-1	-0	-1	-2	-3
13. කළමනාකරුවන් වැඩ ගැන අධ්‍යයනය වීම අවබෝධයෙන් සිදුවන පිළිගත නොහැකි.	-3	-2	-1	-0	-1	-2	-3
14. තමා කරන කාර්යයන්හි තමා හොඳම හැකියාව බව සිතා ගැනීමට හැකිවීමට සේවකයින්ට අවකාශය වේ.	-3	-2	-1	-0	-1	-2	-3
15. අතිශය සේවක සාධාරණ සමග ඇති සම්බන්ධයේ ගැණක්ම නොවිය ඉතා පුද්ගලික වේ.	-3	-2	-1	-0	-1	-2	-3
16. තමා තම වගයෙන් දිවිදීමේ පාරිභෝගික රීමනා පුද්ගල සේවකයින්ගේ කාර්යයන් පැමිණිලි කළ හැකි.	-3	-2	-1	-0	-1	-2	-3
17. ඉහළ මට්ටමේ කළමනාකාරීත්වය සමග සම්බන්ධය සේවකයින්ට පුද්ගලික වේ.	-3	-2	-1	-0	-1	-2	-3
18. තමාගේ වැඩ තමාගේ කාර්යයන්ට ගැනීමට හා වැඩ කිරීමක් අවම අධ්‍යයනය සමග ගැනීමට සාමාන්‍යයෙන් සේවකයින් පුද්ගලික දක්වති.	-3	-2	-1	-0	-1	-2	-3
19. සේවකයින්ට සේවයේ සුරක්ෂිත භාවය ඉතා පුද්ගලිකය.	-3	-2	-1	-0	-1	-2	-3
20. වැඩ කිරීම සඳහා හොඳ ආවේණික කිසිදු සේවකයින්ට ඉතා පුද්ගලිකය.	-3	-2	-1	-0	-1	-2	-3

214

අවශ්‍යතා ප්‍රශ්න වැඩ සටහන

61

න වැඩසටහනේ මඛ වයිත් රවුම තරන ලද අංකයන් පත්වා ඇති ස්ථානයන්හි යොදන්න.

උන්නතීකාමි අවශ්‍යතා

- 10.
- 11.
- 13.
- 18.

එකතුව _____

සමාප්ත අවශ්‍යතා

- 5.
- 7.
- 12.
- 15.

එකතුව _____

මූලික අවශ්‍යතා

- 1.
- 4.
- 16.
- 20.

එකතුව _____

සම්මානීය අවශ්‍යතා

- 6.
- 8.
- 14.
- 17.

එකතුව _____

සුරක්ෂිතභාවය පිලියඳ අවශ්‍යතා

- 2.
- 3.
- 9.
- 19.

එකතුව _____

62

හන දක්වා ඇති සටහනේ එක් එක් පේලියේ සේ එන් අවශ්‍යතා අභිප්‍රේරකයට අදාළ මුළු ලකු ප්‍රමාණයට ආසන්නම සංඛාලක වටයට 'x' සලකුණ යොදමින් ඔබගේ මුළු ලකුණු සංඛාලක සටහන් කරන්න.

අවශ්‍යතා	-12	-10	-8	-6	-4	-2	0	2	4	6	8	10	12
භවිතකාමි													
මනානීය													
නාප්ත													
රක්ෂිතභාවය													
ලික													

MOTIVATION

INTRODUCTION

Motivation is concerned with the "why" of human behaviour. Why do people do things? Why does Ranjith have frequent problems with the boss? Why does Anil work so much harder than Saman? These questions can be partially answered with an understanding of human motivation. Motivation is important to management for three reasons; First, employees on the job must be motivated to perform at an acceptable level. Second, managers themselves must be motivated to do a good job. Third, employees (managerial and non managerial) must be motivated to join the organization.

WHAT IS MOTIVATION?

Motivation has been defined as "all those inner-striving conditions described as wishes, desires, drives, goals and force. It is an inner state that activates, moves or energises and that directs or channels behaviour toward goals". This definition has three important characteristics. First it is concerned primarily with that which energises or moves human behaviour, second it focuses on what directs or channels such behaviour, and finally it asks how behaviour is sustained or maintained. From a manager's perspective, a person who is motivated can be described as follows :-

The person works hard

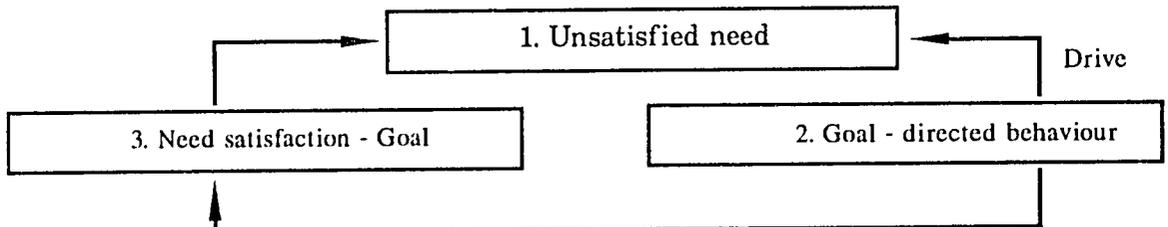
The person sustains the pace of hard work

The person's behaviour is self-directed toward important goals.

Thus, motivation involves effort, persistence, and goal.

THE MOTIVATION PROCESS

An unsatisfied need is the starting point in the process of motivation. A deficiency of something within the individual, it is the first link in the chain of events leading to behaviour. The unsatisfied need causes tension (Physical or psychological) within the individual, leading the individual to engage in some kind of behaviour to satisfy the need and thereby reduce the tension. Note in the diagram shown below that this activity is directed towards a goal. Achieving the goal satisfies the need, and the process of motivation is complete. For example, an achievement - oriented person is driven by the desire to succeed and is motivated by a desire for a promotion and or accomplishment in order to satisfy the need.



The Process of Motivation

MOTIVATION PROCESS

Motivation begins with a need, a felt deficiency. Individuals have many types of need. Some are innate (Eg. needs for food, water, sex and sleep), and some are learned (Eg. needs for achievement, affiliation, and power). The learned needs, of course, are much more important to the motivation of employees than are the inborn needs.

Once a need develops, it sets up a drive. A drive is simply the behavioral outcome of a need; it is deficiency with direction. The drive is aimed at a goal which will alleviate the deficiency. A goal in the motivation cycle can be defined as anything that fulfils a need. For example, individuals who have a strong desire to be with others (a high need for affiliation) may attempt (drive) to increase their interactions with those around them (behaviour) in the hope of gaining their friendship (goal). Therefore, motivation should be thought of as involving needs, drives behaviour, and goals. All four are important to the manager in understanding the motivation of employees.

One of the problems in studying motivation is that it cannot be felt, seen, or heard directly through observable behaviour. Rather, it is an intervening variable. An intervening variable is used to account for internal (and unobservable) psychological processing that in turn directly affects behaviour. Thus motivation, like learning and anxiety; is an "in-the-head" variable. The manager who wants to study the effect of different kinds of incentives (economic, psychological, etc.,) must be aware that motivation is an intervening variable and that an employee's motivation can be measured or inferred only from the employee's behaviour. But herein lies the problem. In order to study motivation, a manager must measure it. Yet because motivation is not directly observable, the manager must always measure presumed effects of motivation, such as performance, turnover, grievances, and the like, and not motivation itself. For example, if we observe that a lathe operator is producing more axles than his coworkers, we can infer that he is more motivated (assuming similar abilities and skills).

BASIC THEORIES OF MOTIVATION

There are numerous theories of motivation. We will look at two theories which managers have used widely, viz., need theory and the two-factor theory.

NEED THEORY.

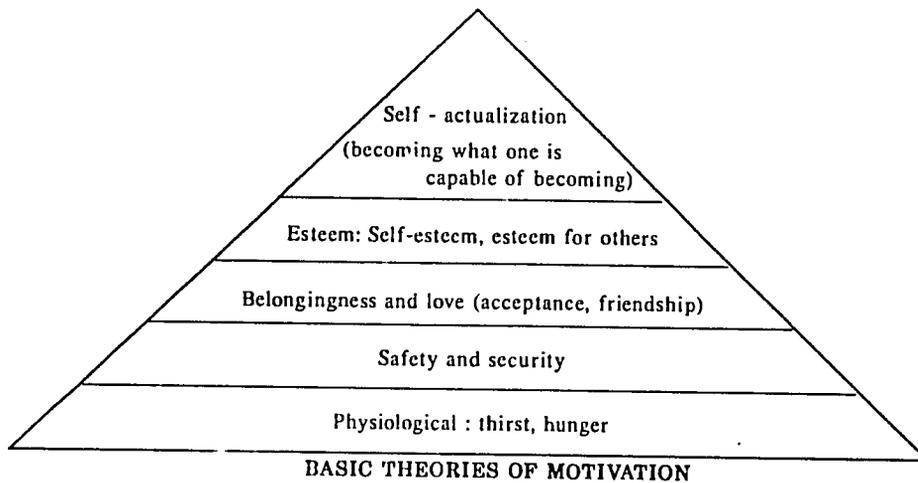
Behavioural scientists often state that all behaviour is motivated and that this behaviour serves the individual's needs. Without motivation, the individual would not behave, but would be an inert lump, doing virtually nothing. Moved into action by a need, the individual engages in goal-directed behaviour until the need has been satisfied. The action serves the need; the behaviour is the means by which the need is reached. For example, a hungry person who needs food, is driven by a lack of food, and is motivated by a desire for food in order to satisfy the need. This continuous search for appropriate behaviour begins with a felt need and ends with goal-directed behaviour that satisfies the need. A.H.Maslow's theory of human motivation is concerned with needs and how the individual's behaviour is directed toward the satisfaction of such need, therefore, let us examine an individual's needs in more detail, following the need hierarchy of Maslow.

MASLOW'S HIERARCHY OF NEEDS

Maslow's need hierarchy theory has enjoyed widespread acceptance, since it was introduced around 1943. His theory of motivation stresses two fundamental premises:-

01. Man is a wanting animal whose needs depend on what he already has. Only needs not yet satisfied can influence behaviour. In other words, a satisfied need is not a motivator.
02. Man's needs are arranged in hierarchy of importance. Once one need is satisfied, another emerges and demands satisfaction.

Maslow hypothesized five level of needs, these needs are (1) physiological, (2) safety, (3) social, (4) esteem, and (5) self actualization. He placed them in a framework referred to as the hierarchy of needs because of the different levels of importance. This framework is presented in the diagram below.



Maslow states that if all of a person's needs are unsatisfied at a particular time, satisfaction of the more predominant needs will be more pressing than the others. Those that come first must be satisfied before a higher-level need comes into play. Let us briefly examine each need level:-

01. **Physiological needs.** This category consists of the human body's primary needs, such as food, water, and sex. Physiological needs will dominate when they are unsatisfied, and no other needs will serve as a basis for motivation. As Maslow states, "a person who is lacking food, safety, love, and esteem probably would hunger for food more strongly than for anything else".
02. **Safety needs.** When physiological needs are adequately met, the next higher level of needs assumes importance. Safety needs include protection from physical harm, ill health, economic disaster, and the unexpected. From a managerial standpoint, safety needs show up in an employee's attempts to ensure job and fringe benefits.
03. **Belongingness and love needs.** When people's physiological and safety/security needs are satisfied, their needs for belonging and love become motivators. This level on the hierarchy represents a clear-cut step away from the purely physical needs; non satisfaction of these third-level needs may affect the mental health of the employees. This level emphasizes needs for/association, acceptance by other people, and for giving and receiving love. The tightly knit work group may, under proper organizational conditions, be far more effective in achieving goals than an equal number of separate individuals.

04. **Esteem needs.** These needs refer to the needs for both self acceptance and recognition by others that one is a valuable and worthwhile person. The individual needs to feel genuinely respected by his or her peers in and out of the work environment. Satisfaction of these needs leads to a feeling of self-confidence and prestige.
05. **Self-Actualization.** The "desire to become more and more what one is, to become everything that one is capable of becoming", is the capstone on the hierarchy. Here are the needs for realizing one's own potential and for continued self-development. Self actualizing persons must be 1) free from illness, 2) sufficiently gratified in their basic needs, 3) Positively using their capabilities, and 4) Motivated by some values which they strive for and to which they are loyal.

AREAS OF MANAGEMENT INFLUENCE IN THE FIVE NEED HIERARCHY CATEGORIES

Need Category	Management influence Areas
Self -actualization	Challenges in Job, Provide advancement opportunities, Permit creativity, Encourage high achievement.
Esteem	Recognize and publicize good performance Significant job activities, Respectful job title, Responsibility.
Social	Permit social interaction Keep group stable. Encourage cooperation
Safety	Safe working conditions Job security Fringe benefits
Physiological	Fair salary Comfortable working conditions, Heat, lighting, space, Air conditioning.

Applying Maslow's theory in management. The need hierarchy theory is widely accepted and referred to by practising managers. Although it does not provide a complete understanding of human motivation or the means to motivate people, it does provide an excellent starting point for the student of management. The hierarchy is easy to comprehend, has a great deal of common sense validity, and points out some of the factors that motivate people in business and other types of organizations. For example, most organizations in industrialized nations such as the United States, Canada, Japan, and West Germany have been extremely successful in satisfying lower-level needs.

Through wages and salary, individuals are able to satisfy the physiological needs of themselves and their families. Organizations also aid in satisfying security or safety needs through both salary and fringe-benefit programs. Finally, they aid in satisfying social needs by allowing interaction and association with others on the job.

NEED NON - SATISFACTION

What happens when needs are not satisfied? Unsatisfied needs cause internal tension, which the individual strives to avoid. Under these conditions, the individual experiences frustration. The football player who works out daily to make the school team only to be cut off from the squad on the last day is an example of an individual who would probably be quite frustrated. His goal of making the team, the attainment of which would have brought the satisfaction of several needs (Eg. belongingness and esteem), has been blocked.

The ways in which individuals cope with this frustration will vary from person to person. Some people will react in a positive manner, others in a negative manner (defensive behaviour).

Mechanisms for Dealing with Frustration. Non - attainment of a need is frustrating. One mechanism available to people is to leave or withdraw. Withdrawal may be physical, Eg. absenteeism and turnover (quitting), or it may be internalized and take the form of apathy. In our football example, the player may go to another school (external withdrawal) or remain at the same school and lose interest in football.

Under most conditions, the common reaction to frustration is aggression, which is most readily observable as a move outward (Eg. externalized). If there is a direct attack on the source in a way that can alleviate the frustration, this may be reasonable and mentally healthy. On the other hand, it may generate hostility and violence. Unfortunately, aggression is sometimes directed toward innocent third parties, a process known as displacement. The teacher who enters the classroom after being pulled up by the principal and finds fault with everything the

class is doing, is showing displaced aggression. Your boss who has just received a rough time from his supervisor and "snaps back" at you when you ask him a simple question might be another example.

If aggression is internalized, fixation develops. A person who fixates persists in giving the same response that led to the frustration of the need even though the response is improper. The accountant who still gathers data according to procedures learned in the good old days is in trouble when new electronic data processing techniques are introduced.

Constructive Behaviour. On the other hand, you are undoubtedly familiar with many examples of constructive adaptive behaviour.

The incentive worker who is frustrated by the routine of the job may strive for recognition off the job by seeking election to leadership posts in civic organizations or may channel his or her energies into non-work-related activities, such as hobbies and home repairs, to find personal fulfilment. The football player mentioned previously may settle for making the second eleven or decide to develop his abilities as an athlete. These are only two of the many examples of constructive adaptive behaviour which individuals employ to reduce their frustrations and satisfy their needs.

HERZBERG'S TWO-FACTOR THEORY

Another content explanation of motivation was advanced by Frederick Herzberg in 1959. He based his theory on a study of need satisfactions and on the reported motivational effects of these satisfactions on 200 engineers and accountants. The theory is referred to as the two-factor theory of motivation.

In the study of engineers and accountants, Herzberg and his associates asked the subjects to think of times both when they felt especially good and when they felt especially bad about their jobs. Each employee was then asked to describe the condition that led to these particular feelings. It was found that the employees named different kinds of conditions as causes of each of the feelings. For example, if recognition led to a good feeling about the job, the lack of recognition was seldom indicated as cause of bad feelings. Based on the study, Herzberg reached two conclusions:-

01. Some conditions of a job operate primarily to dissatisfy employees when they are not present. However, the presence of these conditions does not build strong motivation. Herzberg called these maintenance factors, since they are necessary to maintain a reasonable level of satisfaction. He also noted that many of these have often been perceived by managers as factors that can motivate subordinates but that they are, in fact more potent as dissatisfiers when they are absent. He named 10 maintenance factors.

- Company Policy and Administration,
- Technical supervision,
- Interpersonal relations with supervisor,
- Interpersonal relations with peers,
- Interpersonal relations with subordinates
- Salary,
- Job security,
- Personal life
- Work conditions
- Status

02. Some job conditions build high levels of motivation and job satisfaction. However, if these conditions are not present, they do not prove highly dissatisfying. Herzberg described six of these motivational factors, or satisfiers.

Achievement.	The work itself
Recognition.	The possibility of personal growth
Advancement.	Responsibility

In summary, the maintenance factors cause much dissatisfaction when they are not present but do not provide strong motivation when they are present. On the other hand, the factors in the second group lead to strong motivation and satisfaction when they are present but do not cause much dissatisfaction when they are absent. Herzberg's study of engineers and accountants suggested to him that the opposite of satisfaction is not dissatisfaction but simply "no satisfaction".

You have probably had noted that the motivational factors are job centered; that is, they related directly to the job itself, the individual's performance, the job responsibilities, and the growth and recognition obtained from it. Maintenance factors are peripheral to the job itself and more related to the external environment of work. Another important finding of the study is that when employees are highly motivated, they have a high tolerance for dissatisfaction arising from the maintenance factors. However the reverse is not true.

Intrinsic motivators are part of the job and occur when the employee performs the work. The opportunity to perform a job with intrinsic motivational potential is motivating because the work itself is rewarding. Extrinsic motivators are external rewards that have meaning or value after performing the work or away from the work place. They provide little, if any, satisfaction when the work is being performed. Pay, of course, is a good example of what Herzberg classifies as a maintenance factor and what some psychologists call an extrinsic motivator.

APPLYING HERZBERG'S THEORY IN MANAGEMENT

Few would argue that Herzberg still contributes substantially to our thinking on motivation at work. He certainly has extended Maslow's ideas and made them more applicable to the work situation. He has drawn attention to the critical importance, in work motivation, of job centered factors previously given little attention by behavioural scientists. This insight has resulted in an increased interest in job enrichment, an effort to restructure jobs to increase worker satisfaction.

Herzberg's response to motivation problems is an important one. Traditionally, managers would respond to motivation problems with more money, increased fringe benefits, and improved working conditions. Often, the result of such actions was still no more effort to work harder. Herzberg's theory offers an explanation for this situation. If managers focus only on maintenance factors, motivation will not occur. The motivators must be built in to the job to improve motivation.

JOB ENRICHMENT

It appears that many workers are becoming increasingly dissatisfied and frustrated by routine, mechanically paced tasks and are reacting negatively with output restrictions, poor quality work, absenteeism, high turnover, pressure for higher wages, expanded fringe benefits, and greater participation in decisions that directly affect their jobs.

Basically, what this means is that job enrichment occurs by increasing a job's scope and depth. Scope refers to the number of activities performed on the job, while depth refers to the autonomy, responsibility, and discretion or control over the job. Job enrichment means that the scope and depth of a job are increased. On the other hand, job enlargement means that a job's scope, but not necessarily its depth, is increased.

THE CORE DIMENSIONS OF JOBS:

Five of these dimensions are identified

1. **Variety.** The first core dimension is variety in the job. Variety allows employees to perform different operations using several procedures and perhaps different equipment. Jobs that are high in variety often are viewed as challenging because they require the use of the full range of an employee's skills.
2. **Task Identity.** The second core dimension, task identity, allows employees to perform a complete piece of work. Overspecialized jobs tend to create routine job duties that result in a worker performing one part of the entire job. There is a sense of loss or of nonaccomplishment in doing only a part of a job. Thus, broadening the task to provide the worker with a feeling of doing a whole job increases task identity.
3. **Task Significance.** The amount of impact that the work being performed has on other people is called task significance. This impact may be within the organization or outside in the community. The feeling of doing something worthwhile is important to many people. For example, an employee may be told by a respected supervisor that she has done an outstanding job that has contributed to the overall success of the department. The task has significance because it is recognized as important for the entire department.
4. **Autonomy.** The fourth core dimension, autonomy, refers to the idea that employees have some control over their job duties and work area. This seems to be an important dimension in stimulating a sense of responsibility. The popular practice of management by objectives is one way of establishing more autonomy, because it provides employees with an opportunity to set work and personal goals.
5. **Feedback.** Feedback, the fifth core dimension, refers to information that workers receive on how well they are performing. People in general have a need to know how they are doing. They need this feedback frequently so that necessary improvements can be made.

Prepared by A. Joseph
Director, Police Higher Training Institute.

PEOPLE-ORIENTED ADMINISTRATION

People-oriented administration is concerned with the participatory process at central and local level related to the formal political representative system as well as other people based structures, some of which are linked to the administrative system.

(A) THE POLITICAL DIMENSION.

01. The Gamsabhawa system re-introduced in 1971 (managing local community affairs in association with village elders).
-Further developments
1889 : Chief Headman (Korale) as ex-officio chairman
1924 : VC's empowered to elect their chairmen
1947 : VC's coming under Dept.of Local Govt.(outside Kachcheri administration).
VC's : Basically non-developmental functions, limited revenue

-Pradeshya Mandalaya(linked to Gramodaya structures after 1981) and Pradeshya Sabhas. (1988) PS. directly elected membership.
02. Central Government representative system - evolution from Legislative Councils (1833)
-Universal franchise (1931) and elected representatives State Council & Parliamentary system.
03. Devolution and Provincial Councils (1988)
(a) categories of elected representatives (District & Pradeshya)

(B) ADMINISTRATIVE DIMENSION

01. Decentralised system of administration; changes since Independence at hierarchical levels.
02. Decentralisation in the context of promoting people participation
-to reduce the overload and relieve the congestion at central government level
-to transfer responsibility for planning and implementation to sub-national level
-to provide for greater utilisation of local resources/support.
03. Debureaucratisation process and widening political role (1960's, 1970's, 1980's, DPA, DM, District Councils)
Provision of political leadership and direction and facilitating coordination and control.
04. Other administrative mechanisms for coordination/participation e.g.
District Coordinating Committees (with MPs, VC chairmen)
District Agriculture Committees
Divisional Development Councils, APCs/ASCs, People's Committees.
05. Sponsoring and involvement of rural organisations ('people sector') in delivery of Government services.
(i) the process from 1940s(RDSs, Co-operatives, etc.)
(ii) the size of the organised 'people sector' (75000 rural organisations)
(iii) Domination of Government sponsored categories over (b) people initiated structures and (c) national NGO - sponsored types. (a means of stronger Government intervention)
(iv) Government sponsored types: under specific legislation (Cultivation Committees, Co-operatives etc.) or under administration procedures (RDSs, sports societies, youth clubs etc.)
(v) Nature of rural organisations; basically non-political, voluntary, multi-purpose with social development focus.
06. National level NGO and Government policy of accommodation
-cover a wide range of activities (training in leadership, community development, health, nutrition, sanitation, family planning, rehabilitation, savings and credit etc.)
07. Participatory Planning (and Funding)
(i) DDCs (1972-77) and subsequent structures
(ii) DCB Funds, PC funds
(iii) NGO projects/funds
(iv) The reality of village level planning
08. The programme of taking the Administration to the people (1992)
-further devolution and further decentralisation
-proposed elimination of District structures
-strengthening Division level (Gramaraj concept)
-the pros and cons of the scheme.

M.B.Warsakoon

SUPERVISION

An organization can be described as an arrangement by which people can work more effectively together to accomplish the objectives for which the organization was set up.

In order to achieve the most effective results for effort expended there has to be some guidance and Leadership. For this reason Managers and Supervisors hold responsibility for the work of others. They guide work effort toward achievement of goals. As result of division of labour specialized contributions are made by different groups toward the overall objective. Therefore there must be someone who should be concerned with the specific objectives of a particular department or work group and also how these objectives fit in with the broader objectives of the whole organization. Thus the supervisor is one of the management team responsible for work of others.

Supervision has been defined as "the responsibility for overlooking the work of a group of people operating together according to a plan which has already been decided". Supervision is, therefore, one of the tasks of every executive and the supervision plays a key role in the man-boss relationships at all levels. However, it is customary to apply this concept mainly at the lower and middle levels.

The art of Supervision is concerned with the exercise of patience, foresight, judgment and resourcefulness and should not be viewed as an extension of the Supervisor's previous job as technician. In every organization today, many changes are taking place which "affect" the nature of the job of Supervision. Changes resulting from how developments in science and technology, work methods and procedures, staff membership all have an effect upon the supervisors job and present new challenges. Accordingly his job becomes more and more complex. The modern supervisor is called upon to make decisions involving risk and strategy. In the absence of ready-made answers to problems, quite often he has to draw upon his own experience and resourcefulness. He must interpret and communicate to his people. The Supervisor must therefore, involve himself in a continuing programme of self analysis and learning and constantly add to his existing knowledge and skill and prepare himself for changes and developments of the future.

GENERAL AREAS OF RESPONSIBILITY

Based on an analysis of the job of supervision it has been possible to identify general areas of responsibility common to all Supervisors. Three such broad areas are the following:

(i) **Technical (working with material things)**

This area is concerned with the effective use of facilities and materials and also the techniques used in getting the job done.

This underscores the need for each supervisor to have some knowledge and skill in the work which has to be done by his staff.

(ii) **Human (Working with people)**

Every supervisor must have an understanding of human behaviour and skill in working with people. The outstanding feature of his job is the responsibility for work done by others. What is required is not only the leadership of his staff but also the ability to work effectively as a member of the larger organization team.

(iii) **Conceptual (work with ideas)**

To be effective as a supervisor a good deal of his time must be spent thinking through the problems he may have to encounter and find solutions to them. He must weigh facts and make decisions, find new and better ways of getting things done and prepare for new developments which may affect the work of his department, section or unit. The emphasis here is on individual creative thought.

An appropriate balance must be struck in regard to these three areas bearing in mind that different jobs will require different patterns of emphasis. This will depend upon the kind of job and also the level in the organization e.g. a supervisor at a fairly senior level would have to spend more time and effort to the conceptual area.

THE SUPERVISOR AND THE ORGANIZATION

The Supervisor is only a part of a complex network of relationships. There are the other individuals and groups. His decisions and actions will definitely have an effect upon his subordinates, peers, boss and other members of higher management. In return the activities of those individuals and groups can have a stimulating or limiting effect upon him and his unit.

PRINCIPLES OF SUPERVISION

Some of the general principles every Supervisor must know and keep in mind are given below:

1. People must always understand clearly, what is expected of them.
2. People must have guidance in doing their work.
3. Good work should always be recognized.
4. Poor work deserves constructive criticism.
5. People should have opportunities to show that they can accept greater responsibility.
6. People should be encouraged to improve themselves.

FUNCTIONS OF SUPERVISION

1. Understand duties and responsibilities of job.
2. Plan how best to accomplish goals
3. Assign work direct and assist
4. Study and improve work methods
5. Increase your own knowledge and skill
6. Train your subordinates
7. Evaluate performance.

THE ART OF SUPERVISING

The skill of supervision will develop only with practice. How you put the principles into practice make the art of supervision. Some good rules are listed below:

1. **How to begin supervising**
 - know your people as well as you can
 - know all parts of your job.
 - Never assume that you know all there is to know about the jobs in you unit.
2. **How to give orders**
 - the crudest way is to give a direct command
 - the best way is to suggest
 - always keep the sting out of an order (Unless it involves a disciplinary measure)
 - explain the reason behind the order.
3. **How to get help from your people**
 - Judiciously delegate authority to act and to make decisions.
4. **How to make decisions**
 - Make it with as much promptness as possible
 - be sure you have the authority to make it
 - be sure you have all the facts
 - be sure you have weighed all angles
 - Decide and make it stick
5. **How to criticize**
 - praise in public
 - criticize or reprimand privately
 - start by telling 'the good' done
 - then tell in a friendly way what you dislike and why
 - keep in mind that the dignity of people is a very important consideration
6. **How to settle grievances**
 - get all the facts
 - get both sides if two people or factions are involved
 - obtain authority to settle (if you don't have it)
 - never ignore a grievance
 - be fair, be impartial and well understood.
7. **How to deal with Problem child**
 - (a) - talk to the person
 - get him to see what the fault means to you, to him, to the organization.
 - get him to tell you how he expects to overcome it
 - agree with him on a course of action.
 - inform him of progress
 - (b) (if the first attempt fails try again)
 - get him to promise
 - (c) (if the fault persists go over once more)
 - begin to consider performance rating, effects on his opportunities, job, salary, family ... so on
 - try to gain his co-operation
 - (d) (if there is still no progress)
 - talk it over with your superior and agree on a course of action

LABOUR LAWS OF SRI LANKA

Law is a technique for the regulation of social power. The principle of labour law is to regulate, to support and to restrain the power of the management and the power of organized labour. The main objective of labour law has always been to be a countervailing force to counteract the inequality of bargaining power which is inherent in the employment relationship. Most of what we call as protective Registration - the Wages Board Ordinance, the Factories Ordinance, the Maternity Benefits Ordinance, the Gratuity Act, the Employees' Provident Fund Act, etc should be seen in this context.

The relationship between an employer and an employee is one of contract and was governed by custom before 1865 when the Service Contracts Ordinance was enacted. Legislation development has superimposed new provisions on the existing practices and has distorted the contractual basis of relationship between the employer and the employee. It cannot be denied that a happy relationship between the employer and the employee leads to optimum performance in the development process.

The origins of labour laws in Sri Lanka could be traced to the period following the import of cheap labour from the neighbouring India. The reluctance of the local labour to work in the plantations and the need to facilitate the import of foreign labour to man the plantations resulted in the first labour legislation - Ordinance No. 5 of 1844. Much of the labour legislation that followed - Ordinance No. 15 of 1858, No. 11 of 1865 Ordinance No. 17 of 1880, the Estate Indian Labour Ordinance No. 13 of 1889 - all dealt with Indian labour. It was only in the aftermath of the first world war and with the spread of liberal ideas in Europe and the introduction of Donoughmore Constitution in Ceylon that labour legislation came to be concerned with local labour. The Trade Union Ordinance No. 14 of 1935, the Maternity Benefits Ordinance No. 32 of 1939, the Wages Board Ordinance No. 27 of 1947 the Factories Ordinance No. 45 of 1942, the Workmen's Compensation Ordinance No. 19 of 1934 are some of the important pieces of legislation passed during this period.

THE TRADE UNION ORDINANCE (CHAPTER 138)- NO.14 OF 1935

The Trade Union Ordinance came into operation in November 1935. It provides for any seven (7) persons to form a Trade Union. The Act guarantees immunity from civil and criminal liabilities for any action done in the promotion of any trade union action and enables the Trade Unions to function effectively. The Ordinance defined the "Trade Union" as an association or combination of workmen or employers, whether temporary or permanent having among its objectives one or more of the 4 objectives mentioned in the Ordinance. Trade Unions should apply for registration within 3 months of their formation substantially in form 'B' giving the name, registered address of the Union, the names and addresses of the workmen applying for registration, the date of formation of the Union, the number of members, names of office bearers, their occupations, address and ages together with uncancelled stamps to the value of Rs. 1/=. The application for registration should be accompanied by a list of rules of the Union, which should provide for the name, the place of meeting, the objectives, the purpose for which funds shall be used, the conditions under which a member is entitled to benefits, the fines and forfeitures on errant members, rules regarding election and removal of office bearers. It should also contain the names of officers responsible for finances and for annual or periodical audit of accounts. The Act requires that the Secretary of every registered trade Union to furnish annually to the Registrar on or before the prescribed date in each and every year a general statement audited in the prescribed manner of all receipts and expenditure during the period of 12 months ending on the 31st day of March next preceding such prescribed date and of the assets and liabilities of the Trade Union as at 31st day of March. The Statement shall be accompanied by a copy of the Auditor's report. The Ordinance does not permit members of armed forces, police officers, prison officers and Judicial officers to be members of a Trade Union. It also does not permit public servants of different categories to combine in a trade Union. Non Staff Officers' Trade Unions will have to confine membership to either departmental - wise or Services - wise. They are not permitted to federate with Unions in other services. Staff Officers' Trade Unions have to provide for non - affiliation, non - federation and cannot have political objectives or political funds. The Ordinance permits the registrar to cancel a registration of the Union for one of the following reasons:

- (1) At the request of the Union.
- (2) If the registration had been obtained by fraud or mistake.
- (3) If the rules and objectives of the Union are unlawful.
- (4) If the Union violates the Trade Union Ordinance and does not furnish the annual returns to the registrar.
- (5) If the Unions funds are expended for illegal purposes.
- (6) If the Union had ceased to exist.

The Ordinance permits 2 outsiders to hold office in the Trade Union one as President or Secretary and the other as an ordinary member.

THE SHOP & OFFICE EMPLOYEES (REGULATION OF EMPLOYMENT & REMUNERATION) ACT NO 19 OF 1954

The Shop & Office Employees Act was enacted in 1954 as it was found that the Wages Board Ordinance was inadequate to cover all employees in the mercantile sector.

The Act covers all shop employees and employees in all mercantile offices and those in cognate employment. The coverage of the Act is conditioned by the definitions 'Shop' & 'Office' as set out in Section 68(1) of the Act. The Act deals with hours of work, weekly, casual and an annual leave, health & comfort of employees, seating accommodation of female employees, maternity benefits and about the records to be maintained under the Act.

The Act stipulates the normal working hours as 8 exclusive of any interval for meal or rest on 5 days of the week and as 5 exclusive of any interval for meal or rest in one day of the week and as 45 hours in a week. The working hours should be continuous except for an interval or intervals for meals or rest. A spread over of 4 hours is permitted in the case of residential hotels. The Act requires that every employee be allowed an interval of half an hour for rest or for a meal at the termination of each period of 4 hours, during which he had been continuously employed and where such period of 4 hours terminates between the hours 11 a.m. and 2 p.m. or 7 p.m. and 10 p.m. the employee should be allowed at the termination of such period, an interval of 1 hour for lunch or dinner as the case may be. The Act ensures a certain amount of holidays and leave to employees covered by the Act for the purpose of taking a vacation or rest, attending to any private business, participate in any religious observances or on account of ill health. The Act does not provide any medical leave. It provides 14 days annual leave in the second year of employment, for 7 days casual leave and for 9 days mercantile leave. Where the employee has worked for 28 hours of normal work in a week he is entitled to be paid for weekly holidays of 1½ days in the week. Where an employee works in excess of 9 hours (including an hour for meal or rest) in any of the 5 days of the week or 6 hours inclusive of one hour for meal or rest on the half day, the employee is entitled to be paid at 1½ times the normal wages. The Act forbids employment of women workers or young persons under 18 years of age on overtime work but this is observed in the breach. The ceiling of 12 hours on overtime work is also not enforced by the department. The Act provides for 84 days of paid leave as maternity benefits for the first two live births and for 42 days paid leave for the subsequent births. This leave is in addition to all other leave the employee is entitled under the Act.

The Act also requires that every employer who employs any person in or about the business of any shop or office to furnish such person on the date of his employment with a letter of appointment stipulating the terms and conditions of employment, to maintain a service record in Form F and a remuneration record in the premises.

THE EMPLOYEES' PROVIDENT FUND ACT - ACT NO. 15 OF 1958

The Employees' Provident Fund Act was introduced in the year 1958 to provide for payment of superannuation benefits to employed persons in the private & corporate sector through the mechanism of a Contributory Provident Fund. The object of the Act was to ensure the employee in a covered employment in his old age receives a lump sum with which he and his family could live in retirement without depending on the State or Society or on the mercies of his relatives. Finances for the scheme were to be found within the contributions of the employer and the employee as it is based on the principle that "superannuation is the joint responsibility of the employer and the employee". It does not cover self employed persons.

The Act requires that the employer contributes a sum equal to 12% of the employee's earnings together with a sum equal to 8% of the earnings deducted from the employee to the Fund before the last day of the succeeding month. The Act provides for a surcharge in the event of delay in the payment of the contributions. Employees in Government and Local Government Service, employment in any charitable or religious institutions employing less than 10 employees, domestic servants, employment where only members of the family are employed and employment in institutions which are carried on mainly for the purpose of giving inductional training to Juvenile offenders, orphans or to persons who are destitute, dumb, deaf or blind are not covered by the Act.

THE EMPLOYEES' TRUST FUND - ACT NO. 46 OF 1980

The main objectives of the Act are

- (i) to promote employee ownership, employee welfare, and economic democracy through participation in financing and investment.
- (ii) to promote employee participation in management through the acquisition of equity interest in enterprises and
- (iii) to provide for noncontributory benefits to employees on retirement.

The Fund covers all employees permanent, temporary, casual, contract or piece rate basis, learners and apprentices employed in the Private Sector and in Statutory Boards, Corporations, State Banks, and in nationalised and vested undertakings. There is no age requirement or age limit. The Act requires all employers to remit monthly an amount equal to 3% of the total earnings of the employee to the Fund. The contribution has to be borne entirely by the employer. There is no recovery from the employee. It also provides for a surcharge for delayed payments.

THE PAYMENT OF GRATUITY ACT NO.12 OF 1983

The Payment of Gratuity Act passed in 1983 provides the payment of a gratuity calculated at the rate of half a month's salary for each completed year of service in the case monthly paid employees (14 days wages in the case of daily paid employees) who have 5 years or more of service. The Act provides for withholding of gratuity in case of fraud or loss to the employer.

MATERNITY BENEFITS ORDINANCE NO. 32 OF 1939

The Ordinance provides for payment of maternity benefits to women workers in any trade. The word trade had been defined to include all varieties of employment.

EMPLOYMENT OF WOMEN & YOUNG PERSONS & CHILDREN ACT OF 1956

The Act prohibits the employment of children under 12 years of age. The Act also imposes certain restrictions on employment of young persons between the ages 14 & 18 in public or private undertakings. Women workers can be employed in the night after 10 p.m. only on certain conditions.

There are about 38 laws dealing with labour in our country. The effectiveness of laws cannot be underestimated but in labour relations laws alone cannot often be effective unless they are backed by social sanctions as well as the countervailing power of trade unions and of the organised workers asserted through consultation and negotiations with the employer. The viciousness of law can be frustrated by factors such as the supply and demand of labour or in a society riddled with corruption with the quality of officers entrusted with the enforcement of the laws, the attitude of the society, the government etc. The surfeit of labour legislation as the Employers' Federation of Ceylon said in one of its memorandums is not a sign of well functioning intergroup relations. The laws we have are adequate - if at all there is any inadequacy it lies in the enforcement of those laws.

Prepared by K.Wijayaratnam

DISCIPLINARY PROCEDURE

Constitutionality: Chapter IX of the Constitution Articles 55,56,57,58 & 59

Delegation of Authority: See Chapter XLVIII of the Establishments Code (Part II)

PARA 2. POWER OF DISMISSAL AND DISCIPLINARY CONTROL:

- 2:1 The power of dismissal and disciplinary control of public officers is vested in the Cabinet of Ministers who will directly exercise these powers in respect of:
Additional Secretaries to Ministries, Heads of Departments, Government Agents and Senior Assistant Secretaries.
- 2:2 The Cabinet of Ministers has delegated its powers of Dismissal and Disciplinary Control in respect of all other categories of officers to the Commission.
- 2:2:1 The Commission has delegated its powers of dismissal and disciplinary control in respect of all other such categories of officers in Staff Grade to Secretaries to Ministries except
- (a) Officers in Staff Grade in the Auditor General Department and Department of Elections not in the Combined Services where the Secretary to the President is the disciplinary authority and
 - (b) officers in Staff Grade not falling under a Ministry and not in the Combined Services where the Head of the Department is the disciplinary authority.
- 2:2:2 In the case of officers in Staff Grades in the Combined Services, the Secretary concerned will be the Secretary, Ministry of Public Administration.
(Note: The Gazette Notification No. 590/12 of 29.12.89 re. disciplinary control in respect of SLActs Service)
- 2.3 The Commission has delegated its powers of dismissal and disciplinary control of all officers not referred to in subsection 2:2:1 to Heads of Department/Public Officers holding delegated authority. In the case of officers in the Combined Services, the power of dismissal and disciplinary control is delegated to the Director Combined Services.

DELEGATION:

The Principles of Delegation:

- i. The delegatee is debarred from re-delegating "Delegatus delegare non potest"
- ii. Delegation denudes the delegator from performance himself.
- iii. Application of rules where a busy authority such as a Minister has to give his mind personally to all matters he is empowered to decide, implies that an officer responsible to the authority and Parliament may perform the act on behalf of the authority and countersign the communication conveying the decision.
- iv. The power to appoint : For the purpose of conferring power to dismiss, suspend, or reinstate any officer, it shall be deemed to have been and to be sufficient to confer power to appoint.
- v. Certiorari does not lie against the PSC in regard to any alleged procedural irregularity in the appointment, transfer or dismissal of public officer.

WHY DISCIPLINARY CONTROL ?

Establishments Code Chapter XLVIII "1:2 An act of misconduct or lapse by an officer calling for punishment in any form.."

PUNISHMENTS

Establishments Code Chapter XLVIII Section 16

- 16:1 Punishments are classified into minor and major punishments. Minor punishments are appropriate for offence of the type similar to those in Schedule B. Major punishments are appropriate for offence of the type similar to those in Schedule A.
- 16:2 Minor punishment will include the following: Reprimand, Severe reprimand or censure (A " warning " is not a punishment) Suspension, stoppage for a period not exceeding one year of increment. A disciplinary transfer at the officer's expense. A fine not exceeding one week's pay. Any other form of Departmentally recognised punishment not more severe than those listed above.

- 16:3 Major punishments will include the following: Dismissal. Termination of service (after disciplinary inquiry). Retirement for general inefficiency. Retirement for inefficiency as a merciful alternative to dismissal. Reduction in seniority (i.e. by a specified number of places in the grade to which the officer belongs). Reduction in rank (i.e. reversion to the next lowest class or grade of the service to which the officer belongs). Where the officer does not belong to a "Service but holds a Departmental post, by reduction to a lower post). Reduction of salary/deferment of increment, Deferment of promotion for a specified period. Disqualification from sitting any promotional examination for a specified period. Any other form of punishment of greater severity than those described in section 16:2.
- 16:6 A disciplinary authority other than the Cabinet of Ministers and the Commission or a Committee thereof is not competent to order compulsory retirement as a merciful alternative to dismissal. This is the prerogative of the appellate authority to be considered only if and when an appeal is duly made to it, and normally in the case of an officer whose previous record of service is long and meritorious.

OFFENCE

Schedule 'A'

- (1) Incompetence, negligence or errors of judgement resulting in serious failures in planning or execution of important programmes, projects or policies.
- (2) Offence of the type that are serious enough to warrant dismissal or a major punishment.
- (3) Repeated offenses of a type which considered singly are not serious enough to warrant dismissal or a major punishment but where repetition justifies dismissal or a major punishment.

Schedule 'B'

Offenses of a type which are not serious enough to warrant compulsory retirement, dismissal or a major punishment.

The heads under which offenses may be broadly categorised are as follows:

Inefficiency
Incompetence
Negligence
Lack of Integrity
Improper Conduct (whether connected with an officer's official duties or not)
Indiscipline

See definitions given at pages 39-41 of the Establishments Code Part II

PRELIMINARY INVESTIGATIONS INTO ALLEGED OFFENSES:

Investigations are purely a fact finding process and do not constitute a preliminary inquiry. They are meant to be a search for material that may disclose an offence and provide evidence for the charges that may be framed against an officer under suspicion. This may involve the recording of statements of witnesses and the search for and examination of documents.

The suspect officer or any other person on his behalf need not however, be present when stocks in his charge etc are verified and results accepted by him or when productions have to be taken and sealed in his presence.

CHARGES: Need not take a legalistic form. A clear simple statement of the acts of misconduct or lapses for which it is intended to punish the officer.

THE CHARGE SHEET:

It should carry the following:

- i. It should indicate if the offenses are regarded as those falling under Schedule A or B
- ii. List of documents which constitute evidence relating to the matters under inquiry and indicate how and where they can be examined by the accused officer or on his behalf. These documents may include statements made by witnesses at the preliminary investigation
- iii. A list of Witnesses

FORMS OF DISCIPLINARY INQUIRIES AND THE CONDUCTING OF DISCIPLINARY INQUIRIES

As you know DISCIPLINE is a very important fact in the area of Personnel Management. The most difficult task a Manager faces is to get the work done through in the way they expect in order to achieve the objectives of an organisation. Among other requirements like remuneration, welfare facilities, commendations etc., discipline too is an important factor in motivating people to work.

Public Service, constituting a large number of employees distributed in various small and large organisations throughout the country has a common system in regard to its disciplinary procedure. Such instructions are given in Chapters XLVII and XLVIII of part II of the Establishments Code (Published in 1981). In addition to this, there would be amendments effected as necessity arises; in the form of Public Administration Circulars. One such important Circular is PAC No. 35/92 of 21.12.1992.

It would be very important to know that ALL officers (even at higher levels) are not Authorities on Discipline or Disciplinary Authorities. Only those that are delegated with that authority can exercise such authority.

In terms of Article 55 of the 1978 (present) Constitution, Cabinet of Ministers is the supreme authority in regard to the disciplinary control of Public Officers. Under the same Section, the Cabinet is empowered to delegate its authority to the Public Service Commission. The Constitution further states that the P.S.C may delegate such authority, under the direction of the Cabinet to any other Officer as found required. Therefore at present delegation of authority on Disciplinary matters is as follows in case of various public officers:

1. **Cabinet of Ministers:** Retains the authority in case of all officers appointed by the Cabinet as the Appointing Authority. In the case of all other public officers, authority has been delegated to the P.S.C.
2. **Public Service Commission:** Retains the authority in case of all Staff Grade Officers. In the case of all non-staff grade officers authority has been delegated to Heads of Departments.
3. **Heads of Departments:** All non-staff grade officers serving in his departments. Secretaries to Ministries too exercise this authority in regard to non-staff employees in the Ministry. Any other officer who is not the Head of the Department too exercises on having delegated this authority direct by the Public Service Commission. Director of Combined Services is the Authority in case of non-staff officers of the Combined Services.

Meaning of DISCIPLINE: Training of Mind and Character: the exercise, development and control of the mind and character, intended to produce obedience and orderly behaviour (Oxford Dictionary).

Chapter XLVII of Part II of the Establishments Code deals with how a Public Officer should conduct himself.

1. **General Conduct.**
 - (a) Undivided allegiance
 - (b) Perform any duties assigned.
 - (c) Safeguard repute of his office and the service.
 - (d) Avoid conflict of interest (between personal & official)
 - (e) Shall not canvass promotions etc.
 - (f) Shall not exchange duties for pecuniary benefits.
 - (g) Courtesy to the Public
 - (h) Shall not collect money from subordinates for public charities.
 - (i) Govt. labour & property should not be used for private purposes.
 - (j) Should not supply goods, services etc. on public accounts.
2. **Drunkenness or smelling of liquor.**

A public officer should not be under the influence of liquor while on duty.
3. **Gifts and subscriptions.**

Gifts of certain types should not be accepted. Subscriptions too should be avoided for any personal benefit.
4. **Pecuniary embarrassment.**

A public officer should not be indebted to any person to the extent of impairing his efficiency.
5. **Use of Govt. Funds for Private purposes.**

Borrowing from the shreff, obtaining unauthorised advances and misappropriation of money should not be done.
6. **Release of Official Information to the Press or the Public.**

This should only be done in accordance with the provision in this Section.
7. **Publication of Books, Articles, Broadcast Talks etc.**

These too should not be done unless due permission is obtained in terms of the provisions of this Section.

A Public Officer is deemed to be committing a misconduct, if he violates the above instructions. Having considered all these, Establishments Code gives a Schedule of Offences under Appendix I. This is a very broad categorisation of offences. However it is open to the Disciplinary Authority to deal with offences of any other nature.

- | | |
|----------------------|---|
| 1. Inefficiency | Failure due to indifference, neglect or other defects found in the officer not having performance up to reasonable standards. |
| 2. Incompetence | Lack of competence according to his age, experience, education, professional qualifications etc. |
| 3. Negligence | Wilful neglect of duties and thereby causing wastage and damage to public funds and property. |
| 4. Lack of Integrity | Using an officer's official capacity for personal benefits in various ways. |
| 5. Improper Conduct | Violation of most of the instructions given in Chapter XLVII. |
| 6. Indiscipline | Disobeying and misconduct due to an officers personal behaviour while on duty. |

When any offence committed by subordinate is found, it is the duty of the superior officer to report the matter to the relevant authority and commence disciplinary action.

STEP I - PRELIMINARY INVESTIGATION:

Any information received of committing an offence by a subordinate officer, should be communicated to the Disciplinary Authority. D.A. immediately will appoint an officer, generally an officer senior to the accused to carry out preliminary investigations.

Preliminary investigation is only a fact finding inquiry. Statements should be obtained from any person whom the P.I.O thinks is necessary as having connections with the incident. Such statements should be taken directly from persons including the accused, but no representatives are allowed. Documents or articles having connections with the incident should immediately be taken into the P.I.O.'s custody.

In the case of stores (goods) or money, signatures should be obtained to the correctness of balances etc. However when officers in charge of goods could not be found, such investigations should be done by a duly appointed Board.

Once the P.I.O. has completed his investigations he should submit a report to the D.A. Such report should contain - all statements taken with a report on his comments and findings - a draft charge sheet - a list of witnesses and documents. He also can make suggestions on interdiction.

Even where an accused pleads guilty at the preliminary inquiry, a charge sheet could be issued. In the case of criminal offence too, preliminary inquiry can be held, even though the accused has been prosecuted in the Courts.

Preliminary investigation is not necessary at the following instances.

1. Vacation of post.
2. Retire on inefficiency
3. Termination of post.
4. Police investigations.
5. A trivial lapse (where only explanation can be called for).

STEP II - INTERDICTION

Where it is considered undesirable that an officer should continue to exercise functions of his office, he may forthwith be interdicted by the D.A., provided that disciplinary proceedings have been initiated on charges which if proved are sufficiently serious to warrant his dismissal.

1. Instances where a public officer can be interdicted
 - (i). Initiated charges which, if proved are sufficiently serious to warrant dismissal (the above provision).
 - (ii). Convictions in a Court of Law.
 - (iii). When remanded on an anti-government or terrorist activity charges.
2. Interdictions can be done only by the Disciplinary Authority.
3. When preliminary investigations are prolonged, the officer should be sent on compulsory leave or be transferred to some other place.

4. Prolonged interdiction.
 - (i). If the inquiry is not completed within 3 months, the accused can request for reinstatement.
 - (ii). In the case of alleged bribery charges, and
 - (iii). In the case of anti-govt. and terrorist activities, if the Courts has not given its verdict until 6 months, the accused should be paid ½ salary thereafter without reinstatement
5. Salary on interdiction
 - (i) Charges like misappropriation - forging - fraud - or similar act on govt. property - bribery - anti - govt. acts & terrorism - no salary while under interdiction.
 - (ii) Lesser charges - 1/2 salary
 - (iii) Where the accused has failed to reply the charge sheet or failed to attend the inquiry salary should be withheld.

STEP III - CHARGE SHEET

When charges are drafted, it should always done in accordance with the principles of natural justice. Charges generally are framed under two Schedules given in the Establishments Code - Schedule A gives charges coming under major punishments and B for lesser punishments. In case of trivial offence, charges sheets are not issued, out a minor punishment given after calling for explanations. There is no special form for a charge sheet, but a uniform system is being followed in the whole Public Service, to ensure the inclusion of important facts such as:

1. Under which Schedule Charges are framed.
2. Punishment that would be imposed if found guilty.
3. Charges.
4. Time given to reply the Charge Sheet.(generally 2 weeks)
5. Inspection of documents by the accused.
6. Documents and witnesses toc are listed.
7. Request to acknowledge receipt of the Charge Sheet.
8. Signature of the Disciplinary Authority and date.

A Charge Sheet should be issued within one month from the date of interdiction. Explanations to the Charge Sheet:

1. If extensions are requested, a reasonable period is given.
2. The delay or refusal to give explanations will lead to interdiction if not already interdicted.
3. If interdicted - further action as there are no explanations, if under Schedule. A - to hold a formal inquiry or if under Schedule. B - make the disciplinary order.

The accused can reply as guilty or not guilty. In both the cases an inquiry should be held. When expressed guilty, giving reasons, the accused will have the chance of getting a lesser punishment.

Any accused officer can plead "not guilty" even without giving reasons. However if the charges are framed under Schedule. 'B', it will be easy to deal with immediately.

Under both the Schedules, documents can be inspected.

Once the explanations are given, a follow-up letter should be sent by the D.A. Contents will be:

1. Explanations are not satisfactory.
2. Decided to hold an inquiry.
3. Name of the Inquiry Officer.
4. Names of witnesses.
5. Defending Officer (calling for his name, designation etc.)

STEP IV - APPOINTMENT OF AN INQUIRY OFFICER.

There are 3 categories of Inquiry Officers

1. Serving Officers.
2. Retired Public Officers.
3. Attorneys at Law with 10 yrs. of experience.

When officers are appointed from 1 & 2 above, such officers should have held senior positions in a staff grade, than the accused. An Inquiry Officers should be appointed within 2 weeks of receipt of explanations. They are being paid for the time taken to hold an inquiry on an hourly basis, in addition to subsistence and travelling.

STEP V-CONDUCT OF THE INQUIRY.

1. **Representation** - Interests of the state will be looked after by a Prosecution Officer. In certain inquiries P.O. is not appointed, and the I.O. himself will play the dual role of P.O. & I.O.

An Attorney at Law too could be appointed for prosecution, provided the accused too should be allowed to have an Attorney as a Defending Officer. Accused, if he wished can have a Defending officer who will look after the interests of the accused.

2. **Starting the inquiry.**

- (a) Explain the procedure of the inquiry.
- (b) No oath is necessary.
- (c) Language of the Inquiry. If any witness or accused cannot understand the language service of an interpreter should be obtained.
- (d) When one witness is giving evidence, others should be kept away.
- (e) Summoning of witnesses to be done by the Inquiry Officer.
- (f) Preliminary objections, if any should be recorded and a decision should be taken.
- (g) Copies of proceedings may be given on request to the accused.

3. **Recording of the Proceedings**

- (a) At the start, the subject of the inquiry should be clearly stated. Venue, date and time, officers present at the inquiry etc. should be recorded. On every subsequent day, these details should be recorded.

Read the charge sheet and inquire whether guilty or not guilty. Then record the evidence of the prosecution.

Record evidence led by the P.O. as well as procured by the I.O.

Order of recording evidence would be

1. Prosecution.
2. Accused (if giving evidence)
3. Defence.

If the accused is abstaining from giving evidence he can make his statement after all the defence evidence.

Order of evidence:

- 1.Examination in chief - by P.O.
- 2.Cross examination - by D.O.
- 3.Re-examination - by P.O.

Preliminary inquiry evidence can be taken as evidence. They should be read and ascertain the correctness and mark as P.1, P.2 etc.

Documents or witnesses listed only can be produced at the inquiry.

Examination of Witnesses:

- 1.Leading questions should not be asked. But allowed at cross examination.
- 2.Questions on veracity, position & character could be asked.
- 3.Improper questions should not be asked - indecent - insulting - hostile questions.
- 4.When both parties have agreed on some issue, further questions need not be asked.

Situations encountered at an Inquiry.

1. Contradictions (make notes within brackets)
2. Action filed in Courts - Inquiry can be continued.
3. Frequent objections by the Defence Officer. Postpone the inquiry.
4. Appeals on various issues - I.O.can make his own decision.
5. If the D.O. walks out, postpone the inquiry and inform the circumstances to the accused officer.
6. Legal arguments - need not be taken into consideration.
7. Amending charges - this can only be done by the P.O. with written authority of the D.A. and it can only be done twice.

In all these instances I.O. is the authority and should take decisions without fear or favour.

At the end of the Inquiry, accused officer can give a statement if he so wishes, but no cross examining is allowed. Inquire from all the parties whether they are satisfied with the proceedings and record it. Request the D.O. to send his submissions, if he wishes before a given date.

The I.O. should show an utmost impartiality at an inquiry. There should be no bias and also appear to be not biased.

STEP VI - ANALYSIS OF EVIDENCE.

Relevant evidence only should be considered. Bad character of the accused should not be considered unless the charges are on his character. However good character of the accused has to be considered. The evidence led or procured should be examined carefully, documentary evidence too should be considered. Value of documents should be assessed. Confessions, opinions and hearsay are not valid as evidence. Evidence not challenged by the other party would be valid.

STEP VII - WRITING THE FINAL REPORT.

Final report shall contain the following documents:

1. Notes of the proceedings
2. Documents listed
3. Submissions
4. Findings of the I.O. with reasons after analysis of evidence. At the end of the report a summary should be given under each and every charge stating whether the accused is found guilty or not.

Final report also can have the following

1. Mitigation of circumstances.
2. Demeanour of witnesses.
3. Other culpables.
4. Administrative lapses.
5. False evidence given and action against such witnesses.
6. Any other important facts.

It is always better not to recommend or suggest any disciplinary order to be made.

STEP VIII - PUNISHMENTS.

Punishments are of two categories - Minor and Major.

Minor punishments-

1. Reprimand.
2. Severe reprimand
3. Deferment of increment.
4. Stoppage of increment
5. Reduction of Increment.
6. Pay fine not exceeding one week's salary.
7. Departmentally recognised smaller punishments.
8. Transfer with or without expenses.

Major punishments-

1. Dismissal
2. Termination of service
3. Retirement for general inefficiency
4. Retirement as a merciful alternative to dismissal
5. Reduction in Seniority
6. Reduction rank
7. Reduction in salary
8. Deferment of promotions
9. Disqualification to sit for examinations for a specified period.
10. Any other of greater severity

The Disciplinary Authority will order the punishment. Such order may include whether to pay the salaries withheld during the period under interdiction, if reinstated etc.

However retirement as a merciful alternative to dismissal cannot be ordered by the D.A. The D.A. on an appeal made by the dismissed officer can recommend retirement to the appellate body i.e. P.S.C. or the Cabinet, and such Body only can take the decision to retire.

APPEALS:

An appeal can be made by the aggrieved officer to the P.S.C. or the Cabinet within 6 months from the date of the disciplinary order. However the number of appeals an officer can make has not been restricted. Appeals should be made by the aggrieved person himself and not by any person on his behalf. Serving officers should submit their appeals through the normal channel - and officers not in service should make direct to the Appellate Body.

ඉහත සඳහන් චෝදනාවන් සියල්ලෙහිම හෝ කිහිපයක හෝ එකක හෝ සඳහන් වන පරිදි ක්‍රියා කිරීමෙන් ඉහත කී පුද්ගලයින්ට මුදල් වංචා සහගත ලෙස ලබා ගැනීමට ඉඩකඩ, ආධාර, අනුබල, දීම.

ඉහත කී චෝදනා සියල්ලෙහිම හෝ කිහිපයක හෝ එකක හෝ සඳහන් පරිදි කටයුතු කිරීමෙන් ගණකාධිකාරීවරයෙකු වශයෙන් ඔබ කෙරෙහි තබන ලද විශ්වාසය කඩ කිරීම හා/ හෝ අපකීර්තියට පත් කිරීම.

ඉහත සඳහන් චෝදනා හේතුවෙන්ම ගෙන ගණකාධිකාරී වරයෙකු වශයෙන් අවංක ලෙස හෝ කාර්යක්ෂම ලෙස කාර්යවලට නියමයට අපොහොසත්වීම.

න සඳහන් චෝදනා සනාථ කිරීම සඳහා පහත නම් සඳහන් සාක්ෂිකරුවන් හා ඔවුන්ගේ ප්‍රකාශන හා ලියකියවිලි උපයෝගී ගනු ලැබේ.

- I. ප්‍රධාන අභ්‍යන්තර විගණන පරීක්ෂකගේ අංක:.....දරණ ලිපිගොනුව.
- II.මෙහෙවියගේ ප්‍රකාශය.
- III. මහතාගේ ප්‍රකාශය.
- IV. මහත්මියගේ ප්‍රකාශය.
- V.මියගේ ප්‍රකාශය.
- VI.මහතාගේ ප්‍රකාශය.
- VII.මහතාගේ ප්‍රකාශය.
- VIII.මියගේ ප්‍රකාශය.
- IX.මියගේ ප්‍රකාශය.
- X.දරන වවුචර් සහ ඒවාට අදාළ ලියකියවිලි යනාදිය.

1. ඉහත දැක්වූ ලියවිලි හා ලිපිගොනු පරීක්ෂා කර බැලීමට අවශ්‍ය වන්නේ නම්, ඒ සඳහා මාගේ පූර්ව අනුමැතිය ලබා ගෙන කල් ඇතිව නියම කරගත් දිනකදී ඒවා පරීක්ෂා කර බැලිය හැක.

1. ඔබ වෙනුවෙන් පෙනී සිටීමට අදහස් කරන නියෝජිතයෙකු සමඟ එම ලියකියවිලි පරීක්ෂා කර බැලීමට ඔබ අදහස් කරන්නේ නම් එය නියෝජිතයාගේ නම සහ දරණ තනතුර (විශ්‍රාමිකයෙකු නම් දැරූ තනතුර) සහ රාජකාරී හා පුද්ගලික ලිපිනය සඳහන් කරමින් ඔහු ඔබ වෙනුවෙන් පෙනී සිටීමට කැමැත්ත ලබා ගත් ලිපියක් සමඟ ඉල්ලුම කර මාගේ පූර්ව අනුමැතිය ලබාගත යුතුවේ. ඔබගේ නියෝජිතයා රජයේ සේවයෙන් හෝ රාජ්‍ය සේවයෙන් විශ්‍රාම ලැබුවකු හෝ විය යුතුය. ආයතන සංග්‍රහයේ XLV111 වන පරිච්ඡේදයේ 10:4 සහ 10:5 ඡේද අනුව පිළිතුරු සැපයීමට පුළුවන.

ඔබගේ පිළිතුර නියමිත කාලසීමාව තුළ මා වෙත ඉදිරිපත් කිරීමට අපොහොසත් වුවහොත් ඔබට ඔබගේ නිදහසට ඉදිරිපත් කිරීමට කරුණු නොමැති සේ සලකා ක්‍රියා කරනු ලැබේ. යම් හෙයකින්, නියමිත දිනට හෝ ඊට පෙර හෝ ඔබගේ පිළිතුරු මා වෙත ලැබුණහොත් ඔබ විසින් ඉදිරිපත් කරන නිදහසට කරුණු පිළිගත හැකි ඒවා නම් ඔබ ඉහත කී චෝදනා වලින් නිදහස් කරනු ලැබේ.

ඥාතකර මෙම චෝදනා පත්‍රය ඔබ වෙත ලැබුණු බව දන්වන්න.

සාමාන්‍යාධිකාරී,

335

මගේ අංකය
.....අංශය,
දෙපාර්තමේන්තුව,
පේරාදෙණිය,
1992.03.04. වෙනි දින.

..... මහතා
..... ඉංජිනේරු

වෝදනා පත්‍රය

මා මගින් ඔබ අමතා ඇති අධ්‍යක්ෂගේ අංක:...හා 92.02.28 දිනම ලිපිය හා අමාත්‍යාංශයේ ලේකමගේ අංක:...හා 92.01.30 දිනැති ලිපිය අවශ්‍ය කටයුතු සඳහා මේ සමඟ ඉදිරිපත් කරමි.

ප්‍රධාන ඉංජිනේරු

පිටපත:-අධ්‍යක්ෂ - දැනගැනීම සඳහා.

.....ලේ.මගින්,
.....සේවයේ 11/11 පංතියේ,
.....මහතා

විනය නියෝගය

ඔබ වෙත තිකුත් කරන ලද මගේ සමාංක හා 1991-02-26 දින දරණ වෝදනා පත්‍රයෙන් කරන ලද වෝදනා අට (08) සම්බන්ධයෙන් පැවැත් වූ විධිමත් විනය පරීක්ෂණය අනුව 04 වන වෝදනාවේ "මිලට ගත් කොටුදැල් නොග පොතට ඇතුලත් නොකිරීම" සම්බන්ධයෙන් හා 6 වන වෝදනාවට ඔබ විරදකරු බවට නිගමනය කරමි.

02.ඒ අනුව දඬුවමක් වශයෙන් ඔබගේ මිලග වැටුප් වර්ධකය වර්ෂයකින් ප්‍රමාද කිරීම (stop)නියෝග කරමි.

ලේකම,
.....කටයුතු අමාත්‍යාංශය.

- පිටපත්:-
1. ලේ :- ද.ග.හා අ.ක. සඳහා,
 2. අධ්‍යක්ෂ.
 3. පුද්ගලික ලිපි ගොනුවට.

.....මගින්,
සේවයේ 11/11 පංතියේ,
මහතා

චෝදනා පත්‍රය

ඔබ වෙත නිකුත් කරන ලද කටයුතු අමාත්‍යාංශයේ ලේකම්ගේ අංක:-
 ...හා 1991.02.26 දිනැති චෝදනා පත්‍රය සම්බන්ධයෙන් පැවැති පරීක්ෂණයේ නිගමන අනුව
 04 වන චෝදනාවේ සඳහන් "මිලට ගත් කොටු දැල් තොග පොතට ඇතුළත් නොකිරීම"
 සම්බන්ධයෙන් හා හයවන චෝදනාවට ඔබ වරදකරුවීම සම්බන්ධයෙන් දඬුවමක් වශයෙන්
 ඔබගේ මිලට වැටුප් වර්ධකය වර්ෂයකින් ප්‍රමාද කිරීමට (stop).....ලේ ගේ අංක:හා
 1992.01.30 දිනැති ලිපියෙන් දන්වා ඇත. එම ලිපියේ මුල් පිටපත මේ සමඟ එවමි

.....

සහකාර අධ්‍යක්ෂ(පාලන)1,
 අධ්‍යක්ෂ වෙනුවට.

- පිටපත:-
1. ප්‍රධාන ඉංජිනේරු - මුල් ලිපිය ඉංජිනේරු මහතා වෙත භාරදී මාවෙන
 වාර්තා කිරීම සඳහා.
 2.ලේකම් - ඔබගේ අංක:-හා 92.02.10 දිනැති ලිපිය
 සම්බන්ධයෙන් ද.ස.
 3.ලේකම්, - ඔබගේ අංක: බී හා 92.01.30 දිනැති ලිපිය
 සම්බන්ධයෙන් - ද.ස.
 4. ස:අ:(පා) - ද.ස.
 ශාඛාව.
 5.ඉංජිනේරු (සිවිල්) - ද.ස.
 කොළඹ.

කටයුතු ලේකම් මගින්,
මගිය,
කාඩ්කාරි(මුදල්)

.මහතා.

වෝදනා පත්‍රය

බ ගණකාධිකාරී සේවයේ නිලධාරියෙකු ලෙසඅමාත්‍යාංශයට අයත් සැපයීම අංශයේ සේවය කරමින් සිටියදී නත සංග්‍රහයේ XLV 111 වැනි පරිච්ඡේදයේ 'අ' උපලේඛණය යටතේ ගැනෙන පහත සඳහන් වෝදනාවන්හි අඩංගු වැරදි කිරීමෙන් රාජකාරි පැහැර හැරීම හා/හෝ විෂමාවාරයෙහි යෙදීම හේතුවෙන් ගෙන ඔබ සේවයෙන් පහ නොකිරීමට වෙනත් හේතු ඇතොත්, එමහේතු වෙම වෝදනා පත්‍රය ලැබී දින 14 ක් ඇතුළතකටයුතු ලේකම් මගින් මා වෙත නව ඉදිරිපත් කරන ලෙසට ආයතන සංග්‍රහයේ XLV 111 වැනි පරිච්ඡේදයේ 4:2/5:2 වැනි ඡේදය යටතේ මෙයින් ඔබට යෝග්‍ය කරමි.

වදනා:

- (1) මෙ සමග අමුණා ඇති අංක 1 දරණ උප ලේඛනයේ දක්වා ඇති ශල්‍ය භාණ්ඩ තොගයන්අංශයට ඇත්ත වශයෙන් සපයා නොතිබියදී එම භාණ්ඩ මොරටුව, ගාලුපාර අංක 355 හි " ඉංජිනේරු වර්ක්ස්." නම වූ ව්‍යාජ ආයතනයකින් සැපයූ බවට ඉදිරිපත් කර තිබුණු, මෙ සමග අමුණා ඇති උපලේඛන අංක 02 හි සඳහන් වවුචර්පත්, මුදල් රෙගුලාසි 133 සහ 245 (1) හි නියමයන්ට අනුකූලව හදි වැරදි බැලීමකින් තොරව සහතික කිරීමෙන් රුපියල් 54,30,175/- ක රජයේ මුදල් වංචා කිරීමට අනුබල දීම සහ/හෝ සහාය වීම.
- (2) ඉහත (1) වෝදනාවේ සඳහන් වරද කිරීමෙන් නම රාජකාරි පැහැර හැරීම.
- (3) ඉහත (1) සහ(2) වෝදනාවන්හි වරදවල් කරමින් මෙ සමග අමුණා ඇති උපලේඛන අංක 02 හි දක්වා ඇති අදාල වෙක්පත්වලට නම අත්සන යෙදීමෙන් රජයේ මුදල් වංචා කිරීමට අනුබල දීම සහ හෝ සහාය වීම.

මෙම වෝදනා සනාථ කිරීම සඳහා පහත සඳහන් සෘෂිකරුවන් සහ පිලේඛන උපයෝගී කර ගනු ලැබේ.

I. සෘෂිකරුවන්:-

1.මහතා,
(අභ්‍යන්තර විගණන නිලධාරී)
අභ්‍යන්තර විගණන අංශය,
කොළඹ .

II. ලිපි ලේඛන

1. උපලේඛන අංක 2 හි (4) වන තීරුවේ දක්වෙන වවුචර් පත්වල අමුණා ඇති ලිපි බිල්පත්.
2. උපලේඛන අංක 2 හි (6) වන තීරුවේ දක්වෙන අංකයන්ට අයත් වෙක්පත් සහ එම උප පත්‍රිකා.
3. මුදල් පොත්(අත්තිකාරම ගිණුම)
 1. 1988 ජූලි මස සිට නොවැම්බර් දක්වා.
 - II. 1988 දෙසැම්බර්
 - III. 1989 ජනවාරි 1989 ජූනි
පෙබරවාරි අගෝස්තු
අප්‍රේල් ඔක්තෝබර්, දෙසැම්බර්
 - IV. 1989 මාර්තු
මැයි
ජූලි
සැප්තැම්බර්
නොවැම්බර්

V. 1990 ජනවාරි, මාර්තු, මැයි
 vi. 1990 පෙබරවාරි

අප්‍රේල්

4. ගෙවීම් වටුවර්ෂන් ලේඛනය - 1980.3.10-1989.2.22 දක්වා
5. වෙක්සන් භාරදීමේ ලේඛනය.
 1. 1987 ඔක්තෝබර් 15 සිට 1988 දෙසැම්බර් මස 30 දක්වා
 11. 1989 ජනවාරි මස 2 සිට 1990.05.30 දින දක්වා.
6. සැපයීම් අංශයේ වටුවර් ලේඛනය 1989.01.11 සිට 90.05.28 දක්වා
7. සැපයීම් ශාඛාවෙන් මුදල් ශාඛාවට වටුවර් යැවීමේ ලේඛන දෙක
 1. 1988.01.06 සිට 1989.08.18 දින දක්වා
 11. 1989.07.13 සිට 1990.05.30 දින දක්වා
8. ලැබීම් වටුවර් (නෙවන පිටපත්)
 1. 098101 සිට 098200 දක්වා
 11. 098201 සිට 098300 දක්වා
 111. 105001 සිට 105100 දක්වා
(105020 සිට 105100 දක්වා පිටපත් තුනම ඇත.)
 - iv. 105201 සිට 105300 දක්වා
(105226 දක්වා පාවිච්චි කර ඇත. 105227 සිට 105300 දක්වා පිටපත් තුනම ඇත.)
9. ලැබීම් වටුවර්

098178 - අනු පිටපත සමග 098261
 096225 - 098192 අනු පිටපත සමග
 098212 - 105012

ඉහත සඳහන් 02 (11) වැනි ඡේදයේ දැක්වෙන ලියවිලි පරීක්ෂා කර බැලීමට ඔබට අවශ්‍ය වන්නේ නම්, ඒ සඳහා අධ්‍යක්ෂ ජනරාල්ගේ පූර්ව අනුමැතිය ලබාගෙන නියමිත දිනයකදී ඒවා පරීක්ෂා කර බැලිය හැක.

ඔබ වෙනුවෙන් පෙනී සිටීමට අදහස් කරන යම් නියෝජිතයෙකු සමඟ එම ලියකියවිලි පරීක්ෂා කර බැලීමට ඔබ අදහස් කරන්නේ නම්, එම නියෝජිතයාගේ නම, ඔහු දරණ(විශ්‍රාමිකයෙකු නම් දරු) තනතුර සහ රාජකාරී/ පෞද්ගලික ලිපිනය සඳහන් කරමින් ඔහු ඔබ වෙනුවෙන් පෙනී සිටීමට කැමති බවට ලබාගත් ලිපියක් සමග ඉල්ලීමක් කර මාගේ පූර්ව අනුමැතිය ලබාගත යුතුය. ඔබේ නියෝජිතයා රජයේ නිලධාරියෙකු හෝ රජයේ සේවයෙන් විශ්‍රාම ලැබුවකු හෝ විය යුතුය.

ආයතන සංග්‍රහයේ LVIII වැනි පරිච්ඡේදයේ 10:4 සහ 10:5 වැනි ඡේද අනුව, පිළිතුරු සැපයීමට ඔබට පුළුවන.

ඔබගේ පිළිතුරු නියමිත කාලසීමාව තුළ අමාත්‍යාංශයේ ලේකම් මගින් මා වෙත ඉදිරිපත් කිරීමට ඔබ අපොහොසත් පුළුවනොත් ඔබට නිදහසට ඉදිරිපත් කිරීමට කරුණු නොමැති සේ සලකා ක්‍රියා කරන්නෙමි.

කාරුණාකර මෙම චෝදනා පත්‍රය ලැබුණු බව අමාත්‍යාංශයේ ලේකම් මගින් මා වෙත දන්වන්න.

..... නියෝජ්‍ය ලේකම්.

- පත්:-
1. ලේකම්,..... අමාත්‍යාංශය.
 2. පෞද්ගලික ලිපිගොනුව.
 3. සැපයීම් අංශය.
 4. අනී.නි.අ.ජ.(මුදල්) අංක.....

කම මගින්,
මගින්,
කාඩ්කාර් (සැපයුම)

වෝදනා පත්‍රය

බ ගණකාධිකාරී සේවසේ නිලධාරියෙකු ලෙසඅමාත්‍යාංශයට අයත් සැපයීම ආශයේ සේවය කරමින් සිටියදී තන සංග්‍රහයේ XLV111 වැනි පරිච්ඡේදයේ 'අ' උප ලේඛණය යටතේ ගැනෙන පහත සඳහන් වෝදනාවන්හි අඩංගු වැරදි කිරීමෙන් රාජකාරි පැහැර හැරීම හා/ හෝ විෂමාචාරයෙහි යෙදීම හේතු කොටගෙන ඔබ සේවයෙන් පහ නොකිරීමට වෙනත් අයුරකින් ඔබට දඩුවම් නොපැමිණවීමට හෝ හේතු ඇනොත්, එම හේතු මෙම වෝදනා පත්‍රය ලැබී දින 14 කුළුනකටයුතු අමාත්‍යාංශයේ ලේකම් මගින් මා වෙත ලිඛිතව ඉදිරිපත් කරන ලෙසට ආයතන සංග්‍රහයේ XLV111 පරිච්ඡේදයේ 4:2/5:2 වැනි ඡේද යටතේ මෙයින් ඔබට නියෝග කරමි.

වෝදනා:-

- (1)සැපයීම ආශයට භාණ්ඩ මිලදී ගැනීමේදී ඇස්තමේන්තු ලබා ගැනීම, ටෙන්ඩර් උපලේඛන ගත කිරීම, දෙපාර්තමේන්තු ටෙන්ඩර් මණ්ඩලයට සහාය වීම, සැපයුම්කරුවන් තෝරා ගැනීම ආදී කටයුතුවල නියැලීමෙන් භාණ්ඩ සැපයුම්කරුවන් පිළිබඳ මනා වැටහීමක් තිබියදීත් මොරටුව, ගාලු පාරේ අංක 355 හි ඉංජිනේරු වර්ක්ස් නමැති ව්‍යාප ආයතනයකින් මෙ සමග අමුණ ඇති උපලේඛන අංක 1 හි දක්වෙන ශල්‍ය භාණ්ඩ සපයා ඇති බවට (ඇත්තවශයෙන්ම එම භාණ්ඩ සපයා නොතිබියදී) ඉදිරිපත් කර තිබුණු වවුචර් පත් මුදල් රෙගුලාසි අංක 237 බී සහ 75 ට පටහැනිව අනුදා කිරීම හා එමගින් රුපියල් 54,30,175/- ක රජයේ මුදලක් වංචා කිරීමට අනුබල දීම සහ/ හෝ සහාය වීම හා තම රාජකාරීන් පැහැර හැරීමෙන් රජයට පාඩු සිදුවීමට ඉඩහැරීම.
- (2) සැපයුම් භාණ්ඩ මිලදී ගැනීමේදී ඇස්තමේන්තු ලබාගැනීම, ටෙන්ඩර් කැඳවීම, ටෙන්ඩර් උපලේඛන ගත කිරීම, දෙපාර්තමේන්තු ටෙන්ඩර් මණ්ඩලයට සහායවීම, සැපයුම් කරුවන් තෝරා ගැනීම ආදී කටයුතුල නියැලීමෙන් ශල්‍ය භාණ්ඩ සැපයුම් කරුවන් පිළිබඳ මනා වැටහීමක් තිබියදී, හොමාගම හයිලෙවල් පාරේ අංක හි ඉංජිනේරු වර්ක්ස් නමැති ව්‍යාප ආයතනයකින් 75 න් සපයා ඇති බවට (ඇත්ත වශයෙන් සපයා නොතිබියදී) ඉදිරිපත් කර තිබුණු වවුචර්පත් මුදල් රෙගුලාසි 237 (බී) සහ 752 ට පටහැනිව අනුමත කිරීම හා එමගින් රු පියල් 198,750/- ක මුදලක් වංචා කිරීමට ඉඩ සැලසීම හා තම රාජකාරීන් පැහැර හැරීම.
- (3) ඉහත අංක (1) හා (2) වෝදනාවන්හි සඳහන් වරදවල් කරමින් මෙ සමග අමුණා ඇති උපලේඛන අංක 2 හි දක්වා ඇති වවුචර් පත්වලට අදාල වෙස්පත් අදාල ලිපිගොනු හා සැපයුම් වවුචර්පත් ආදිය පරීක්ෂා කිරීමකින් කොරව අත්පත් කිරීමෙන් රජයේ මුදල් වංචා කිරීමට අනුබල දීම.
- (4) නොග පාලන ශාඛාව, ගබඩාව සහ මුදල් සහ අංශවලට අනුමත සැපයුම්කරු වන්නේ නාම ලේඛනයක් නොසැපයීම සහ ඇණවුම් ලිපියැවීමේදී එහි පිටපත් අනිකුත් ශාඛාවන්ට නොයැවීමෙන් තම රාජකාරීන් පැහැර හැරීම.
- (5) වවුචර්පත් හරි වැරදි පරීක්ෂා කිරීමේදී එම කාර්ය භාර නිලධාරියා වෙත අවශ්‍ය තොරතුරු නොසැපයීමෙන් තම රාජකාරීන් පැහැර හැරීම.

මෙම වෝදනා සනාථ කිරීම සඳහා පහත සඳහන් භාරකරුවන් සහ ලිපි ලේඛ උපයෝගී කරගනු ලැබේ.

- (1) සාක්ෂි රුවන් :
 - 1. මහතා.
(අභ්‍යන්තර විගණන නිලධාරී)
කොළඹ 10.

(2) ලිපිලේඛණ.

- (1) උපලේඛණ අංක 02 හි (4) වන නිරූපිත දැක්වෙන වටුවර්පත් සහ එම වටුවර්පත් පත්වලට අමුණා ඇති බිල්පත්.
- (2) උපලේඛණ අංක 02 හි (6) වන නිරූපිත දැක්වෙන අංකයන්ට අයත් වෙක්පත් සහ එම උපලේඛණ.
- (3) මුදල් පොත් (අත්තිකාරම් ගිණුම)

1.	1988	ජූලි මස සිට නොවැම්බර් දක්වාත්.
11.	1988	දෙසැම්බර්.
111.	1989	ජනවාරි
		පෙබරවාරි
		අප්‍රේල්
		මැයි
		ජූලි
	1989	මාර්තු
		ජූනි
		අගෝස්තු
		ඔක්තෝබර්
		දෙසැම්බර්

THE STORY

The owner of the Elite Trading Company entered the office of one of his foremen, where he found three employees playing cards. One of them was Sunil, brother-in law of foreman Henry. Henry, incidentally, often worked late. Company rules did not specifically forbid gambling on the premises but the Chairman had expressed himself forcibly on subject.

Statements about the Story

1. In brief, the story is about a company owner who found three men playing cards. T F ?
2. The Chairman walked into the office of one of his foremen. T F ?
3. Company rules forbade playing cards on the premises after working hours. T F ?
4. While the card playing took place in Henry's office, the story does not state whether Henry was present. T F ?
5. Henry never worked late. T F ?
6. Gambling on the premises of the Elite Trading Company was not punished. T F ?
7. Sunil was not playing cards when the Chairman walked in. T F ?
8. Company rules forbade gambling on the premises T F ?
9. Three employees were gambling in a foreman's office. T F ?
10. While the card players were surprised when the owner walked in, it is not clear whether or not they will be punished. T F ?
11. Henry is Sunil's brother-in-law T F ?
12. The Chairman is opposed to gambling on Company premises. T F ?
13. Sunil did not take part in the card game in Henry's office. T F ?
14. A corporation owner found three employees playing cards. T F ?

INSTITUTE OF PUBLIC FINANCE AND DEVELOPMENT ACCOUNTANCY

CORPORATE PLANNING

“What is Corporate Planning”

Although corporate planning has been in use for many years now, it is still the subject of several misconceptions. Some companies try to plan in meticulous detail over very long time spans; others confuse corporate planning with budgeting; others, believing corporate planning to be a vast complex exercise, appoint academically brilliant specialists to do the planning for them.

Corporate planning is in fact a quite simple exercise. However, this does not mean that it is easy. The problems are: first, that the forecasts on which many of the decisions have to be based are subject to enormous errors; and secondly, that many of these decisions are judgmental. A corporate plan does not contain an enormous number of decisions, nor does it call for a vast volume of data; these are more the characteristics of short term planning. Instead, it involves a very few but very important decisions concerning the whole structure of the company for many years into the future.

The idea that the corporate planner should prepare his company's corporate plan is still prevalent today. In fact his correct role is to assist the company's top executive team to prepare the plan. They do it; he assists. The reasoning behind this rests in the belief, for which there does seem ample evidence, that one man can no longer manage a medium sized company on his own as the old-fashioned autocrat used to do. The reason for this is that no one man can grasp the significance for his firm of all the multitudinous events taking place in the business environment today. Hence, there is a trend towards the chief executives becoming less of a boss and more of a team leader managing by consensus.

Now, if this is the case for managing a company, it probably holds true for planning its long term destiny as well. So, a corporate plan prepared by one man will be unbalanced or otherwise defective. It needs a team. The first step to take, then, is to form the corporate planning team. It must include the chief executive. It will probably include the finance director and one or two others. Then appoint a corporate planner as team secretary; this can, of course, be a very senior appointment.

The process itself is quite simple. The team works systematically through a sequence of questions about its company. The objectives, targets, strengths, weaknesses, and so on are all examined and discussed, until a consensus emerges as to the company's overall total strategic situation. Then, a decision is made; that is, a strategy or set of strategies is selected, and action plans are drawn up. Finally, the team stands ready to monitor progress every few months.

It is useful, in order to avoid unrealistic plans and to obtain maximum co-operation in putting the plans into effect, to seek the participation of as many senior executives as possible. To do this the planning exercise should begin with a seminar, and the team should take care to consult with, and report to, a wider circle of executives.

The effect of corporate planning may be to improve profits. A number of surveys suggest this, and I believe it to be so. However, the most easily verifiable consequence is that, whereas before corporate planning no consensus exists concerning the long term future of the company, after it a consensus does exist. The whole of the top two or three levels of the company's management can be clearly seen working towards agreed long term aims by mean of an agreed set of strategies.

Excerpt from John Argenti - Practical Corporate Planning

An example of a Corporate Plan. Corporate plan for Fulmar & Co.

Summary	Forecast	Gap
Target Profits to rise from \$4.2m. to \$8.5m. by year 5 (Tsat) and to exceed \$4.8m. (Tmin)	Profits will probably rise to \$5.5m. and will almost certainly exceed \$4.8m.	Even on present strategies we should exceed Tmin, but we need an extra \$3.4m. for Tsat
Strengths Excellent well-established product Fulmar well known and respected among agricultural merchants Unique depot system Exports equal 80% of turnover Low gearing	Weaknesses No new products or even ideas Production, stock control, methods, etc. all poor Mr Fulmar in poor health; no children P/E ratio = 4	
Threats Competitors New materials Fire legislation Mr. Fulmar's shares	Opportunities World markets: enormous potential Industrial buildings DIY Added value Environmental and scenic	
Strategies considered Simple expansion in existing markets New products: DIY, industrial, etc Acquisition of Petrel Ltd	Improve production Move into new markets Changes in shares	Management Finance
Strategies selected (See text)		

Prepared by : Mr. K.B.M. Fonseka

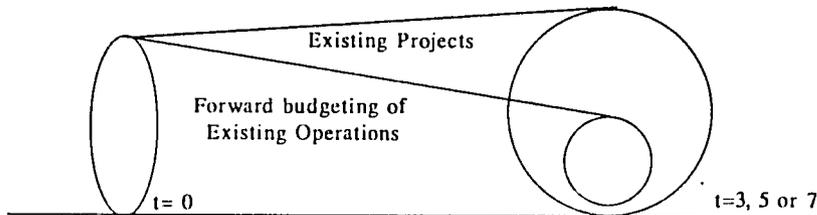
CORPORATE PLANNING

Before we discuss Corporate Planning it would be beneficial to trace the development of the Planning function which finally leads to Corporate Planning.

Till around 1965, even in Developed countries Companies planned and controlled their activities on the bases of a One-year Budgeting system. Special Project analysis also supplemented the planning. In addition recommendations of Special Committees were also implemented.

Later there was a significant trend towards - Forward Budgeting also - Incorporating Capital Expenditure.

This may be diagrammatically depicted as under



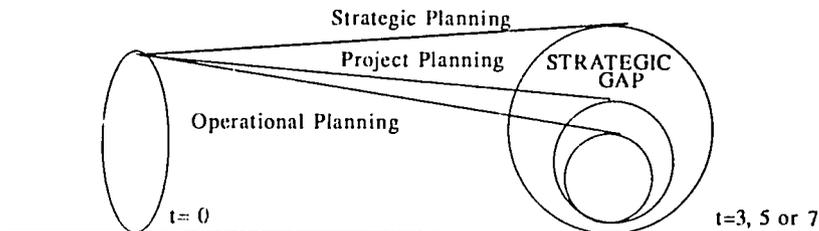
A corresponds to A but is a smaller entity perhaps due to technological obsolescence, changes in the market, or lower margins of profit in the Product Life cycle. This stage may be called OPERATIONAL PLANNING

To this may be added expected fruits of existing new projects e.g.a new range of models, a new plant coming on stream or acquisition of a new market etc. This exercise can be termed PROJECT planning. Which can be undertaken at the same time or run concurrently.

2. An Organisation may at a certain stage of its growth consider Operational planning and Project planning alone insufficient by themselves. Top Management may like to think of what the Company or organisation would like to be in the future along various dimensions. In Market Share, in size and Shape, in Profitability, etc.

STRATEGIC PLANNING

The difference between what the top management wants to happen and what it can project on the basis of presently planned operations and agreed projects is called the "Strategic gap". The gap between desired goals and probable achievement. This may be illustrated diagrammatically as under



Thus Corporate Planning contains three distinct types of planning

Operational Planning: To plan the future (existing) operations in such a way that, in combination with new projects the organisation's strategic aims are achieved.

Project Planning: To evaluate and plan new activities and to integrate them into the on-going operations of the organisation.

Strategic Planning: To determine a set of goals that define the future of the organisation in terms of the products or services, market posture, its profitability and its overall shape and size, and develop an effective set of policies and programmes consistent with them.

But WHAT IS CORPORATE PLANNING?

Corporate Planning may be defined as a PROCESS used by an ORGANISATION TO DEAL WITH THE DEVELOPMENT OF ITS PHILOSOPHY, ITS STRATEGIES AND THE STRUCTURE OF ITS BUSINESS PLANS.

The PROCESS embraces all aspects of a business or other Organisations.

EXTERNAL CONDITIONS Economic, political,..., social, competitive

ORGANISATION Strategies, policies, Financial targets.
BASIC OBJECTIVES

It is a continuing process; in that as External Conditions and Organisations objectives change, Corporate plans should be modified to accommodate the changes.

WHY IS CORPORATE PLANNING NEEDED?

1. To answer the question "Where are we going?"
2. To Simulate the future on paper.
3. To clarify opportunities and threats.
4. To provide a framework for Decision making.
5. To avoid Piece meal decisions.
6. To Relate future projections to past performance.
7. To facilitate Rapid response to new events.
8. To promote better understanding of objectives throughout the organisation.
But above all
9. To make managers, at all levels, think about the future of the organisation or business and shape their decisions accordingly.

HOW TO SET ABOUT CORPORATE PLANNING

First a relevant appraisal should be made of the environment.
Take a view of the factors in the environment which

offers OPPORTUNITIES or POSES THREATS

Secondly appraise the Organisation's present position with regard to its STRENGTHS and WEAKNESSES

Thirdly Devise an appropriate set of

OBJECTIVES
POLICIES and
PROGRAMMES

for the Organisation as a WHOLE.

Fourthly set FINANCIAL AND STRATEGIC CRITERIA for PROJECT SELECTION and set STANDARDS FOR PERFORMANCE, for operational Divisions or units.

If Corporate Planning is to be achieved

It should be made the Responsibility of the Chief Executive. Stimulation, Guidance, Support and active participation from the top should be available.

It should be viewed as a continuing function and not a single task.

A small full time staff viz. Corporate planners must be engaged. They should have credibility. They must be good motivators to secure involvement of Functional managers.

Planning must become a major concern of every Manager.

Plans must be visible, understood and seen to be implemented.

For a Government Dept. or Statutory Body, Corporate Planning can involve

1. DEFINING THE MISSION OF THE ORGANISATION
2. CLEARLY ENVISAGING THE POSITION DESIRED TO BE ACHIEVED WITHIN A STATED NUMBER OF YEARS
3. SET DOWN - A VIEW OF OPPORTUNITIES AND THREATS IN THE ENVIRONMENT
4. APPRAISE ORGANISATION'S PRESENT STRENGTHS AND WEAKNESSES
These can be Infrastructure, Facilities, Management Capabilities, Untapped resources, Government patronage, etc. etc.), Technical capabilities, etc.
5. SET DOWN OBJECTIVES AND GOALS.
6. FRAME POLICIES CONSISTENT WITH THESE POLICIES
7. FORMULATE OPERATIONAL PLANS & TIME FRAME
8. PREPARE FINANCIAL TARGETS

Revenue, Expenditure, Cash Flows, Funds, Profitability rates, etc. Working Capital requirements.

For a Company this may mean

Environmental appraisal

Macro- economic forecasts

Sector forecasts

Technological forecasts

Sociological forecasts

Political forecasts

Forecasts of Competition

Product analysis Financial appraisal

Market analysis Manpower appraisal

Product and Process analysis Research and appraisal

Market development appraisal Competition appraisal

Environment appraisal should be conducted in terms of seeking opportunities and threats.

Corporate appraisal should identify strengths and weaknesses.

Corporate Planning is equally relevant to Govt. Departments.

Before a Govt. Department's Budget could be newly prepared it is necessary to determine its "Corporate goals". That is the main mission of the Department. Why it exists and then set out its objectives and functions. This exercise was performed when the Programme Budget was originally prepared for Departments.

However it is open for a Department considering the changes that have taken place, the position it envisages for itself in the future, the size and scale of operations it will have to handle may be owing to Government Policy changes, may be due to technological changes or may be due to population increase and hence increased activity, to prepare a Corporate Plan which takes into account its perceived Size, shape and Operations and the Position it would occupy in given future period may be 3,5 or 7 years.

But an examination of the Programme Budget description of the Department over the last 18 years indicates that Department have been content to repeat their objectives or goals only once in a way making changes for changes thrust on them.

But a Corporate Planning mood might see

Agriculture Dept. perhaps changing its profile from a on-crop Agriculture implementor

Health changing its preoccupation from patient care to Prevention or
Insurance Corporation taking prevention of Hazards as a major target.

Consider the Following situations in regard to two Commercial Companies

Company "A"	Profits increased in each of the last 10 years. Good current profitability. Low gearing Positive cash flow Steady growth
-------------	--

Company "B" Profitable only in Boom years. Low underlying growth.
Excess capacity amongst competitors.
Heavy Bank borrowing.
Frequent losses in the last 10 years.

Considerations A. Will growth Continue?
What is happening to market share?
Is there a need for diversification?

Company B How can the Business be restructured
How to achieve profitable operation and positive cash flow?

Answers to such questions can be found only from a sound analysis of the financial position, its trends, the market environment and other potentialities.

It would be now necessary to Assess the Company's

Strengths and
Weaknesses

and evaluate

Opportunities
and
threats.

and prepare a Corporate Plan. A Corporate Plan need not always aim at expansion of higher profile. A lower profile or a particular niche in the market can be a Sound proposition in the circumstances.

CONTENT OF A PROJECT PROPOSAL

A project proposal is a written document which proposes a project or program to answer a need which has been identified. Certain funding agencies have their own format. If no such format is available it could be presented in the way shown below.

Please note that the project proposal should be written:-

- 1). Clearly and precisely.
- 2). Should answer the question WHY,WHO,WHEN,WHAT,WHERE and show the RESOURCES necessary
- 3). Should be tailored to the need of the agency to which it will be given.
- 4). Should be practical and not too costly.

PARTS OF PROJECT PROPOSAL

1. Title page

- a) The title of the subject.
- b) Name of organization
- c) Address Telephone number

2. Summary

In a paragraph give a precis of proposal. It should contain the following:-

- a) What is the need
- b) How was it identified ?
- c) Who will benefit ? Give details-age, number, income, group, etc.
- d) What are you proposing to do? Eg: training of women, youth for self employment, nutrition, education programme, establishing libraries for children etc.
- e) When will the project begin ? Eg: from 1982 August to 1983 August.
- f) Where it is to be located ?
- g) Resources: what the organisation will contribute and what is wanted.

3. Description of organisation (Sponsors) give following details

- a. Name:-
- b. Address:-
- c. Objectives of the organisation:-
- d. Total membership:
- e. Financial resources, membership fees, grants, foreign aid:
- f. Names of important officials:
- g. Previous experience in implementation of projects and programmes:

4. Background

Should be based on need identified-indicate:-

I.How II.When III.By whom IV.what priorities were decided upon.

5. Specific objective

Define what specific objectives are to be achieved in order to fulfil the identified needs- State it on concrete terms so that it will answer the following question.

1. WHY Does the project benefit?
2. BY WHOM will it be carried out?
3. WHY is the project necessary ?
4. WHERE is it to be located?
5. WHEN will it be carried out ?
6. WHAT is the broad activity to be done?

Avoid using vague terms such as "to improve", "to strengthen", "to raise the quality" etc. Following is an example of a specific objective:-

" to build in 1983, 200 protected wells in 20 villages in district x selected on the basis of a survey conducted by the District Development Council to benefit 2000 children by the Rural Development Societies with UNICEF aid".

6. Project Information

- I. Location : place, site, facilities.
- II. Land : Crown? Private? released by govt?. bought?
- III. Buildings If available details - such as rent -
- IV. Transport Communication facilities - road, railways, their condition.
- V. Electricity - Available or not, distance to nearest source.
- VI. Resources
 - a) Raw material
 1. Locally available raw material:-
 2. Raw material required but not available in the village :-
Where in what quantities they should be obtained
 - b) Man power resources
 1. Skilled - available or not , how they should be recruited, trained-
 2. Non - skilled

7. Beneficiaries- Age, sex, number-

8. Work plan

Describe in sequence the activities planned to accomplish the objective- estimate time period- show how the project is to be phased.

9. Budget

Give firm estimates of all costs under the following headlines:-

1. Land
2. Buildings(rent or building cost)
3. Machinery, equipment-
4. Vehicles-
5. Personnel - indicate training cost, salaries, wages.
6. Miscellaneous items such as writing material
7. Telephone (rental and charges)
8. Travelling, subsistence, batta-
9. Incidentals-
10. Total for the project.

If you are presenting your report to a foreign agency please note that crown land and "shramadana" labour has to be costed. In such a case present a budget summary at the end of the statement as follow :-

- a. Total required for the project = Rs.....
- b. Total funds available with organization =Rs....
(“c” is derived by deducting “b” from a)
- c. Total funds required from the foreign funding Agency =Rs....

10. Management

Show who will supervise and monitor and implement Eg. R.D. Society etc

11. Progress reports

Monthly or quarterly- who will send them

12. Evaluation

Show who, when,where,will evaluate

Note that if any govt. officers are involved in the project or any government vehicles or fuel are used to show compute such cost in the same way as shramadana work.

If it is an industrial project , or an agricultural project show the cash flow and profitability.

IMPORTANT

Annex the following documents (according to the type of project)

1. Building plans drawn by technical staff with bill of quantities.
2. Proforma Invoices of quotation (if imported) or if to be locally purchased, quotations from the companies with drawings or literature (This is for industrial project).
3. Soils report, crop suitability report from relevant agency. (D.A.E.O.re. agricultural project)
4. Report from irrigation engineer (agriculture project, if in dry zone)
5. Lastly remember to send the project proposal with covering letter.

PREPARED BY : A.N. Fernando

CENTRAL - PROVINCIAL FINANCIAL RELATIONS

GENERAL LEGAL ASPECTS

- a) The Legislative framework for the implementation of financial devolution at Provincial Councils end is set out in Part III (Finance) of the Provincial Councils Act No. 42 of 1987. In order to expedite the process of implementation, the 1987 Act was supplemented by the Provincial Councils (Consequential Provisions) Act No. 12 of 1989.
- b) The Provincial Councils Act has built in certain safeguards in regard to the management of finances.
 - (i) Provision for auditing accounts of Provincial Councils (Pcc) by the Auditor General - E 23 - (appointed by President)
 - (ii) Governor of the Province - appointed by the President plays an important part in financial operations.
 - Frame rules etc. re custody of Provincial Fund and Emergency Fund of each Province.
 - Governor's recommendation - a prerequisite for adoption of Financial Statutes.
 - he presents Annual Financial Statement
 - His recommendation necessary for demands for grants from Provincial Fund.

Consequential Provisions Act conferred on the Governor and Provincial Ministers' rights to exercise powers and functions assigned to a Minister of the Government in respect of any matter in the Devolved List. Finance Commission was appointed on 25th April, 1989. Financial allocations required for the operations of the Provincial Councils were provided by Government from 1988 under the Ministry of Provincial Council with its Secretary as Accounting officer. He in turn released funds to Chief Secretaries of Provincial Councils.

On a recommendation of the Finance Commission, made in June 1988, funds available in 1988 Estimates under DDCc e made available to Provincial Councils on the basis of the number of electorates in each Provincial Council.

recommendation of the Finance Commission respect of 1989.

- (i) Funds allocated for Decentralised Budget and District Development Councils for F/Y 1989 were allocated to P C C on a pro rate basis, taking the number of electorates into account.
- (ii) Funds allocated for I R D P in 1989 were allocated to PCC for implementing these projects.

INTERIM ARRANGEMENTS

In January, 1989 the Cabinet made interim arrangements, till funds were voted by Parliament, to disburse funds to line Ministries in respect of devolved subjects and functions.

- (i) Secretaries to line Ministries, while remaining accountable as Chief Accounting Officers, to provide funds to Chief Secretaries of Provinces for implementation of programmes and projects falling within their Provinces.
- (ii) Respective Provincial Directors to disburse the funds and remain accountable to the Secretaries of the Ministries.

CURRENT SITUATION

Upon a careful interpretation of the principles contained in the Provincial Councils Act and recommendations of Committees the following grants are now available to the Provincial Councils from the Government.

BLOCK GRANT

Equivalent to the gap between 80 per cent of the recurrent expenditure and the estimated revenue collection of each P.C. - provided in the Votes of Govt.

MATCHING GRANTS

Govt. provides on the recommendation of the Finance Commission Matching grants to encourage increased revenue effort by the P.C. through

- i. Additional revenue measures
- ii. Improved revenue enforcement

For 1991 as a transitional measure this grant was linked to the excess of actual revenue from the devolved sources compared with the estimated revenue.

From 1992 it will be linked to the increase in revenue collection in lapsed year compared to revenue collection in a base year or a base year period average. These grants are to be provided on a basis differing between provinces considering such factors as

- Revenue potential
- Incidence of taxation, and
- Tax administration capacity.

CRITERIA-BASED GRANTS

When the basis of principles referred to in the Provincial Councils Act is considered this is the most important grant. The amount will be ascertained by the Finance Commission in consultation with the Ministry of Finance, Ministry of Policy Planning and the Ministry of Provincial Councils.

According to the Constitutional Amendments the criteria should reflect

- i. Difference in per capita income
- ii. Social and economic disparities and
- iii. Higher allocations, relative to population.

The utilisation of the criteria-based grants are considered the responsibility of the Provincial Councils.

The inter provincial, social and economic indicators are

Per capita income - 10%	Education - 15%
Per capita income difference - 10%	Unemployment - 15%
Poverty - 10%	Health & sanitation - 15%
Social and economic disparity - 25%	

NATIONAL PLAN/MEDIUM TERM INVESTMENT PROGRAMME

Capital expenditure requirement for components of the National Plan/ Medium Term Investment Programme identified by Govt. in consultation with the Finance Commission is provided as a grant. This is a Capital grant in the P.C Budget.

SOURCE OF FINANCE FOR PROVINCIAL COUNCILS

Thus the sources of Finance will be

- Grants
1. Block grants, Matching grants, Criteria- Based grants.
 2. Grants and loans for the provincial components of the National Plan/ Medium Term Investment Programme (M.T.I.P)
 3. Pass through Foreign aid for provincial components of the National Plan/ M.T.I.P
 4. Devolved revenues
 5. Domestic borrowing
 6. Any surpluses of Public Enterprises

THE NINTH SCHEDULE

The Ninth Schedule to the Thirteenth Amendment to the Constitution carries the
Devolved functions in List I
Reserved functions in List II (Reserved to the Centre) and
Concurrent functions List III

Under the devolved functions the following are important from point of view of finance.

- | | |
|---------------------|---|
| Item 33 | Fees in respect of any of the matters in List I excluding fees taken by any Court. |
| Item 35 | Borrowing of the money to the extent permitted by any Law made by Parliament. |
| Item 36.1 to 36.12. | Turnover taxes, Betting taxes, Licence taxes, Stamp duties, Land revenues etc. |
| Item 36.20 | Other taxation within the Province in order to raise revenues for Provincial purposes to the extent permitted under or by any Law made by Parliament. |

REVENUE CLASSIFICATION & EXPENDITURE CLASSIFICATION

Provincial Councils have adopted the classification as that of the Government. This enables national statistics and accounts to be prepared easily and for ascertainment of necessary data from aggregations or disaggregations.

P.C. have also adopted the Govt's Programme Budget classification in regard to Expenditure. The Western Provincial Council for example has 37 heads of expenditure corresponding to Sectoral Ministries etc. However many Ministry functions are grouped under each Ministry as there are only five Ministers on the Board of Ministers including the Chief Minister. The Chief Minister is preferably the Finance Minister too but this need not be the case in every P.C.

DISCRETIONARY PROGRAMMES

The Provincial Council can, at their discretion, formulate provincial capital and recurrent expenditure to the extent permitted by availability of resources. They will be financed by-

- (a) any balance from the criteria-based grants and matching grants after filling the 20 per cent gap in estimated current expenditure
- (b) any excess in actual revenue collection compared with the estimated revenue.
- (c) any domestic loans procured by the Provincial Councils in respect of income-oriented projects; and
- (d) any surpluses of commercial enterprises under the control of Provincial Councils.

Prepared by: Mr. A.N. Fernando

INSTITUTE OF PUBLIC FINANCE AND DEVELOPMENT ACCOUNTANCY

Provincial Councils - How well are their Finances managed (The Transition)

PROVINCIAL COUNCIL FINANCE AND FINANCIAL RELATIONSHIPS

1. DECENTRALISATION OF FINANCIAL FUNCTIONS.

It would be relevant here to trace the history of decentralisation of financial functions in Sri Lanka during the last two decades before we deal with the Provincial Councils. The following are mile-stones of the decentralisation of financial management in Sri Lanka in the recent past.

- (i) Introduction of the Decentralised Budget concept where by the Govt. Agents were entrusted with preparation and Implementation of the development plans of the Districts in 1973 with the "Food Drive" a crash programme for food production.
- (ii) Appointment of the Political Authority by selecting a senior Member of Parliament in the District to give political leadership to (i) above in 1974 by a Cabinet decision.
- (iii) Establishment of the District Ministry System and appointment of District Ministers in 1978 under Article 45(i)(a) of the Constitution.
- (iv) Appointment of Govt. Agent / District Secretary as Chief Accounting Officer for D.C.B. work in 1980
- (v) Establishment of District Development Councils under Act No. 35 of 1980 in 1984 replacing the former Village Councils & Town Councils.

2. ESTABLISHMENT OF PROVINCIAL COUNCILS

The Provincial Councils were established in 1988 under the Provisions of the 13th Amendment to the Constitution and Act No. 42 of 1987.

2.1 Legal Provision for Financial Controls. Provincial Fund.

There is a Provincial Fund for each Province as stipulated in Part II of Act No. 42 of 1987 and its sources are as follows.

- (a) Proceeds of all taxes imposed by the Council .
- (b) Proceeds of all grants by the Govt.
- (c) Proceeds of all Loans from the Consolidated Fund and ,
- (d) All other receipts of the Council.

All collections in respect of (a) to (d) above should be paid to the Provincial Fund in the first instance and expenditure shall be met only in accordance with and for the purpose and in the manner provided for in the Act. Withdrawal from the Fund could be made only after the following requirements have been observed.

- (i) Passing of the Annual Financial Statement and Appropriation Statute by the Council with the Governor's Assent.
- (ii) Issue of a Warrant by the Chief Minister

2.2 Annual Financial Statement (Annual Budget)

The Governor shall in respect of every Financial year, at least 3 months prior to the commencement of the year, cause to be laid before the Council a statement of the estimated receipts and expenditure of the Province for year. It should show separately-

- (i) Sum required to meet expenditure to be upon the Provincial Fund as salaries and emoluments of the Governor, Ministers, Chairman and Deputy Chairman and P.C. Members, charges in respect of loans from the Consolidated Fund and sums required to be paid on award of Judgement.
- (ii) Sum required to meet other expenditure (Section. 25 of Act No. 42 of 1987 and Section 3 of No. 37 of 1988)

The Financial Statement should be presented to the Council on the recommendation of the Governor along with the Appropriation Statement.

2.3 Audit

Article 154 of the Constitution shall apply to the Audit of Accounts of the Provincial Fund. A copy of the Auditor General's report relating to the Accounts of the P.C. Fund shall be submitted to the Governor who shall cause it to be laid before the Council (Provincial Public Accounts Committee). The Provincial P.A.C. will examine the relevant Chief Accounting Officers and Accounting Officers together with the appropriate staff of the Chief Secretary.

2.4 It is the duty and responsibility of the Governor to make rules and regulations with regard to the

- (i) Custody of the Provincial Fund,
- (ii) Payment of money into the Fund.
- (iii) And all other matters connected with or ancillary to the Fund,
- (iv) "Establishment of Emergency Fund" and all matters connected with the Emergency Fund.

2.5 Statutes of the Provincial Council

- (i) The Provincial Council could make Statutes with respect to any matter set out in List I of the Ninth Schedule to the 13th Amendment to the Constitution (Provincial Council List). Sections 33,36.1 to 36,20 deal with the Taxes, fees and charges of the Provincial Council.
- (ii) The Provincial Councils also could make Statutes applicable to the Province with respect to any matter set in List III (Concurrent list) after such consultation with the Parliament.

2.6 Finance Commission

There is a Commission consisting of

- (i) The Governor of the Central Bank.
- (ii) The Secretary to the Treasury, and,
- (iii) Three other members representing three major communities each of who shall be a person who has distinguished himself or held high office, in the field of finance, law, administration, business or learning (154 R of 13th Amendment)

It is the duty of the Finance Commission to make recommendations to the President as to the Principles on which funds are allocated annually by the Govt. to the Provincial Council any other matters referred to the Commission by the President relating to the finance of the Provinces.

The Finance Commission shall formulate such principles with the objective of achieving balance regional development in the Country

Following factors will be taken into consideration when doing so:

- (i) Population of the Province,
- (ii) Per capita income ,
- (iii) Social and economic disparities,
- (iv) Need to reduce difference between per capita income among provinces

The report of Dr. Salgado who was appointed by the Govt. to make recommendations on the allocation of fund to Provincial Councils has submitted a comprehensive report on this matter.

3. THE FINANCIAL MANAGEMENT SYSTEM IN FORCE IN THE P.C TODAY.

Subject to the national policy of the Government, the Governor is the ultimate authority on financial administration of a Provincial Council. The Board of Ministers is there to aid and advise the Governor in the exercise of his function.

The Chief Secretary who is appointed by the President, has a very important role to play in the financial management of the Provincial Council. While he is accountable and answerable to the President in the implementation of the National Policy of the Government, he also has to satisfy the aspirations of the Council and is answerable to the Governor and the Council through the Chief Minister. His duties and functions in the Provincial Council are similar to that of the Secretary to the Treasury/Secretary to the Ministry of Finance in the Government. The organisation chart of his Secretariat is at annexure A. Listed below are some of the major duties performed by his secretariat.

- (i) Preparation of Annual Budget (Financial Statement) and Annual Development Plan.
- (ii) Custody of the Provincial Fund, collection of revenue and other receipts.
- (iii) Disbursements of the Fund with various accounting units of the Provincial Council.
- (iv) Establishment of proper financial procedures and systems.
- (v) Ensuring an effective Internal Audit System in the Province.
- (vi) Advising the Board on financial matters.
- (vii) Installation of a financial management information system and maintaining Books of Account of the Council.

Chief Accounting Officers & Accounting Officers

In order to facilitate the financial management of a Province:

- (i) The Secretaries of the Ministers of the Provincial Council are appointed as Chief Accounting Officers by the Governor on the recommendation of the Chief Minister and advice of the Chief Secretary.
- (ii) Heads of major Units under the Ministers are appointed as Accounting Officers by the Chief Minister on the recommendation of the Chief Secretary and nominated by the respective Secretaries. (Vide Chart B).

Internal Audit

A powerful Internal Audit section headed by a Director carries out regular inspections of all accounting units of the Province based on an Audit Programme drawn out, and assists the Chief Secretary in the control of finances. This unit also consists of a "flying squad" and acts on information received from the public under the direction of the Chief Secretary. This unit is expected to advise the accounting on the spot to facilitate the prevention of shortcomings and irregularities.

Reporting System

All Accounting Officers should submit the Cash Forecast Statement to the Chief Secretary on or before the 25th of the previous month and he in turn should forward his consolidated statement to the Ministry of Provincial Council and other funding authorities on or before 05th of the month to obtain the necessary imprest.

The Accounting Officers should also submit their Actual Expenditure Summary of Accounts on or before the 10th of the following month together with the necessary schedules etc. to the Chief Secretary who will forward the consolidated statement to the authorities concerned referred to above before 15th of the following month.

Accounting officers are not allowed to utilise their revenue and other receipts for expenditure. They should remit their collection to the Chief Secretary to be credited to the Provincial Fund along with a statement.

Apart from the above statements the Chief Secretary monitors the progress through periodical progress reports on development work, hold discussions and progress review meeting with Secretaries and Offices concerned and monthly discussions with the Accountants and Financial Assistants.

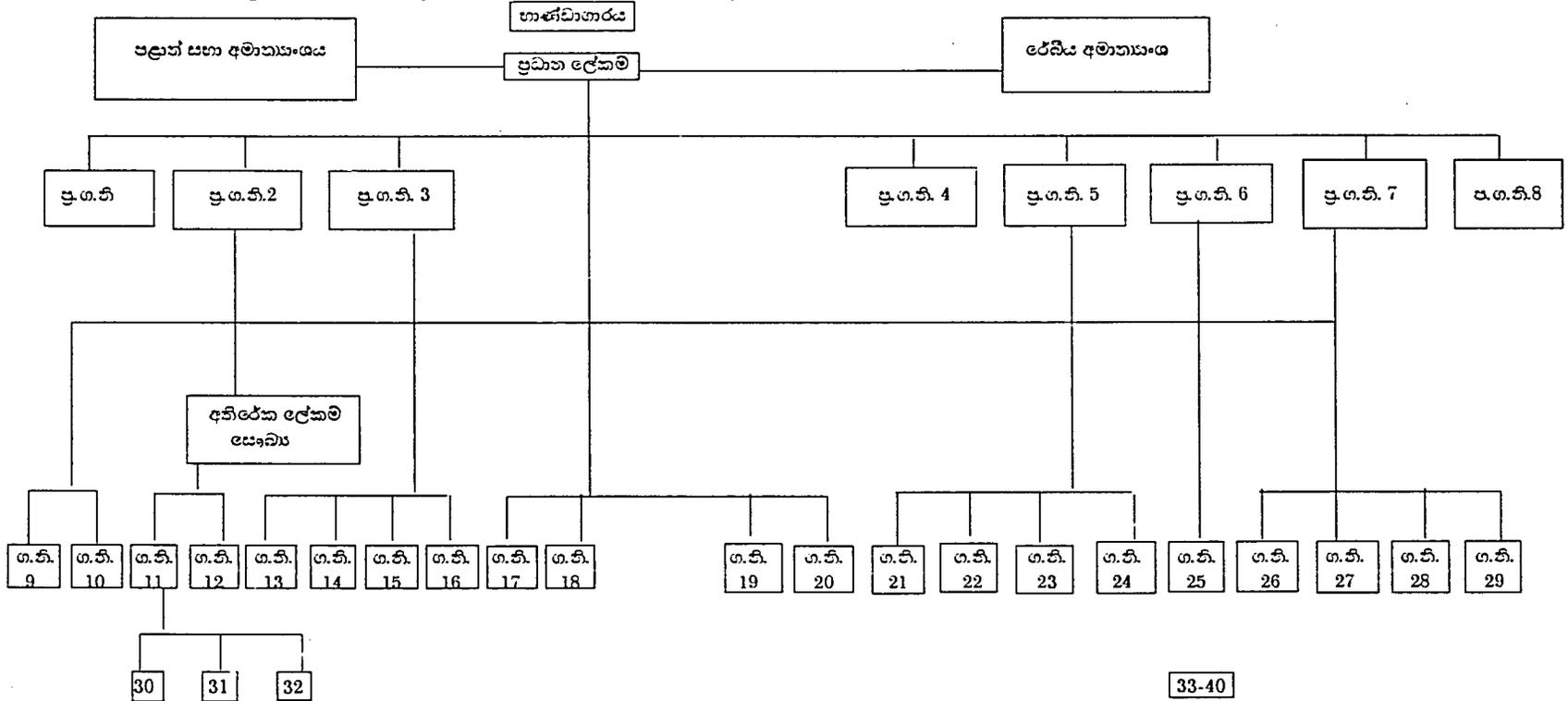
4. DEVOLUTION AND CONSTRAINTS

The devolution has taken place and financial activities have been decentralised to the level of Divisional Secretaries. They are functioning as mini Kachcheries at the moment. The following constraints are observed as major obstacles to the meaningful and effective operation of the system.

- (i) Lack of Accountants and trained supporting staff.
- (ii) Hesitation on the part of some line Ministries to part with their work to Provincial Councils along with the resources.
- (iii) Insufficiency of funds.
- (iv) Ambiguity and disputes over concurrent subjects.

Prepared by : S.Amarakoon-PPFA,DPFM,Deputy Secretary (F) W.P.

බස්නාහිර පළාත් සභාව
 ප්‍රධාන ගණන් දිවේ තිලධාරීන් හා ගණන්දීමේ තිලධාරීන්



ප්‍රා.සෞ.සේ.අ. 03 සැ.පු. : විස්තර පසුපිට

නි.අ.අධ්‍යාපන කොට්ඨාශ 16

BEST AVAILABLE COPY

355

ප්‍රධාන ගණන්දීමේ නිලධාරීන්

1. ආණ්ඩුකාරතුමාගේ ලේකම්.
2. ප්‍රධාන අමාත්‍ය ලේකම්.
3. ප්‍රවාහණ ලේකම්.
4. පළාත් රාජයේ.කො.ලේකම්.
5. කෘෂිකම් හා ඉඩම් ලේකම්.
6. අධ්‍යාපන ලේකම්.
7. ආහාර හා සමුපකාර ලේකම්.
8. සභා ලේකම්.

ගණන්දීමේ නිලධාරීන්

9. පළාත් පාලන කොමසාරිස්.
10. ආදායම් කොමසාරිස්.
11. සෞඛ්‍යසේවා පළාත් අධ්‍යක්ෂ.
12. පළාත් ආයුර්වේද කොමසාරිස්.
13. පෞද්ගලික බස් රථ අධ්‍යක්ෂ.
14. මොටර් ප්‍රවාහණ කොමසාරිස් (බ.ප.).
15. සමාගම් රෙජිස්ට්‍රාර් (බ.ප.).
16. පළාත් මාහි සවර්ධන අධිකාරිය.
17. ප්‍ර.ලේ. ගිණුම් ඒකකය.
18. ඒ.ග්‍රා.ස. ව්‍යාපෘති - අ - කළුතර.
19. ප්‍රාදේශීය ලේකම් (34)
20. ඒ.ග්‍රා.ස. ව්‍යාපෘති - අ - ගම්පහ.
21. පළාත් ඉඩම් කොමසාරිස්.
22. පළාත් කෘෂි අධ්‍යක්ෂ.
23. පළාත් අධ්‍යක්ෂ සන්ධි නිෂ්පාදන
24. පළාත් ගොවිජන සේවා කොමසාරිස්.
25. පළාත් අධ්‍යාපන අධ්‍යක්ෂ
26. පළාත් සමුපකාර සංවර්ධන කොමසාරිස්.
27. පළාත් කර්මාන්ත අධ්‍යක්ෂ.
28. පළාත් පරිවාස හා ළමා කොමසාරිස්.
29. පළාත් සමාජ සේවා අධ්‍යක්ෂ ස.ලේ.

ගණන්දීමේ නිලධාරීන් නොවන ගිණුම් ඒකක

- ප්‍රා.සෞ.සේ. අ - 03
 ප්‍රා.සෞ.සේ.අ. - කළුතර
 ප්‍රා.සෞ.සේ.අ. - ගම්පහ.
 ප්‍රා.සෞ.සේ.අ. - කොළඹ.
 ති.අ.අධ්‍යාපන කොට්ඨාශ - 16

- නාරාහේන්පිට
 මාලිගාවත්ත
 රත්මලාන
 හේමාගම
 නංවැල්ල
 පිළියන්දල
 ගම්පහ
 පස්සාල
 බියගම
 මිනුවන්ගොඩ
 වත්තල
 මීගමුව
 කළුතර
 පානදුර
 මතුගම
 හොරණ

356

PROVINCIAL COUNCIL ADMINISTRATION AND FINANCIAL MANAGEMENT - DISCUSSION ON PRACTICAL PROBLEMS

Provincial Councils Act No. 42 of 1987, provides for the Administration of the Provincial Public Service and management of the Provincial Fund of a Province.

GOVERNOR:

The Governor of a Province occupies a vital position in the organisation of the Provincial Council. He is appointed by the President in terms of Article 154 B of the 13th Amendment to the Constitution and is vested with the power of appointment, transfer, dismissal and disciplinary control of officers of the Provincial Public Service without exception. While he reserves very important functions to himself, some of the functions are delegated to the Provincial Public Service Commission and to the Chief Secretary or other officers. There is no clear cut idea as to what services belong to the Provincial Public Service. According to Public Administration Circular No. 56/89(1) Administration of officers in the All Island Services come under the purview of respective appointing authorities, even though they are being released to serve in the Provincial Councils. So the power of the Governor is restricted and he will not be in a position to exercise his functions within the province. There is a demand by other services also to get away from the Provincial Service on various grounds and this situation has created confusion in the setup.

CHIEF SECRETARY

Chief Secretary is the only officer appointed by the President in the Provincial Council with the concurrence of the Chief Minister. He should see that the national policy is carried out in the Provincial Council and at the same time implement the development programmes and other proposals passed by the Council in accordance with the aspirations of the people. This arrangement would work without much problems so long as those who are in the power in the Council belong to the Governing party. In the event of a change of power, only the officers who are well experienced and highly diplomatic would be able to handle affairs and discharge the responsibilities while maintaining balance.

ADVANCE ACCOUNT ACTIVITIES:

There is no source of funding available for the operation of Advance Accounts in the Provincial Councils. They have to restrict the activities to the amount of recoveries generated within the province in respect of the advances already paid. There is a provision in the Provincial Council Act to get loans out of the Consolidated Fund for Provincial Council and all Provincial Councils have made their requests for loans to meet the demand of various Advances. The response had been very poor, leaving the Provincial Service a discontented lot while their Govt. counterparts enjoy the concession without hindrance.

RESOURCES FOR DEVELOPMENT

Sections 36:1 to 36:20 under List No. 1 to the 9th Schedule attached to the 13th Amendment to the Constitution empower the Provincial Councils to raise taxes and collect revenue on various items. The revenue so collected is being deducted from the grant and only the difference is released to the Council for meeting recurrent expenditure requirement during the year. Therefore, the Provincial Councils are not in a position to utilise the money collected by way of taxes to improve the living conditions of the tax payers in the Province, a privilege that is given even to the Local Authorities. This situation would continue until the Provincial Councils collect revenue in excess of their recurrent expenditure requirements which is only a dream for most of the Councils. Under these circumstances, the Provincial Councils will have to depend on the Govt. for their capital expenditure requirement.

When a study is made of the Budget (Financial Statement) of a certain Provincial Council, it shows that only 12% of the expenditure is allocated under capital expenditure for development activities which ratio is not at all satisfactory. This situation had become still worse when the capital expenditure pattern was reviewed over the past few years. This is a common problem that affects all Provincial Councils.

Year	Recurrent Expenditure	Capital Expenditure
1991	76%	24%
1992	80%	20%
1993	87%	13%
1994	88%	12%

MATCHING GRANTS

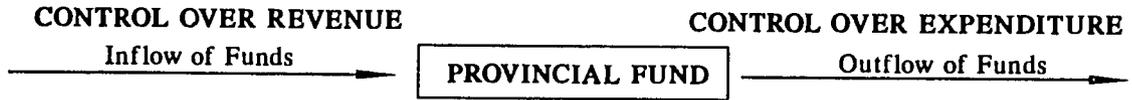
According to Dr. Salgado's Report on Finances of Provincial Councils, it recommended that the Government should provide the Provincial Councils with a grant called "Matching Grant" to encourage them to collect more revenue, being the figures pertaining to the 1st year when the Provincial Council started the collection of revenue, i.e. 1991. Although this has been accepted by the Government in principle, it is still in the hands of consultants. This attitude is counter productive and the Provincial Councils do not show keen interest in tapping the potentials at their command.

FINANCIAL CONTROL BY THE COUNCILS

The legal provision that exists for the control of Revenue and Expenditure by the Council of a Province is shown in annex (A) and the mechanism of the control is shown in annex (B). Since all resources, including the Grants given by the Government for implementation of the devolved subjects, from the Provincial Fund, it is the responsibility of the Provincial Council to see that the money is spent in accordance with the law and for the purpose approved by the Council. With this objective in view, each Provincial Council has appointed a Provincial Public Accounts Committee under the Standing Orders to examine the Auditor General's Report and other Accounts of the Council.

PROVINCIAL COUNCIL CONTROL

ANNEXURE A



1 ST CARDINAL PRINCIPLE

All moneys belonging to the Provincial Council must be identified and controlled.

SECTION 19(1)

There shall be a Provincial Fund into which shall be paid:

1. Taxes imposed by the Council
2. Grants made by the Govt.
3. Loans advanced from the Consolidated Fund.
4. Other receipts.

2ND CARDINAL PRINCIPLE

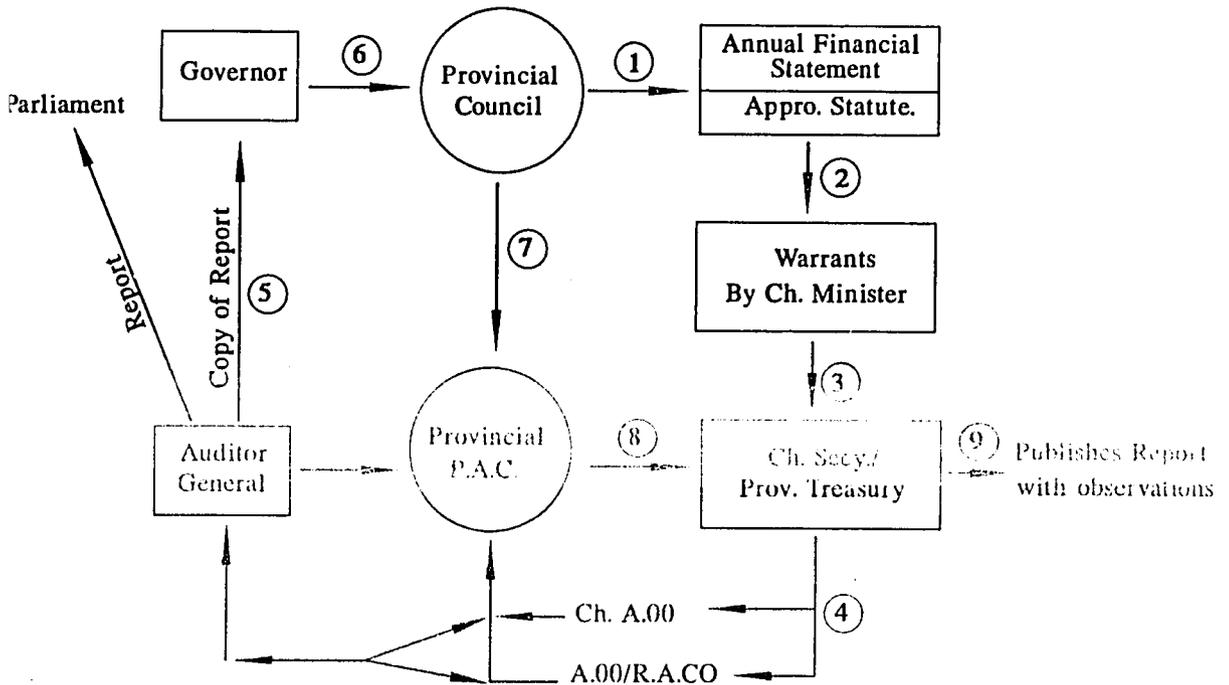
All payments approved by the Provincial Council.

SECTION 19(2) & 25(1)

1. No moneys out of the Provincial Fund shall be appropriated except in accordance with, and in the manner, provided in the Act.
2. Financial Statement of the expenditure and receipts in respect of every Financial year shall be laid before the Council 3 months prior to the commencement of the Financial Year.

FINANCIAL CONTROLL MECHANISM IN P.C.

ANNEXURE B



Prepared by : Mr. S. Amarakoon, D.S.(F) - W.P.

QUANTITATIVE TECHNIQUES

Organizational problems arise, due to the interaction of organization with the real world (i.e., their environment) In this interaction, there is a tendency for the many components of an organization, to grow into relatively autonomous empires with their own goals and value systems, thereby losing sight of how their activities and objectives interrelate with those of the overall organization. What is best for one component frequently is detrimental to another, so they may end up working at cross purposes. As the complexity and specialisation in an organization increase it become more and more difficult to allocate its available resources to its various activities in a way which is most effective for the organization as a whole.

Therefore, the study of systems by scientific methods has been a rapidly developing field. The progress of scientific study normally depends on experimenting on the system concerned.

But with an organization, experiments are likely to be expensive if not impossible. Quantitative Techniques (or the British call it OPERATIONAL RESEARCH) was first explicitly developed during the second world war, as there was an urgent need to allocate scarce resources to the various military operation and to the activities within each operation, in an effective manner. Thus research was done on (Military) operations. Hence the terminology.

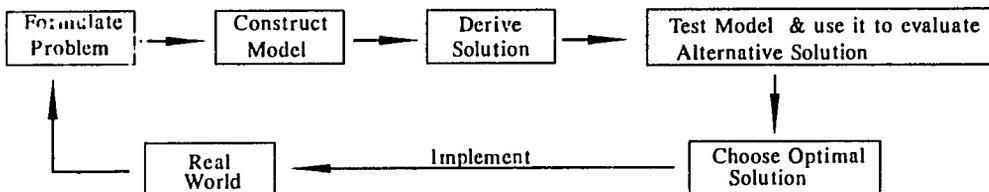
On the other hand in these researches, only the quantifiable aspects were subjected to experimenting. Thus various techniques to deal with quantities were developed. The body of knowledge accumulated is termed Quantitative Techniques. QT has been defined as follows.

The attack of modern science on complex problems arising in the direction and management of large systems of men, machines, materials and money in industry, business, government and defence. The distinctive approach is to develop a scientific model of the system, incorporating measurement of factors such as change and risk, with which to predict and compare the outcomes of alternative decisions, strategies or controls. The purpose is to help management determine its policies and actions scientifically.

An emphasis on making decisions or taking actions is central to all Operational Research applications. Improving decision analysis is important, as, after all the only thing you control, is your decision, prior to the uncertain outcome.

The methodology of the Operational Research approach to a problem, may be divided into the following sequence.

- i. Problem formulation
- ii. Model construction
- iii. Deriving a solution from the model.
- iv. Testing the model, evaluation of solutions,
- v. Choosing optimal solution
- vi. Implement and maintain the solution.



(I) PROBLEM FORMULATION

Most practical problems are initially communicated to an Operational Research team in a vague, imprecise way. Beside the problem might not be what management think it is, therefore it is essential that the system is studied and a well defined statement of the problem to be considered, is developed. The appropriate objectives, the constraints on what can be done, interrelationships between the area to be studied and other areas of the organisation, the possible alternative courses of action, time limits for making a decision, etc, should be previously determined. It is difficult to extract a 'right' answer from the 'wrong' problem! It is also vital that initial formulation be continually re examined.

(II) MODEL CONSTRUCTION

Isolate relevant factors and formalise their effect. This is a central step in the OR methodology, in OR, a model is almost always mathematical and therefore necessarily an appropriate representative of reality. The idea of a 'model' seems overabstract to some managers. However, every manager has only the implicit view of the system he controls, or is part of which he consults when taking decisions. Mathematical models can be of value:-

- a) To assist in clarifying and quantifying, what are otherwise subjective impression; thus describing a problem much more concisely. It helps to reveal important cause and - effect relationships, indicating more clearly what additional data are relevant to the analysis.

- b) To improve decision making in systems too complex to be contained in a single manager's mind. It facilitates dealing with the problem in its entirety and considering all its interrelationships simultaneously. A mathematical model forms a bridge to the use of high-powered mathematical techniques and electronic computers to analyze the problem.
- c) To free the manager from routine decisions.

In order that a mathematical model be tractable, it is necessarily an abstract idealization of the problem and approximations and simplifying assumptions generally are required. Therefore, it should be ensured that the model remains a valid representation of the problem. The proper criterion for judging the validity of a model is whether or not it predicts the relative effects of the alternative courses of action with sufficient accuracy to permit a sound decision.

Considerable testing and consequent modifying of the model is vital, in order that a high correlation is maintained between the prediction by the model and what would actually happen in the real world!

There are three (3) interrelated themes in OR model building.

- a) Optimization - More of this in sections iii & iv.
- b) Derivation of analytic properties of a mathematical model, including sensitivity of an optimal solution to the model's parameters, the structural form of an optimal solution and the operating characteristics of the solution.
- c) System interactions, OR applications cannot be undertaken in isolation from the surrounding managerial environment

(III) SOLUTION

Using the model calculate values for the decision variables; that optimize one of the objectives and give permissible levels of performance on any other of the objectives. We seek solutions that are optimal for the overall organization, rather than suboptimal solutions, that are best for only one component.

Since the model is necessarily an idealized, rather than an exact representation of the real problem there cannot be any guarantee that the optimal solution for the model will prove to be the best possible solution that could have been implemented for the real problem, with which is associated many imponderables and uncertainties. However, if the model is well formulated and tested, the resulting solution should tend to be a good approximation to the ideal course of action for the real problem.

The test of the practical success of an OR study, should be whether it provides a better guide for action than can be obtained by other means. In addition to considering the composite measure of effectiveness in the model, one should also consider the cost of the study and the disadvantages of delaying its completion and then attempt to maximize the net benefits resulting from the study. It is common, to obtain a sequence of solutions that comprise a series of improving approximations, to the ideal course of action. Optimisation may be carried out by analytic methods, by trial and error optimisation techniques or by computer simulation.

(IV) TESTING MODEL AND EVALUATING SOLUTION

Is the model valid? Is the solution better than the current situation?

Given the difficulty of communicating and understanding all the aspects and subtleties of a complex operational problem, it is possible that the OR team either has not been given all the true facts of the situation or has not interpreted them properly. An important factor or interrelationship may not have been incorporated into the model or certain input parameters may not have been estimated accurately. In order to gain insight into the validity of the model, it is necessary to vary the input parameters and/or decision variables and to check if the output from the model behaves in a plausible manner. Conditions constantly change, in the real world. Thus, changes might occur, which would invalidate the original model. It is vital that this be detected as soon as possible, so that the model, its solution and the resulting course of action, can be modified accordingly.

Sensitivity analysis - whereby the respective parameters are varied over their possible range of values, to determine the degree of variation in the resulting solution it is used to identify the critical input parameters of the model, in order to establish systematic procedures for controlling the solution. Often sensitivity testing reveals that the uncertainty of an allegedly critical factor is actually not very important in making a good decision, whereas another factor, previously thought insignificant, is truly pivotal.

(V) IMPLEMENTATION

Transform a paper improvement into reality and ensure that it is not eroded by changed circumstances.

The OR team should participate in launching this phase, to ascertain that the solution is accurately translated into an operating procedure and to rectify any flaws uncovered in the solution. The success of the implementation phase depends a great deal upon the support of both top management and operating management.

Without an appreciation for the way the problem is viewed by the responsible decision makers, considerable difficulty may be encountered in gaining acceptance and implementing the findings. Or even worse, the results could be erroneous or besides the point. Therefore, the OR team should encourage the active participation of management, in formulating the problem and evaluating the solution. Managers must take responsibility to see that the right problem is analyzed and that adequate controls are exercised to monitor the progress of the application.

A truly successful implementation of an OR system must apply behavioural as well as mathematical science, because the resultant system must interest with human beings. Rarely, if ever, is a suggested OR system in perfect harmony with previously existing managerial attitudes and predilections. To ignore this fact, is to invite internal conflict, subterfuge and sometimes downright sabotage of the new system. It is important that the details of the plans for updating a model be well documented - as it is common for an OR model to be used repeatedly in the analysis of decision problems. The advantages of the rational analyst to OR process, will occur to a greater or lesser degree, depending on the skill used in carrying out the study.

The OR approach leads itself to the formulation of contingency plans, that is, a complete strategy, indicating which courses of action are appropriate for various future events. The OR model suggests the action to be taken immediately and the ones to be postponed and when to undertake a re-assessment.

The OR approach gives us better decisions, better co-ordination, better control and better systems. OR models yield actions which improve on intuitive decision making. A situation may be so complex (because of intricate relationships among decisions, voluminous data pertinent to operations and uncertainties of market activity) that the human mind can never hope to assimilate all the significant factors without the aid of OR guided computer analysis.

In the past, managers have made these decisions without the aid of OR. However, experience has shown that the depth of their understanding and the quality of their decisions have improved, with the application of such models. Particular decisions may ultimately turn out to be wrong, but the improved decision making process reduces the risk of making such erroneous decisions.

Finally, when an OR model is used to reduce costs, the percentage savings may be relatively small. But if this percentage is applied to a large cost base, the absolute savings can pay for the OR study many times over.

OR IN PRACTICE

Here are a few examples of the sort of problems which OR has been used to tackle.

1. Are submarines most effectively eliminated by seeking to destroy them at sea or by launching attacks against their land bases?
2. If steel bars are produced in lengths which vary, how should the saw be set, so as to minimise the waste metal?
3. Where should a grocery firm build the 5 factories it expects to need in the next 10 years?
4. How should we route a number of jobs, each needing processing on several machines in a particular sequence, through an engineering job shop?
5. If we know what the demand for a product can be, how much stock should we hold and how should we decide when to re-order?
6. By how much can trade grow, before a second lock need be built into a dock.

OR TECHNIQUES

In the study of these and other management problems, certain recurring situations have been noted, for which roughly the same model is appropriate. Such models are explored in depth and general solutions worked out. Such techniques include:-

a) Linear Programming

Used to work out a minimum cost transport schedule between factories and markets; or what mix of products to make when each product uses up different amounts of a number of scarce resources or assignment of personnel; blending of materials etc.

b) Queuing Theory

If customers (or goods) arrive at a service facility in some random way, what can we say about the size of queue which builds up to the time that customers have to wait? Used to solve problems concerned with traffic congestion, servicing machines subject to breakdown, determining the level of a service force, air-traffic scheduling etc.

c) Dynamic Programming

A way of taking sequential decisions when the number of possible combinations is very great for example, finding the shortest route through a complex network. Used in planning advertising expenditure, distributing sales effort and production scheduling.

d) Critical Path Methods

In a project composed of jobs which must wait till certain other jobs have been completed, CPM can tell us how late each job can start and how important its prompt completion is, to the timing of the whole project.

e) Theory of Games

If the effectiveness of your strategies depends on those of a competitor and vice - versa, game theory advises which strategy (or mixture of strategies) to use.

f) Stock Control

There are costs of ordering, of holding stock, of running out. How much should be ordered and when, to minimise these costs?

g) Simulation

The process of experimenting or using a model and noting the results which occur.

Presentation by K.L.J.B. Perera Head, Management and Organization Division,
SLIDA

INSTITUTE OF PUBLIC FINANCE AND DEVELOPMENT ACCOUNTANCY

Intensive Basic Training Programme for Government Accountants.

BASIC ACCOUNTING RECORDS

GENERAL

Any ORGANIZATION, in its operations

- * enters into transactions, exchanging value with others,
- * acquires assets or incurs liabilities and
- * disposes of assets or discharges liabilities.

A BUSINESS organization (Trading, Manufacturing etc.) is motivated by the profits they expect to earn in the process of their operations. A SOCIAL SERVICE organization is similarly motivated in achieving their objectives in the service of the target group. The Government is an organization which has the objects of serving the nation in many ways as defence, social welfare, economic infrastructure etc.

All organizations require to know at relevant intervals, particularly at the end of a financial year

- * the results of their operations financially
- * the state of the financial position and
- * the way they were financed during the period and how the finances were applied.

In order to obtain information of this nature the organizations need to maintain

- * records of daily transactions (primary entry records)
- * accounts in classified form (Ledger accounts)and
- * Total account to prove the correctness of a larger number of individual accounts of the same category (Control Accounts)

ACCOUNT

An Account is a record of

- * transactions
- * events and
- * cognisances (e.g.depreciation)relating to a thing (an asset, liability, expense or income).

Accounts recognize the fact that every transaction etc. which is capable of being recorded in terms of money involves the receiving of value and the giving of value which we, the accountants identify as DEBITS AND CREDITS.

ACCOUNTS STATEMENTS:

We are familiar that Trading Organizations prepared periodically statements of accounts in order to ascertain their results of trading i.e. whether a profit has been made or a loss incurred at the end of the given period. So do the Social Service organizations to find out their periodical income, expenditure, extent of achievements of the objectives and what cost.

The statement prepared by Government Departments to report to the Parliament how best the funds provided have been utilized during the year in question is called the ANNUAL APPROPRIATION ACCOUNT.

ACCOUNTING RECORDS:

The principal book of account which provides information for the preparation of the Statements of Accounts mentioned in the foregoing paragraph is the LEDGER which includes the Cash Book, the ledger account for cash. The information for preparation of the Annual Appropriation Account by a Government Department is contained in the Appropriator Votes Ledger.

BOOKS, REGISTERS ETC. IN GOVERNMENT DEPARTMENTS:

Chapter VII,Section 2 of the Financial Regulations prescribes the books for general use. The F.R.445 under that section mentions the following books:

1. Cash Book and /or Petty Cash Book (Form Gen.58)
2. Departmental Appropriation Votes Ledger (form Gen.138)
3. Register of Cheques, Money Orders, etc., received (Form G.A.-M 83)
4. Register of Counterfoil Books (Form G.A. - N 20)
5. Audit Query Register
6. Inventory Book (Form Gen.44)
7. Catalogue of Books (Form Gen.44)
8. Register of Consumable Stores)
9. Personal Emoluments Register (Tr. & Aud., 17)
10. W. & O.P.Register
11. P.S.P.F.Register

This F.R. also authorises the departments to keep such other books and accounts as may be necessary for their particular requirements. A copy of Section 2, Chapter VII of the Financial Regulations is annexed for easy reference. Among the other books to be kept by the departments are:

1. Deposit Ledger (Form Gen.69)
2. Advances/loans Register (form CC 10)
3. Classification Books
4. Shroff's Cash Book
5. Imprest ledger
6. Allocations register
7. Holiday Warrants register

SOURCE DOCUMENTS:

Some of the documents in general use which provide information to be record in the accounting records maintained by the departments are:

1. Paying-in-voucher (Gen.118)
2. Payment vouchers:
 - Salaries (Gen.53)
 - Wages (Gen.36)
 - General Payments (Gen.35)
 - Payments from Deposits (Gen. 70)
 - Travelling Expenses (Gen.177,178 and 167)
 - Refunds from Revenue (Gen.29)
3. Inventory vouchers:
 - Consignment Notes.
 - Certified copies of Invoices
 - Memoranda, letters etc. in the case of articles returned from loan.
 - Issue Orders (Gen.141).
 - Receipt Orders (Gen.219)
 - Reports of Boards of Survey.
4. Monthly Summary of Accounts.

INSTRUCTIONS REGARDING USE:

Detailed instructions regarding the use of books and registers mentioned in F.R.445 are contained in the subsequent Financial Regulations Nos.446 to 454. It is also helpful to have a grasp of the relevant regulations in Chapter IX, Kachcheri Accounts to have a better understanding in this regard.

CASH BOOK:

An important point to remember in maintaining the Departmental Cash Book is recording of X entries. Both receipts and payments aspect of a transaction is recorded in the two sides of the book when X entries occur. Participants are requested to familiarise themselves with the provisions of F.R.234 (1) & 295 in this regard.

APPROPRIATION VOTES LEDGER:

Without prejudice to the use of other accounting records, the APPROPRIATION VOTES LEDGER and the CASH BOOK can be identified as the most important BOOKS OF ACCOUNTS maintained in a department, Apart from the provisions of F.R. 447 detailed instructions have been issued by the Treasury from time to time regarding the use of this ledger for a meaningful and effective control of funds provided by Parliament through the annual budget or the Supplementary Estimates. Other than a mere introduction, it is not possible to discuss this subject in a short duration of time.

For the purpose of effective control separate Votes Ledger Accounts have to be maintained in respect of the detailed classifications under which provision is allocated in the Annual Estimates. It may, however, be necessary for a department to further sub-divide the provision allocated under a Object Detailed in the Estimates to provide still better control. In that event accounts for such sub-divisions should be maintained.

When allocations are granted from the financial provision for utilization by another department the amount should be promptly noted as a commitment so that the expenditure can be kept within the net provision available after granting the allocation.

Commitments in respect of work, supplies or services duly authorised by an Authorising Officer should be promptly noted in the Ledger on your the left hand side. Payments in respect of the commitments have to be reduced from the total commitments on the left hand side and noted as expenditure in the right hand side.

Total accounts in respect of each of the classification will enable the Accountant-in-charge to control the funds provided more effectively. If an Object Detail is sub-divided and separate accounts maintained for the sub-divisions the Total Account will reflect overall position under that Object Detail. Similarly a Total Account for the Object Code will reflect the overall position in that Object Code at a given date. In the same manner Total Accounts can be maintained for a Project, Programme and Head. This will not only enable timely rendition of periodical statements of accounts but also will enable the authorities to monitor and control Votes.

Prepared by : Upali Samarasinghe

Section 2- BOOKS, REGISTERS & C., IN DEPARTMENTS

F.R.445 BOOKS FOR GENERAL USE.

- 1) The following books are prescribed for general use:-
 - (i) Cash Book and/or Petty Cash Book
 - (ii) Departmental Appropriation (Votes)Ledger (Form General 138).
 - (iii) Register of Cheques, Money Orders, & c., received (Form G.A.-M83).
 - (iv) Register of Counterfoil Books (Form G.A. - N 20) -(See F.R.341).
 - (v) Audit Query Register.
 - (vi) Inventory Book (Form General 44).
 - (vii) Catalogue of Books.
 - (viii) Register of Consumable Stores.
 - (ix) Personal Emoluments Register/s
 - (x) W.and O.P.Register
 - (xi) P.S.P.F.Register
- (2) Departments will however keep such other books and accounts as may be necessary for their particular requirements.
- (3) The books of account of departments whose methods of accounting are laid down in departmental codes or manuals, duly approved by the Treasury, will be kept in accordance with the Rules prescribed therein.

F.R.446. CASH BOOK AND PETTY CASH BOOK.

- (1) Subject to the following provision, the Cash Book will contain entries in respect of all receipts and all payments:
 - (a) Unless otherwise provided, money received at an office, which is not an Accepting Office is not entered in the Cash Book, but in separate records as indicated in F.R. 177 (4). However, money received at such office, on account of Imprest (or Sub-Imprest), should be entered as receipts, and the payments and there from, as payments, on the respective sides of the Cash Book.
 - (b) All money received at Kachcheries should be entered on the receipts side of the Cash Book, and brought to proper account. Thereafter, remittances to the Treasury, in terms of F.R.187, should be entered in the Cash Book, as a payment, and brought to account as a debit to "Kachcheri Remittances Account".
 - (c) In any department in which owing to the large number of items of receipts or payments, subsidiary Cash Books or Shroffs' Cash Books are maintained, each item of receipt or payment, as the case may be, should be individually recorded in such subsidiary Cash Book or Shroff's Cash Book, along with relevant particulars. At the end of each day, after the necessary verifications and checks have been carried out, the totals should be extracted and posted in the main Cash Book.
- (2) Cash Books must be written up-to-date, in chronological order of the receipts and payments, and totalled and balanced daily. The entries should be numbered consecutively, and the same numbers affixed to the corresponding supporting documents.* The numbers of the receipts issued for sums paid in should also be quoted in the Cash Book. The Supervisory or Staff Officer responsible should sign the Cash Book. His signature will be taken as testifying to the correctness of all entries and of the cash balance.
- (3) A Petty Cash Book-Money received on account of Petty Cash Imprest alone, and payments made therefrom, should be entered in the Petty Cash Book. Other receipts, and disposals thereof will be dealt with as in (1) above.

F.R.447. DEPARTMENTAL APPROPRIATION (Votes) LEDGER.

- (1) Purpose. A Departmental Appropriation (Votes) Ledger must be kept in every department on form General 138, in order to enable the Head of a Department, to control his expenditure under various Sub-heads apportionments etc., of the Estimates. The account must show not only the amount expended but also the liabilities incurred, in order that the exact amount available for expenditure at any time may be known.

If convenient, separate series of consecutive numbers may be used for-

- (a) Cash receipts/payments.
- (b) 'X' entry receipts/payments.
- (c) Cheque, & c., receipts/payments.

E.g. In a Kachcheri it may be necessary to provide two series of numbers on the receipt side of the Cash Book: one for all money receipts (cash as well as other forms of money), and the other for 'X' entry receipts and three series of numbers on the payments side: one for cash payments, one for cheque payments, and the third for 'X' entry payments. Fresh series of consecutive numbers may commence at the beginning of each month, after the balance of the previous month has been brought forward.

- (2) **Provision under Sub-heads, Appropriation and Items.** As soon as the Estimates for the financial year are received, a separate account must be opened in the Appropriation (Votes) Ledger, for every Sub-head, Appropriation and Controlled items of the Estimates, on which the department incurs expenditure. The provision under each Sub-head, Apportionment and Controlled Item # must be posted in the proper spaces at the head of each page and authenticated by a Staff Officer. The number of pages allotted to each Sub-head, etc., must be sufficient to contain all probable entries for the financial year. If new Sub-heads or Controlled Items are afterwards authorised, by Supplementary Estimates or otherwise, similar accounts must be opened, entries made and authenticated.
#See F.R.10 also.
- (3) **Additional Provision.** If additional provision is authorised under an existing Sub-head, Apportionment or Controlled Item, the amount of such additional provision must immediately be entered up in red ink in the proper space, and added to the original provision. If the additional provision is granted from anticipated savings under the same Vote, the amount involved should not only be added to the provision augmented, but also be deducted from the original provisions of the particular Sub-head, Apportionment, or Item, on which the saving is anticipated. In all cases a reference must be made, in both pages of the account affected, to the authority granting such transfer. Such entries should be invariably authenticated by a staff officer.
- (4) **Liabilities.** Subject to the provisions of (5) below, all liabilities must be entered on the left-hand side of the account immediately they are incurred. Every entry must show generally the description of the liabilities and a reference must in all cases be made to the order, Indent, Requisition, contract, correspondence or other document relating to the service. If the actual cost of the article or service is not known, the estimated cost must be entered. As soon as a payment is made on account of a liability, the original entry must be ruled through and a fresh entry made in a new line, showing the balance, if any, of the liability. The column "Total Liabilities Outstanding" * must be filled in at the end of each month and will represent the total of the items of liabilities which have not been ruled through and transferred to the expenditure side of the account.
*.e.Liabilities other than Deferred Liabilities.
- (5) **Deferred Liabilities (F.R.94(3)).** These should be entered in a separate column or in other suitable manner in the Appropriation (Votes) Ledger of the year in which they are incurred. They may also be dealt with in a separate Register specially kept for the purpose. In either case, they will not affect the financial provision of the year in which they are incurred. These liabilities should be carried forward to the Appropriation (Votes) Ledger of the subsequent year or years in which they are expected to materialise and dealt with there as ordinary liabilities in terms of paragraph (4) above.
- (6) **Payments and Charges.** Payments charged to the provision under each Sub-head, etc., should be entered up on the right-hand side of the account, the number of the relevant schedule, abstract, or voucher being quoted in the column provided for that purpose. The total of payments for each month should be added up after drawing a line. The cumulative monthly total would be entered in the next column headed: "Total Expenditure" which will represent the total of all such payments.
- (7) **Balance provision.** The account must be balanced as at the last day of each month. For this purpose the totals of the columns "Liabilities Outstanding" and "Total Expenditure" must be added together, and entered in the column provided for the purpose. This figure represents the "Expenditure Commitments". The balance available for expenditure must be entered in the appropriation column.
i.e. Liabilities other than Deferred Liabilities.
- (8) **Closing of the Account.** At the end of the financial year, the account will be closed and the unspent balance of the provision, which should be entered in the appropriate column, will lapse.
- (9) **Any outstanding liabilities** must be carried forward to the Appropriation (Votes) Ledger of the following financial year, as liabilities against corresponding provision of that year.

F.R. 448. DISTRIBUTION AMONG LOCAL REPRESENTATIVES.

Accounting Officers may, when necessary, allocate to each of their local representatives, portions of their total Votes, and each local representative must open Departmental Appropriation (Votes) Ledger Accounts for the Allocations granted to him. Thereafter F.R. 449 (1) and (2) shall apply.

F.R. 449. ACCOUNTING FOR ALLOCATIONS.

- (1) **Department granting the Allocation.** A department which grants an Allocation to another department of local representative should at once note it in the Appropriation (Votes) Ledger, or other appropriate book of account, as a liability or as a reduction from provision, and the sum involved cannot be used for any other purpose, unless the Allocation is later reduced or cancelled.
As soon as the expenditure intimations referred to in (2) below are received, the particulars should be noted in the appropriate account.

- (2) **Department or officer receiving an Allocation.** (a) The department or officer to whom Allocation is granted will enter up the sum involved in the Departmental Appropriation (Votes) Ledger, or other book of account, as provision available for expenditure. Expenditure may thereafter be incurred from the Allocation, subject to the terms of F.R. 145 (3) Any such expenditure should be dealt with, by the department or officer incurring the expenditure, in the same manner as any other expenditure but the Department or authority which granted the Allocation should be notified in terms of F.R. 208 (3).
- (3) An Allocation should not be exceeded in any circumstances, without the prior approval of the department or authority granting it.

Note - The provisions of the above Regulations, Nos. 448 and 449, may also be applied in granting Allocations from sources other than the Votes. (e.g. Allocations may be granted from the "Maximum Limit of Expenditure during the Financial Year" in the case of an Advance Account).

F.R.450. STATEMENT OF EXPENDITURE COMMITMENTS.

Every Accounting Officer should, before the 10th of each month, submit to his Chief Accounting Officer, on form Try. 170, a Monthly Statement of Expenditure Commitments for the previous month, in respect of each Vote under his control.

This Statement will enable the Chief Accounting Officer to watch the progress of expenditure of the department.

Note - See also. F.R.R. 208 (3) and 449 re Statements in respect of expenditure from Allocations granted.

F.R.451. REGISTER OF CHEQUES, & C

A Register of Cheques, Money Orders, & c., (form G.A. - M 83) must be kept in every department and branch of a department to record the sums received. Their disposal should be subsequently noted against each item and authenticated by the appropriate Staff Officer. In the case of stamps received on account of licences, the number and date of licence, on which the stamps are affixed, should be quoted in the register.

F.R.452 AUDIT QUERY REGISTER.

- (1) An Audit Query Register must be kept in every department, showing the date of receipt of all letters and queries received from the Auditor-General, and the date on which a reply was sent. The duplicate copies of queries received from the Auditor-General should be filed in serial order along with copies of replies sent.
- (2) **Admission of Incorrectness.** When an incorrectness in a payment or charge is admitted and money is paid in, a certified copy of the receipt issued should, whenever possible, be forwarded with the reply to the query. If the receipt is not sent, the exact date of credit should be given, and if the sum was credited with a larger sum, such larger sum should be mentioned as well as the date of its credit.

Note - Vide also F.R.117 re Right of appeal to the Deputy Secretary to the Treasury.

**SUMMARY OF ACCOUNTS
DECEMBER 1992**

	Rs. 000	Rs. 000
Expenditure A/c	13,300	
Refund A/c	175	
Deposit A/c	125	98
Advance to P.00 A/c	900	103
Surcharge A/c		1
Revenue A/c		1,790
Authorised Imprest Treasury A/c	826	13,334
	15,326	15,326

AUTHORISED IMPREST TREASURY A/c

		Rs. 000			Rs. 000
1992			1992		
Dec	Expenditure A/c	13,300	Dec	Bal B/F	
"	Refund A/c	175		Cash	1,250
"	Deposit A/c	125		Travelling Adv	45
"	Adv. P.00 A/c	900		Ad. hoc Adv	50
	Cash	3,852		Petty Cash	10
				Cheques Dishon	5
			Dec	Cash Treasury	1360
				Deposit A/c	15,000
				Adv. P.00 A/c	98
				Surcharge A/c	103
				Revenue A/c	1
					1790
		18,352			18,352

PETTY CASH ACCOUNT

1992 Dec	Cash	10,000	1992 Dec	Exp A/c Cash	8,000
		10,000			2,000
					<u>10,000</u>

DISHONoured CHEQUES ACCOUNT

1992 Dec	Balance B/F Cash	5,000	1992 Dec	Cash Balance C/D	45,000
		60,000			20,000
		65,000			<u>65,000</u>
1993 Jan	Balance B/F	20,000			

AD. HOC. ADVANCE ACCOUNT

1992 Dec	Balance B/F Cash	50,000	1992 Dec	Cash Expenditure A/c Balance C/D	2,000
		25,000			48,000
		75,000			<u>25,000</u>
1993 Jan	Balance B/F	25,000			<u>75,000</u>

TRAVELLING ADVANCE ACCOUNT

1992 Dec	Balance B/F Cash Mr. Y	45,000	1992 Dec	Expenditure A/c Mr X Balance C/D Mr Z Mr Y	43,000
		35,000			2,000
		80,000			35,000
1993 Jan	Balance B/F	37,000			<u>37,000</u>
					<u>80,000</u>

CONTROL OF EXPENDITURE THROUGH THE APPROPRIATION VOTES LEDGER. A SHORT EXERCISE

Provision in a sum of Rs.25,000,000 is available in the current year's estimates Under Head 640, Programme 2- Project 102- Object 09(7) (1) for the continuation work of construction of quarters at the Colombo General Hospital. the T.E.C. of the work is Rs.40m. and the work commenced in the middle of last year with Rs.15m. budgeted provision. The amount of the accepted tender for construction work exclusive of supply and installation of Lifts, Fire Fighting equipment and Air Conditioning, amounted to Rs. 36m.

The total expenditure incurred during the last financial year in respect of this work was Rs.14.5m.

Due to price escalation it was found necessary to get the T.E.C. revised to Rs. 45m.

The following financial transactions took place during January of the year.

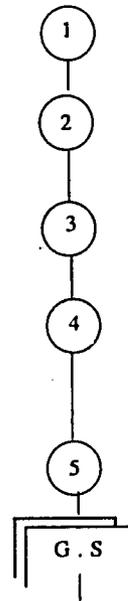
Jan.10	Paid contractors - Bill No. 3 - Rs.3m.
Jan.15	Commitment No.1 of last year revised to Rs.37m.
Jan.20	Commitment sheet for Rs. 200,000 in respect of consultancy agreement for supply and installation of lifts received - noted in AVR.
Jan.30	Entered into agreement for supply & installation of lifts (C.S.recd)- Rs.4.5m Commitment Sheet returned to Works Branch informing that the balance provision cannot accommodate the Commitment. Commitment Sheet received back in A/C Branch with the information that the expenditure during the year will be confined to the available provision and requesting the commitment be accommodated as the T.E.C. has been revised and the balance required will be provided in the next year's estimates. Commitment recorded in AVR.
Jan.31	Paid consultants for lifts - Rs. 150,000
Feb.08	Paid bill No. 4 to Contractor Rs. 2,100,000 out of which Rs.100,000 was surcharged in respect of an overpayment on bill No.3
Feb.10	Paid Advertisement Charges - Rs.1000
Feb.20	Paid advance to contractor for lifts Rs.900,000

Record the above transaction in the AVR and balance it as at end of January & February.

ACCOUNTING FOR COMMITMENTS FLOW CHART

Contract/Supplies Branch Accounts Branch

1. Ascertain availability of Financial Provision
2. Authorise work/service/supply by officer having delegated authority.
3. Follow procurement procedure
4. Receive acceptance of Tender award/Send Requisition to Procurement & Advisory Services Unit Place order on acceptance of Quotations etc.
5. Issue Commitment Sheet in duplicate on from Gen.279 to Accounts Branch. (costs of supplies should be as ascertained at the latest prices available)



-2-
6

6. Check Commitment Sheet. (Votes-particulars correct? Signed by officer having delegated authority? Balance provision available sufficient to meet the commitment?)

7. Number Commitment (Separate series for each Object Detail/Sub/Detail.)

8. Record Commitment in Appropriation Votes Ledger and balance it. Columns 1,2,3,4,5,8,17,&19

9. Make endorsement on body of commitment sheet that it has been recorded and return one of the numbered copies with endorsement to the branch which originated it.

10. Maintain the numbered commitment sheets separately filed in serial order in respect of each Object Detail.

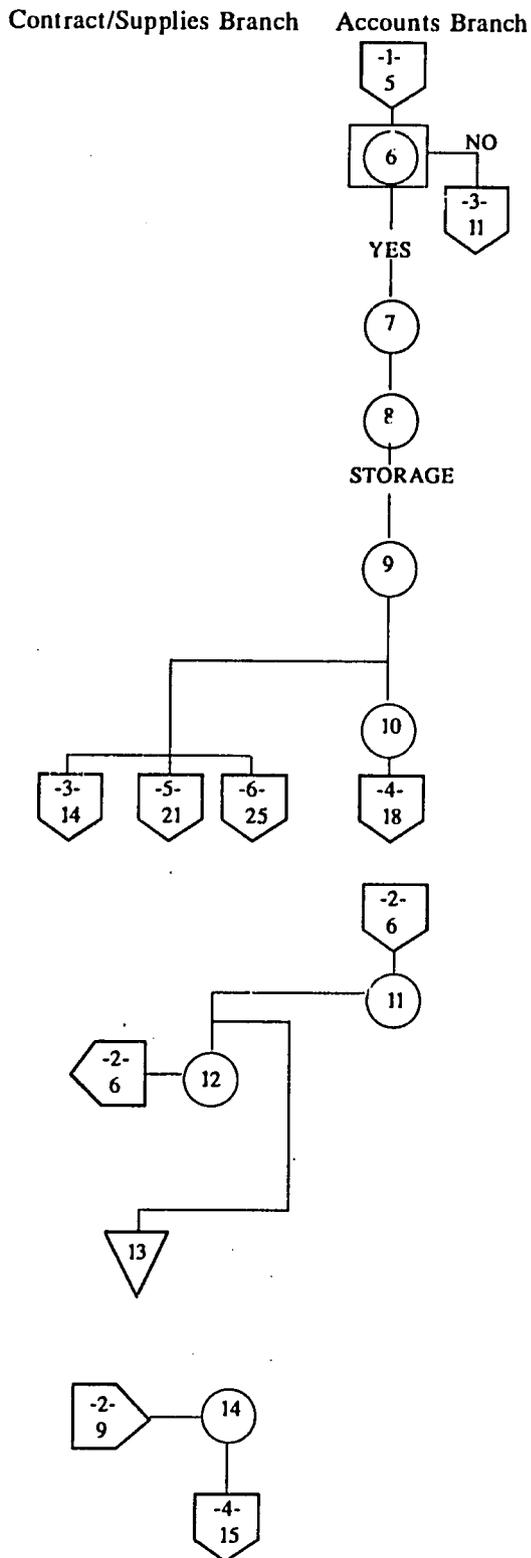
11. Return both copies of the commitment sheet to the branch which originated it and give reasons.

12. Correct defects and return commitment sheet to Accounts Branch.

13. Delay commencement of work cancel requisition / order and lay by for future consideration if defect pointed out cannot be corrected / Sufficient funds are not available according to Accounts Branch.

SETTLEMENT OF COMMITMENTS

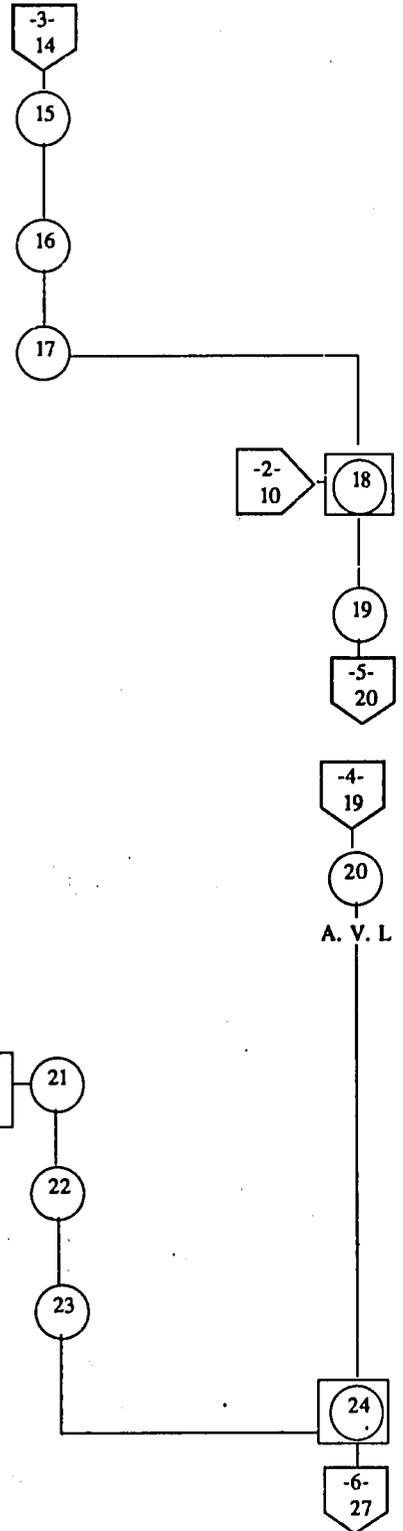
14. Approve payment of advance (by officer having delegated authority-F.R.137-if requested by contractor/supplier and if such payment is covered by agreement and Bank Guarantee.



15. Prepare Voucher for payment of advance
16. Note payment in the commitment sheet and commitment sheet No. on body of Voucher.
17. Forward to Accounts Branch the approved voucher with a copy of the Bank Guarantee and contract agreement for payment.
18. Check Voucher with the appropriate commitment sheet referred to on it for Vote particulars etc. authority to approve payment under F.R.137, conditions of Bank Guarantee and contract agreement.
19. Note payment in the Commitment sheet.
20. Note payment in the Appropriation Vote Ledgers (Columns: (1),(2),(6),(8),(9),(10),(11),(12),(13),(14),(15),(16),(17), & (19) and pass for payment.

PAYMENT OF BILLS / INVOICES.

21. Prepare Voucher for payment of Contractor's / Supplier's Bills / Invoices
22. Note payment in relevant commitment sheet and the C.S. No. on body of Voucher and approve payment under FR.137.
23. Forward Voucher to Accounts Branch for payment.
24. Take action as per Sections 18,19 & 20 above.



REVISION OF COMMITMENTS

- 25. Revise commitments if expected expenditure as at date is more / less than that first estimated. (use from Gen.280) and forward revision sheet in duplicate to Accounts Branch.
- 26. Note revision in the Original commitment sheet and in the Appropriation Vote Ledger and balance it.

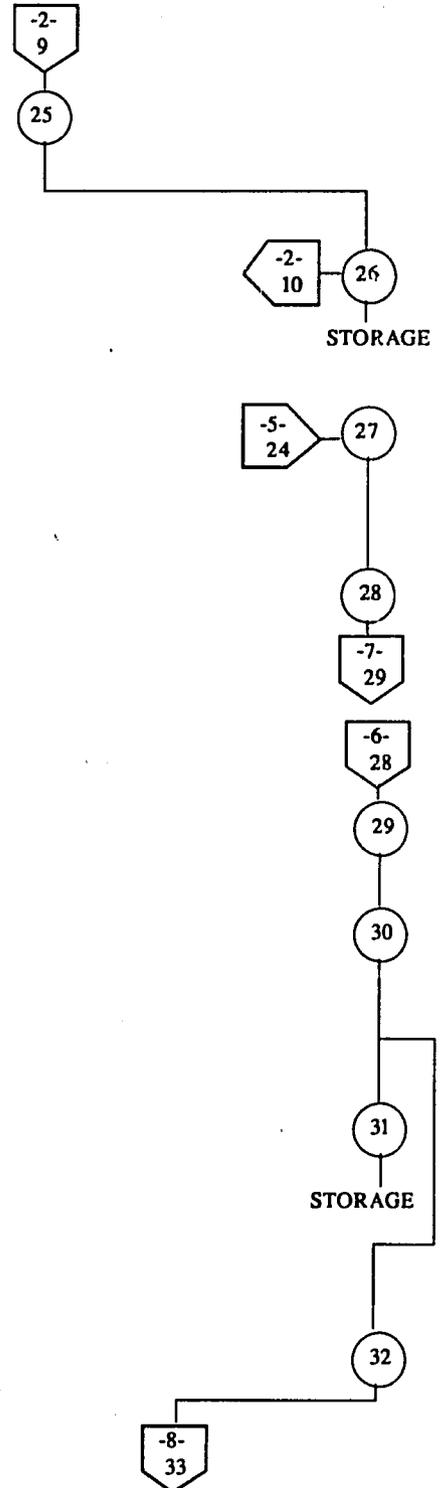
BALANCING APPROPRIATION VOTES-LEDGER AT END OF MONTH.

- 27. Total figures in columns (13),(14),(15) & (18) of the Appropriation V.L. in respect of transactions during the month.
- 28. Deduct total of surcharges for the month (column 18) from the total of cols.(13) and/or (14),(15)& (18) for the month and find net payments.
- 29. Find total of columns (4),(6),(7) & (8) for the month and write in same line as those in cols. (13) etc.
- 30. Bring down the total figures as at end of previous month under columns (4),(6),(7),(8),(13),(14)(15) & (17) to below those for the month in question and find total position as at the end of month.
- 31. Find balance under column (19).

COMMITMENTS NOT SETTLED AT END OF YEAR.

- 32. Inform amount of Commitments outstanding (col.8 of A.V.L.) at end of year to relevant branch.

Contract/Supplies Branch Accounts Branch

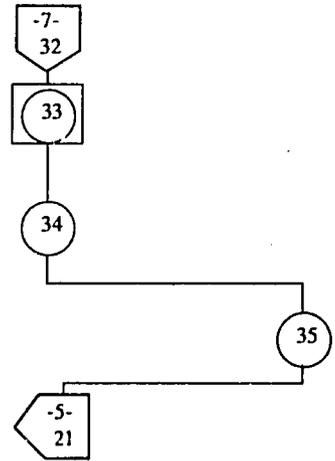


373

- 33. Verify amount of outstanding commitments with balances in individual commitment sheets and make sure individual balances are yet outstanding.

- 34. Inform Accounts Branch the actual amount of outstanding commitments and request to reserve provision therefor from the new Financial year.

- 35. Reserve provision and note in A.V.L. right hand top corner and inform relevant branch.



Prepared By U. Samarasinghe

DEPARTMENTAL APPROPRIATION (VOTES) LEDGER

Rs.

Department:

Head 640
 Programme 2
 Project 102
 Object 09
 Object Detail : (7)(1) Qrs. at CGH.

Estimate .25
 Less Prior Year's Commitments 21.50
 3.50
 - do revision dated 15.1 1
 2.50
 Virement/Auth No. of Plus/minus
 Supplementaries _____

(1) Date	(2) Particulars	Commitments		(5) Initials	Amount Paid		(8) Outstanding Communit	(9) Initials	(10) Date	(11) Particulars of Payments	(12) No of Vr. Etc.	(13) o/a current yr's cmt'ments	Amount Paid	(15) Total	(16) Initials	(17) 8+13 Total of Payments & Outstand- ing cmt'ments	(18) Credits In Red.	(19) Provision Available	
		(3) Sheet No	(4) Amount		(6) By this Dept	(7) By Other Depts.													(14) o/a prior years cmt'ments
Jan									Jan 10	Contractor Bill 3	02		3	3	x			3.5	
									15	Revision of last yr's c'ment 1 from 36m to 37m								2.5	
20	Consultan- cy for lifts Supply & Installation of lifts C.S.No.01	01	.2	x			.2											2.3	
30		02	4.5	x	.15		4.7 4.55		31	Mr C., Cons- ultant for lifts	10	.15		.15	x	4.7 4.7		(2.4) (2.4)	
				4.7		.15		4.55					.15	3	3.15		4.7		(2.4)
Feb									Feb 08	Contractor Bill 4	07			2.1	2.1	x		.1	(2.4)
10	C.S.No 10				.9		(.9)		10	Advertisem- ent charges Mr.Y Contr- actor for lift	10	.001		2.101	x	.001		(2.401)	
									10		14	.9		3.001	x			(2.401)	
	Total for Feb				.9		(.9)			less surcharge			2.1 .1	3.001 1		.001	1		
	Total to end Jan.		4.7		.15		4.55			Exp. to end January		.901		2.901		.001		(2.401)	
			4.7		1.05		4.55					.15	3	3.15		4.7			
												1.051	5	6.051		4.701		(2.401)	

375

බැඳීම් පත්‍රය/COMMITMENT SHEET

මුදල් වර්ෂය 19
FINANCIAL YEAR

අංකය _____
No. _____

දෙපාර්තමේන්තුව _____ ගාරා කාර්යාලය / ආයතනය _____
Department Branch Office/Institution

පැය සටහන _____ ව්‍යාපෘතිය _____ වූයේ විෂය _____ වූයේ විෂය විස්තරය _____
Programme Project Object Object Detail

බැඳීම් ප්‍රමාණය _____
Amount of Commitment Rs. _____
අකුරෙන් හා අංකවලින් සඳහන් කළ යුතුය. State in words and figures.

ගෙවිය යුතු _____
Payable to _____

බැඳීම පිළිබඳ කෙටි විස්තරය _____
Brief description of Commitment _____

ප්‍රධාන කාර්ය භාර ගණකාධිකාරී පවතී
The Chief Accountant In charge

දෙපාර්තමේන්තුව - ගාරා කාර්යාලය _____
(Department/ Branch Office)

අනුභව්‍ය බැඳීමට පමණිකුත් අදාළ අරමුදලක් සඳහා ප්‍රතිපාදන ලබාගත හැකිය.
The above Commitment is hereby authorised Funds for the purpose are available

දිනය _____
Date

ලිපි ලේඛන සහ නිලධාරීන්ගේ අත්සන හා පදවි නාමය.
Signature and Designation of Authorisation Officer

විමර්ශන කිරීමේ පිළිබඳ විස්තරය . Details of Settlement

දිනය Date	ලැයිස්තු පටුපටු පහතින් අංකය Abstract Voucher or Schedule No.	ගෙවන ලද මුදල Amount Paid		මෙහිම Balance		කෙටි අත්සන Initials	වෙනත් කිසිවක් කෙරුණද Remarks
		රු. Rs.	හැට්ටු C	රු. Rs.	හැට්ටු C		

377

AIMS AND OBJECTIVES OF FINANCIAL REPORTING IN THE PUBLIC SECTOR

1. OBJECTIVES

The General Treasury is the sole controlling authority in public finance on behalf of Parliament. The organisational structure for financial discipline in the public sector has therefore been set up with the General Treasury at the apex. Functionally the General Treasury has to organise and set up a sound system of financial management. With the intention of achieving this principal objective the Treasury has organised the financial reporting system in the public sector. However there are other objectives. They are to -

- exercise control over revenue collection and expenditure.
- maintaining accounting records in suitable manner.
- furnishing management information for decision-making.
- controlling the activities of the public sector organisations.
- management of other resources.

2. SOURCES OF FINANCIAL INFORMATION

As line Ministries and Departments under them are the operational agencies the actual financial transactions pertaining to the functions entrusted to them take place at that level. Authority for public expenditure comes out of the Appropriation Act passed by Parliament, other laws, Annual estimate and various types of Warrants issued from time to time - FR 90. Such Operational Agencies maintain the primary accounting records. Responsibility for expenditure rests with the Chief Accounting Officers and Accounting Officers by delegation -FR-200 (i). They in turn become the providers of financial information. As they are at the operational level the reporting function starts there. The formalized system of reporting is so arranged to obtain the sufficient amount of financial information for account recording purposes at the General Treasury.

It is a requirement in the financial procedure that all accounts of line Ministries, Departments and Kachcheries etc. are to be incorporated in the Treasury Books - FR 410.

3. CENTRAL RECORDING SYSTEM

The General Treasury maintains a Main Ledger to record-

- (i) Total Accounts for which there are subsidiary books (showing details)
- (ii) Other Accounts

The Main Ledger contains following accounts:-

- i. Expenditure Account
- ii. Revenue Account
- iii. Authorised Imprest Account
- iv. Authorised Advances Account
- v. General Deposit Account
- vi. Ceylon Development Loan 1954 Account
- vii. Sundry Security Deposit and Investment Account
- ix. Authorised Advances (Kachcheries) Account
- x. Advances to Public Officers Account

Reporting arrangement is linked to this account pattern. Departments are given an imprest to make payments. For imprest purposes the departments are classified as A.B. & C. Reporting of financial data to the General Treasury by Heads of Departments is pictured in the charges to this imprest. The date of record (of payment or receipt in the Cash Book) is reckoned as the date of account and not any other date eg. committing a liability etc. FRR 186 & 162. This rule is adopted everywhere uniformly in Govt. Departments. The aim of the General Treasury in this process is to bring to account all transactions of a particular month, in the same month (not later or not earlier).

VARIOUS REPORTS AND AIMS

Most reports are formalized; some are for internal use by Departments while the others are to transmit financial information to external parties.

REPORT	FROM	TO	AIM
Commitment Sheet	Manager committing a liability	Manager controlling finance	To record liability
Allocation letters	Accounting Officer with whom financial provision is available	Accounting Officer who carries out the activity and pays	To provide necessary monetary provision for payment
Intimation of Debits/Credits	Accounting Officer raising debit/credit	Accounting Officer under whom provision exists	To intimate debits/credits
Flash Report(Monthly)	A & B Class Departments	General Treasury	To indicate imprest requirements monthly.
Finance & Work Plan	-do-	-do-	To indicate work plan & cash requirements
* Committed Expenditure Statement (Monthly)	-do-	-do-	To show past expenditure and how much is required to discharge liabilities
Summary of Accounts (Monthly)	-do-	-do-	To transmit accounting information to record in Treasury books(This is the main accounting report required by the General Treasury)
Monthly abstract of Receipts and Payments	Kachcheries	-do-	-do-
Letter "H" Account	Only by 'C' Class Depts.	-do-	To show payments passed
Annual Appropriation Account	All Depts.	Auditor General	To show appropriations against financial provision
Loss Reports FR 102	-do-	C.A.O./ Auditor General	To report losses
Monthly Statement of Net Expenditure, Net Provision	Gen.Treasury	All Depts.	To show position in Deptl. Accounts in the Treasury Books to reconcile figures.
Statement of Foreign Aid Received	All relevant Departments	Gen Treasury	To show disbursement of Foreign Aid
P & L Accounts & Balance-Sheets (Advance Account Activities)	-do-	-do-	To show position annually

* Similar to Flash Report and therefore not rendered by many departments.

All these reports are means of transmitting financial information from one executive to another - mostly from bottom to top in the information channels. The Monthly Statement of Net Expenditure & Net Provision shows the position of voted funds and any saving or excess as appearing in Treasury books after taking into transfer payments adjustments. This is a vital document flowing information downward from the General Treasury to the Departments. All these are aimed at satisfying hierarchal needs of financial information. It is very important to have a reliable information flow to enable the General Treasury to build up a data-base to provide necessary financial information for managerial decision making.

Prepared by G.S. Pallewatte

FINANCIAL INFORMATION FOR MANAGEMENT IN GOVT. DEPARTMENTS, THEIR OBJECTIVES AND ADEQUACY

A survey of statements produced by Finance sections of Govt. Departments quickly reveals the following position.

'A' CLASS DEPTS.

Flash Report	monthly furnished	to Treasury
Finance & work plan	monthly furnished	to Treasury
Summary of Accounts	monthly furnished	to Treasury
Committed Expenditure	monthly furnished	to Treasury
Appropriation Account	Annually the following year	to Aud-General

'B' CLASS DEPTS.

Flash Report		
Finance & work plan		
Statement of Debits & Renewal of Imprest	monthly furnished	to Treasury
Appropriation Account	Annually the following year	to Aud-General
Committed Expenditure	monthly furnished	to Ministry

'C' CLASS DEPTS.

Letter 'H' A/C	six monthly	to Treasury
----------------	-------------	-------------

All Departments furnish a statement of losses as they occur, to the Auditor General.

Committed Expenditure statements are not furnished as a rule by all Depts. as earlier. But the good practice is still adopted by many Depts. and Sub-departments.

OBJECTIVES

In 1978 an IMF Team of advisers found that the Treasury had little information of the cash being received or revenue collected currently on a monthly or weekly basis and the latest position of cash holdings when the Treasury is granting Imprests. The liquidity position was a guess. Only what is left with the Treasury was known but not the cash becoming available.

The advisers suggested that it is not the Summary of Accounts or the Monthly Statement of Debits that should be awaited but a Flash Report to reach Treasury, of the Cash received monthly by way of Revenue and/or Deposits and the forecast payments for each Programme along with the Cash balance in hand with the Departments.

Without waiting for classifications to be completed, summary of accounts to be prepared or Bank reconciliations to be done.

The purpose of the Flash Report was to help the Treasury in Cash management.

Finance & work plan - was to reveal Cash expenditure by Programme and Project against the Work programmes of the Department.

SUMMARY OF ACCOUNTS

Summary of Accounts is really the ACCOUNTING by the Departments for all their payments whether by cash or by cross entry or transfer payments. This statement enables the Treasury to post up the Revenue A/C, The Expenditure A/C, and other A/Cs. like Treasury Authorised Advances A/C, General Stores Advance A/C, and other A/Cs. like Treasury Authorised Advances A/C, General Stores Advance A/C, Chief Accountant, C.G.R. A/C., Advances to Public Officers A/C. etc.

This is an ACQUITTANCE of Imprest utilised by the Department and is really the monthly account of the Dept. It also reveals that the debits raised and the credits to Revenue or deposit tally with the Cash Book and also the Cash Book balance.

COMMITTED EXPENDITURE STATEMENT

This was one of the most important statements furnished by the Dept. In the 'Votes ledger' liabilities are noted on the left hand side in red ink and scored off when they mature or are settled. Before settlement, the liabilities are noted in the column provided on the right side of the Votes ledger in total side by side with the Voucher payments total. The sum shown in the Total Expenditure column (17) of the Votes ledger right hand side This sum is reported as the Committed Expenditure. As liabilities are settled the red ink entries on the left hand side are either scored off or may be revised where the actual payment or debit differs. Then the liabilities are reduced. Of course it is reflected as a payment.

The purpose of this statement was to reveal the total actual expenditure against the provision. The Department and the Ministry knew what was the actual provision yet available and how far the Department is progressing towards the target and whether there will be a likely saving or a danger of provision being exceeded.

Thus commitments were kept in sight and did not appear suddenly by late revelation.

But many Accountants at Head Office today do not call for such a statement from the sub-offices but try to wriggle around in explaining the actual position much to the detriment of accounting work at the Head Office.

APPROPRIATION ACCOUNT

This is an Account prepared at the end of the year after all 'Votes ledgers' are closed showing the Original provision, FR 66 transfers in out of the provision, Supplementary provision and the Revised provision and against such Revised provision the total expenditure and the resultant saving or excess on the provision. In its last columns the Saving or the excess needs to be explained.

To this statement is attached

- i. A statement of reported losses
- ii. A list of missing vouchers
- iii. A statement of liabilities.

The F.R.R prescribed the liabilities as those outstanding to the Department of Government Supplies, Sri Lanka Government Railways, ect.,

- (a) The variations which are significant in respect of each Programme should be separately explained by the Accounting Officer
- (b) Losses should be stated - those of current year
- losses reported in previous years on which action is still pending

EXPENDITURE UNDER SPECIAL LAW

Expenditure under Special Law should be included in the main body of the Appropriation A/C for convenience together with a suitable footnote.

The statement should be sent to the Auditor-General for certification and after return from the Aud. General sent to the Treasury for publication.

THIS IS THE FINAL ACCOUNT OF THE DEPARTMENT.

KACHCHERIES

Kachcheries too forward a Flash Report and a Finance & Work Plan.

Kachcheries write up a Classification Book on a daily basis and enter total debits and credits in a (i) Receipts Abstract Book and (ii) a Payment Abstract Book. Kachcheri is able to debit any Head of Expenditure. These Abstracts are furnished to the Treasury in place of the Summary of Accounts,

Thus they are an acquittance for all Payments and Receipts.

They enable the Treasury to post up its Books and Accounts.

RELEVANCE OF THESE STATEMENTS FOR MANAGEMENT OF GOVT. DEPARTMENTS

All the above statements are furnished to authorities outside the Department. They are prescriptions of the F.R.R. Treasury Circulars or Ministry instructions. In other words they are "Compliance statements".

Do these statements or their copies reach the Head of Department/Regional Head or Operations Managers, at any time? No!

MANAGEMENT AND DECISION MAKING

Management involves decision making. Decisions are a choice between alternatives. They are made after weighing the consequences of each alternative carefully. To do so or not to do is a decision. To spend or not to spend is also a decision.

Most decisions made in a Department have financial consequences.

INFORMATION AS A RESOURCE

Information is needed to make a decision. Often a decision is not made due to lack of information. Decisions are put off till information is obtained. More and better information makes better decisions.

To be useful or effective information needs to be

- relevant to the decision
- timely furnished
- brief or compact and complete
- provided voluntarily and not extracted ad hoc at request

and reach the correct manager or operator who makes the decisions or to the group which contributes towards the decision making.

IN GOVT. DEPARTMENTS

The Head of Department is the highest decision maker. Others make decisions within a limited framework which is predetermined. His decisions commit the Dept to Recurrent as well Capital expenditure. But is he well informed most of the time, particularly about finance?

He may order the purchase of a vehicle, initiate a scheme of inspections by a category of officers; arrange for regular conferences leading to far distant Regional Officers attending Head Offices, disallow overtime for working arrangements even in case of urgent need, make a decision that involves a large amount of stationery, simply because it is more elegant that way.

In all these what is the financial information he had on his desk that was relevant to his decision?

RE PURCHASE OF VEHICLE

- Total provision for vehicle repairs
- Monthly Bill running repairs
- Expenditure on major repairs
- Cumulative repairs
- Balance available for the year
- Number of vehicles already available
- Idle time of vehicles
- Was any of this information available?

RE TRAVELLING

- Total provision
- Monthly bill on travelling
- Cumulative to date
- Balance provision available
- Travelling expenses of different categories.

All this information is not available to him. He may be unaware that some officers never travel outside the office.

RE CONFERENCES

- The travelling allowances/expenses involved
- The fuel expenditure.
- Vehicle running expenses.
- At least the running cost of vehicles presently.

A hundred and one examples can be quoted.

INTERNAL MANAGEMENT

Therefore there is a grave need for management to be served with financial information very relevant to its decisions and even otherwise for their regular information. To make them more knowledgeable about current activities of the Department.

Govt. Departments and even World Bank and Donor countries measure performance by financial magnitudes of expenditures.

Therefore a compact statement of financial information of

- Revenue
- Costs of operations
- Financial expenditure

under the more significant and model expenditure items including warning signals can be contained in a small statement which when it reaches the Head of Dept. or other relevant manager would easily form a booklet that he regularly and advisedly consults whenever he makes a decision.

Thus the Financial man becomes an information supplier much to be relied on to be reckoned with and invariable part of the management team.

FORM AND CONTENT OF MEMORANDA & REPORTS

1. WHAT IS A MEMORANDUM?

- An informal business communication

2. USES

- For internal communications between Staff Officers, Departments and Organization within the group
- Informal or semi-formal

3. ADVANTAGES

- Brief
- Limited subject or idea
- No salutation or complimentary close

4. TO BE EFFECTIVE

- Keep it short
- Deliver a clear message
- Know your reader
- Avoid officialese
- Be neat

Prepared by :Mr. S.B.W. de Silva

REPORT WRITING

1. DEFINITION OF A REPORT

A written communication that conveys information to "someone" who wants it or needs it, in the most convenient and useful form.

2. USES OF A REPORT

- For receiving information
- For keeping a record of information

3. PURPOSES OF REPORTS

- According to terms of reference
- To convey information
- To report findings
- To put forward ideas or suggestions
- To recommend a course of action

4. AUDIENCE OR RECIPIENT

- "Someone"
- The person who reads it
 - May be an individual or several persons
 - Primary audience (Final)
 - Secondary audience (Others-through whom the report passes).
- Remember
- What does he want to know
 - What does he know already
 - What terminology should be used
 - What language should be used.

REVENUE COLLECTION AND ACCOUNTING

1. We do not pay attention on Revenue collection and accounting due to the fact that our expenditure is not directly related to revenue. The Appropriation Act and the Hon. Finance Minister's Budget Speech clearly indicate the anticipated revenue and expenditure for the ensuing year. Our estimated revenue is not sufficient to meet the expenditure and therefore we have to explore possibilities of increasing the revenue sources to reduce the budget deficit.
2. Departments under the Ministry of Finance are responsible for collecting nearly 80% of the estimated revenue of the country. Fiscal Policy and Economic Affairs Dept. of the Treasury is responsible for the following functions with regard to the revenue of the Country.
 1. Preparation of Revenue Estimates
 2. Review of all Revenue sources and policy matters pertaining to this.
 3. Advisory measures on taxation including double taxation.
 4. Income tax appeals.
 5. Review of Tariff Policy (Imports and Exports) and publication of Revenue Protection Orders.
 6. Review of excise levies and turn over taxes.
 7. Tax legislation and amendments (Inland, Revenue, Customs & Excise)
 8. Rebates of Customs Duty, Turnover Taxes and Excise Duties
 9. Waiver of Customs Duties - Section 19 of the Customs Ordinance.
 10. Approval for Tax Holidays and Tax Relief.

Our revenue has two major components i.e.

- i. Tax revenue - 85%
- ii. Non-tax revenue - 15%

TAX REVENUE

Tax revenue is collected by the following Departments under the Ministry of Finance.

- Inland Revenue Department
- Customs Department
- Excise Department

INLAND REVENUE DEPARTMENT

Inland Revenue Department is responsible for collection of -

1. Turnover Tax on manufacturing services and imports.
2. Income Tax (corporate tax and non-corporate)
3. Defence Levy
4. Stamps duty on Letter of Credit
5. Tax on Treasury Bills (collected by Central Bank of Sri Lanka for Inland Revenue Dept)

CUSTOMS DEPARTMENT

Customs Department is responsible of collection of -

1. Import Duty
(Customs Dept. collects Turnover Tax on imports on behalf of the Inland Revenue Dept.)
2. Export duty

EXCISE DEPARTMENT

Excise Department is responsible for collection of -

1. Excise duty under Excise Ordinance
2. Excise Duty under Excise Special Provisions Act (Excise duty at the time of import is collected by the Customs Department on behalf of the Excise Department). Selected items are subject to this duty; mostly luxury items.
3. Excise Duty on Tobacco and liquor.
4. Tobacco Tax per Kg on leaf tobacco
5. Excise Duty on liquor on Proof Litre Duty on beer on brewery beer basis (finished products)
6. Excise Duty on cigarettes per cigarettes produced.

NON - TAX REVENUE

1. Interest on loans given to Corporations and Boards (collected by the Treasury) and interest on loans given to Public Servants.
2. Repayments of loans - (collected by Treasury)
3. Sales and Charges (e.g. permits, Zoological Garden, Wild Life)
4. Current transfers (e.g. profit transferred by CBSL)
5. Sale of Capital Assets
6. Receipts from Enterprises (e.g. levy on Telecom/Insurance Corporation.)
7. Postal Dept. and Railway Dept. Revenue
8. Royalties

REVENUE COLLECTED BY PROVINCIAL COUNCILS UNDER DEVOLOVED FUNCTIONS

1. Turnover Tax on trade
2. Motor Vehicle Licence Duty
3. Court fines
4. Stamp Duties on property and vehicle transfers
5. Business Registration Charges
6. Transfer Tax on vehicles
7. Liquor Tavern Licence Fees

Note - Stamp duty on property transactions collected by P.C.C should be transferred to Local Authorities

ESTIMATES OF REVENUE

Estimates of revenue to be received by Councils and Fund are given in printed estimates. Revenue receipts have been classified under Head of Account and sub divided into various sub Head Items (only items in certain classifications) using the standard functional classification recommended by United Nations. This is a functional classification. We can do this in any other classification for any receipt from this functional classification.

PROCEDURE IN REVENUE ESTIMATING

FR 128(2) makes the possibility of Revenue Accounting Officer with regard to preparation of revenue estimates. Various instructions are issued to all Ministries/Departments calling for revenue estimates every year. But the revenue estimates received from Ministries and Departments are critically examined in the Policy Department of the Treasury.

- (i) Department is considering following facts before final revenue estimating is done.
 1. G.D.P. Growth
 2. Balance of Payments
 3. Last years actual revenue
 4. Revenue collected during the first six of the current year
 5. Revised revenue estimates
 6. Revision of relevant Laws and Regulations

REVENUE COLLECTION

Once the revenue estimates are finalised and included in the Printed Estimates it is the duty of the Revenue Accounting Officers to collect revenue and account for same. Under normal circumstances "A" Class Depts. can use the revenue collected for payments and account through the monthly summary of accounts. "B" Class Depts. should deposit all the revenue collected to Treasury Bank accounts. But this operation includes only about 20% of the total collected.

You will agree that the revenue collected should be received by the Treasury without any delay to minimise the deficit in the cash flow. Therefore the following arrangements have been made by the Treasury with regard to revenue earning Departments.

INLAND REVENUE DEPT.

This Dept has 10 Collection Accounts at Bank of Ceylon Metropolitan Branch and Peoples Bank Union Place Branch. Revenue is collected daily to these Current Accounts & transferred to D S T's main Accounts in the said branches on the same day. When the bank intimates the revenue collected to D S T's Accounts, the DG Staff Accounts credit the revenue to Treasury Main ledger account (8104). Com. Inland Revenue is sending 2 monthly summaries of accounts; one for Expenditure and one for Revenue. From the Revenue Summary CIR credits the relevant Revenue provision and debit the D S T's main ledger account (8104).

CUSTOMS DEPT.

Customs Dept. has its collection Account at Bank of Ceylon, Metropolitan Branch. Similar operations as above take place with regard to accounting of Customs Revenue. Treasury maintains main ledger account No.8000/05 for this Dept.

EXCISE DEPT.

Excise Dept. collects all its revenue direct to its Bank Account and periodically remits to the Treasury to be credited to the Imprest. Cigarette Tax from Ceylon Tobacco Company is received in the Treasury and it is credited to relevant revenue provision by the Treasury. Excise Dept. Accounts through the monthly summary of accounts the revenue received by the Dept. only.

RESPONSIBILITIES OF REVENUE ACCOUNTING OFFICERS:

Under FR 128(2) the Responsibilities of the Revenue Accounting Officers are defined. He should not only estimate collect & account for the revenue but submit half yearly statements of arrears of revenue and finally submit a Revenue Account in terms of FR 151 giving required details. Divisional Secretariats should carry out the functions under FR 149 with regard to revenue collection & they are responsible for revenue collection under (1) Statute (2) Treasury Directive (3) as an agent of a Revenue Accounting Officer. Refund from Revenue can only be authorised in terms of FR 118.

TREASURY ACCOUNTING OF REVENUE

All the revenue collections are recorded in the Treasury through monthly summary of accounts & Treasury vouchers. Revenue is credited to Consolidated Fund through Revenue Account (Code 4000) and all the refunds from Revenue are debited to revenue account through Refund Account (Code 8000). A monthly print out of revenue (Table 46) is issued by the Treasury. This printout is available only to major revenue earning Depts. for reconciliation and preparation of revenue accounts. A specimen of a revenue print out Table 46 is annexed for your information. The D.G. Public Accounts is required to submit a revenue account under Heads 08,11 & 12. Similarly the other revenue accounting officers too should submit their revenue accounts under the Revenue Heads for which they are responsible. The revenue collected during a month should be reported to D.G. Fiscal Policy before 10th of the following month for monitoring purpose as per Treasury Circular No 888.

TREASURY CASH FLOW OPERATIONS

A portion of Treasury Cash Flow Statement of the main sources of cash inflow is classified under few Holdings. The same itself is not sufficient to meet the cash outflow and therefore Treasury has to finance the deficit in the cash flow through borrowing and other sources as specified in the Appropriation Act.

Prepared by: Mr. G. Jindal,

ACTUAL CASHFLOW - SEPTEMBER '93

04.10.93

(in Rs. Mn.)	Estimate	1st WK					2nd WK					3rd WK					4th WK					5th WK		GRAND					
	Adjusted	1	2	3	Total	6	7	8	9	10	Total	13	14	15	16	17	Total	20	21	22	23	24	Total	27	28	29	Total	TOTAL	
Total Receipts	7811	169	148	291	688	385	272	172	648	340	1817	552	309	1129	284	172	2446	153	689	218	153	223	1435	149	508	555	1212	7519	
1 Revenue Receipts	7811	169	148	255	572	154	272	155	170	340	1091	546	309	1129	279	172	2433	138	297	193	153	215	996	149	458	555	1162	6254	
Import/Export Duties	2266	77	55	110	242	115	63	73	65	105	421	395	67	56	90	13	621	56	79	74	57	79	345	81	121	18	220	1849	
Turnover Taxes	2663	62	42	115	219	16	44	66	67	86	279	106	142	727	21	114	1110	50	40	73	50	60	273	46	47	89	182	2063	
Income Taxes	588	14	12	6	32	13	103	10	14	35	175	30	38	85	31	11	195	23	155	12	10	37	237	17	186	448	651	1290	
Stamp Duties	350	3	1	3	7	3	0	5	2	4	14	1	0	0	0	0	1	9	2	0	10	0	21	2	3	0	5	48	
Withholding Taxes	175	0	0	0	0	0	58	0	0	0	58	0	29	0	0	0	29	0	21	0	0	1	22	0	42	0	42	151	
Tea Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Excise on Liquor	196	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Excise on Tobacco	580	0	38	0	38	0	0	0	0	58	58	0	0	0	0	0	0	0	0	29	0	0	29	0	7	0	7	132	
Int.Dividend Income	55	0	0	17	17	0	0	0	0	0	0	0	0	0	47	0	47	0	0	0	0	0	0	0	0	0	0	64	
Loan Repayment	95	0	0	0	0	0	2	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	
Tax on TBs	85	0	0	1	1	0	0	0	0	4	6	0	0	0	0	4	4	0	0	0	0	0	8	0	0	0	0	17	
Defence Levy	535	13	0	2	15	7	2	1	20	45	75	8	20	261	90	30	409	0	0	3	3	0	6	3	0	0	3	508	
Sale of Capital Assets	323	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Miscellaneous	0	0	0	1	1	0	0	0	2	3	5	4	13	0	0	17	0	0	0	2	23	30	55	0	52	0	52	130	
2 Other Receipts	0	0	0	36	36	231	0	17	478	0	726	8	0	0	5	0	13	15	392	25	0	8	440	0	50	0	50	1265	
Kachcheri Refunds	0	0	0	2	2	0	0	0	0	0	2	0	0	0	5	0	5	0	0	0	0	3	3	0	0	0	0	12	
Imprest Refunds	0	0	0	34	34	190	0	15	478	0	683	8	0	0	0	0	8	15	392	25	0	5	437	0	50	0	50	1212	
Miscellaneous	0	0	0	0	0	41	0	0	0	0	41	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	41	
Total Payments	14154	1794	63	283	2140	127	118	299	1173	1264	2981	38	1317	365	2414	484	4530	1303	17	262	17	1200	2799	27	271	376	674	13124	
Total Imprest	7899	16	1	0	17	100	3	236	1050	982	2371	0	1224	296	0	0	1520	780	5	74	3	858	1720	25	267	161	453	6081	
Carryover	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Department	4400	10	1	0	11	100	2	236	101	132	571	0	1223	215	0	0	1438	400	5	22	3	701	1131	2	11	161	174	3325	
P.C.C	1000	0	0	0	0	0	0	0	0	850	850	0	0	0	0	0	0	0	0	0	0	150	150	0	0	0	0	1000	
Janasaviya	325	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Mid Day Meals	75	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Pensions	900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
School Unit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
D Secret /Others	399	6	0	0	6	0	1	0	949	0	950	0	1	81	0	0	82	380	0	52	0	7	439	23	256	0	279	1756	
Public Dept	5900	0	0	226	224	0	0	0	0	268	268	0	0	0	0	379	379	0	0	0	0	0	0	0	0	0	0	871	
RL		1555	0	0	1555	0	0	0	0	0	0	0	0	0	0	2346	0	2346	0	0	0	0	234	234	0	0	0	0	4135
FL		143	0	53	196	0	0	0	99	0	99	10	25	24	0	7	66	389	1	137	0	75	602	0	191	191	1154		
TD		10	1	0	11	1	1	0	0	0	2	8	0	0	1	1	2	1	1	1	1	0	4	0	0	1	1	20	
Universities	150	0	0	0	0	0	32	19	12	63	4	22	1	0	0	27	37	3	1	0	0	3	44	1	0	17	18	152	
Kachcheries	100	0	0	0	0	0	106	0	0	106	0	0	0	4	63	0	67	0	6	0	0	6	0	0	0	0	179		
Corporations	500	4	58	3	65	14	1	26	0	0	41	14	6	22	1	2	45	95	1	28	11	27	162	0	0	0	0	313	
Duty Rebate	45	1	3	3	7	12	5	1	5	2	25	2	0	1	3	3	9	1	5	11	2	3	22	1	3	3	7	70	
Treasury Payments	320	0	0	0	0	0	2	4	0	0	6	0	10	17	0	2	29	0	1	3	0	0	4	0	0	3	3	42	
G.S.M 102	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
G.S.M 103	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Miscellaneous	0	65	0	0	65	0	0	0	0	0	0	0	30	0	0	10	40	0	0	1	0	0	1	0	1	0	1	107	
Cash Deficits (Surplus)	-6343	1625	85	8	1532	258	154	-127	-525	-926	1164	522	-1008	764	2130	-232	-2084	-1150	672	44	136	977	1363	122	237	179	538	5605	

ACTUAL CASHFLOW - SEPTEMBER '93

04.10.93

(in Rs. Mn.)	Estimate		1st WK							2nd WK							3rd WK							4th WK				5th WK				GRAND
	Adjusted	1	2	3	Total	6	7	8	9	10	Total	13	14	15	16	17	Total	20	21	22	23	24	Total	27	28	29	Total	TOTAL				
Cash Deficits (Surplus)	6363	1625	85	8	-1532	258	154	-127	-525	-924	-1164	522	-1008	764	-2130	232	2884	-1150	672	-44	136	-977	1363	122	237	179	538	-5605				
Opening Cash Balance	44	-44	455	-112	-44	95	212	440	321	-203	-95	-1022	-499	1507	-721	720	-1022	952	1966	1294	354	-217	952	1194	1072	808	-1194	44				
BOC																																
BOC (P)																																
Net Deficits (Surplus)	6387	1669	-370	-104	-1576	163	366	313	-204	-1127	-1259	-500	-1507	743	2851	952	3186	2102	1294	-1338	218	-1194	-2315	-1072	835	629	656	5649				
Total Financing	5139	1214	258	9	1481	49	74	8	1	105	237	1	0	22	2131	0	2154	136	0	984	1	0	1121	0	27	2	29	5022				
Treasury Bills	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Runee Loan	4589	1187	258	0	1445	35	30	7	10	0	82	0	0	0	16	2127	0	2143	9	0	0	0	9	0	10	2	12	3691				
GrA	300	6	0	1	7	9	0	0	0	10	10	0	0	0	0	0	0	0	2	0	19	0	21	0	17	0	17	55				
Counterpart Funds	200	0	0	0	0	0	0	0	-40	0	-40	0	0	0	0	0	0	0	0	0	0	0	21	0	0	0	0	0				
Foreign Loans	0	13	0	8	21	5	44	1	27	104	181	1	0	6	4	0	11	0	0	16	0	0	16	0	0	0	0	129				
Treasury Deposits	0	2	0	0	2	0	0	0	4	0	6	0	0	0	0	0	0	0	0	2	1	0	3	0	0	0	0	9				
Programme Loans	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
G.S.M. 102	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
G.S.M. 103	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Administrative Borr	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
JIF	0	6	0	0	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Net Profit of CB	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6				
Other	50	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Provisional Advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Unfinanced Gap (Surplus)	-1248	-455	-112	-95	-95	212	440	321	-208	-1022	-1022	-499	-1507	-721	-720	-952	-952	-1966	-1294	354	-217	-1194	-1194	1072	-808	-627	-627	-627				
Revolving Credit					10036						9889						10493					10299					10535					
TEB - SLCB					841						605						704					656					619					
BOC					2412						1773						2558					1538					1982					
PS					15						21						20					14					9					
Cash Balance - SLCB					0						0						0					0					0					
BOC					322						-833						327					1185					-420					
PB					1						-138						-18					-41					-26					
(Cash Position)																																

BEST AVAILABLE COPY

389

SCHEDULE OF REVENUE ACCOUNTING OFFICERS REQUIRED TO FURNISH REVENUE ESTIMATES

(Para 7)

Note: Where the responsibility for furnishing the estimate in respect of a whole sub-head or a whole item is cast on any officer according to this Schedule such officer will also be responsible for furnishing the estimates of the items and Subitems falling under such sub-head or item as appearing in the Estimates. These sub-heads and items are indicated by an asterisk (*) for easy reference.

HEAD 1 - TAXES ON PRODUCTION AND EXPENDITURE

SUB HEAD	ITEM	SUB ITEM	OFFICERS RESPONSIBLE FOR FURNISHING ESTIMATES
T 1*		General Sales and Turnover Taxes	Commissioner General of Inland Revenue.
2		Selective Sales Taxes	
	1*	Excise on Liquor	Excise Commissioner
	2	Excise on Tobacco	
	3	Betting Tax	Director Accounts & Payments
	4	Lottery & Prize Competition Taxes	Secretary, Home Affairs
	5	Tea Tax (Advalorem)	Secretary, Plantation Industries.
3		Import Levies	
	1*	Customs	Director General of Customs
	2	Other	
	1	Deleted	
	2	Licence fees on gift Imports	Controller of Imports & Exports
4		Export Levies	Director General of Customs
5		Receipts from Sale of FEEC's	Secretary, Finance & Planning
6		Licence Taxes	
	1*	Liquor	Excise Commissioner
	2	Vehicles	
	1	Motor Vehicles	Commissioner of Motor Traffic
	2	Tax on heavy Oil Motor Vehicles	Secretary, Home Affairs
	3	Other Vehicles	
	3	Other Licences	
	1	Firearms	- do -
	2	Deleted	
	3	Government's share of Radio and Television Licence Fees	Postmaster General
	4	Fees for Registration of Nursing Homes	Secretary, Teaching Hospitals & Women's Affairs.
	5	Deleted	
	6	Dealers in Drugs	Director General of Health Services
	7	Factories	Commissioner of Labour
	8	Other	Secretary, Home Affairs/Fauna & Flora Director Wild Life.
7		Taxes on Transfer of Assets and Property	
	1	Stamps including composition duties other than for postal and court purposes	Commissioner General of Inland Revenue.
	2	Tax on transfer of property to Non-citizens	Registrar General.
	3	Tax on transfer of shares to Non-Citizens	Registrar of Companies
	4	Tax on sale of Motor Cars	Commissioner of Motor Traffic
	5	Bank Debit Tax	Secretary, Ministry of Finance and Planning.
8	1-3	1-5	Deleted

HEAD 2 - TAXES ON CORPORATE INCOME

**OFFICERS RESPONSIBLE FOR
FURNISHING ESTIMATES**

SUB HEAD	ITEM	SUB ITEM	
1	1		Manufacturing Public Sector
	2		Private Sector
2			Agricultural (Including Livestock and Fisheries)
	1		Public Sector
	2		Private Sector
3			Trading (Wholesales & Retail)
	1		Public Sector
	2		Private Sector
4			Banking (Including Insurance & Finance)
	1		Public Sector
	2		Private Sector
5			Mining and Quarrying
	1		Public Sector
	2		Private Sector
6			Construction
	1		Public Sector
	2		Private Sector
7			Transport (Including Storage & Communication)
	1		Public Sector
	2		Private Sector
8			Other
	1		Public Sector
	2		Private Sector
9			Surcharge on Corporate Income
10			Deemed Dividend Tax on Public Corporations and GOBU

**Commissioner General
of Inland
Revenue**

HEAD 3 - TAXES ON NON - CORPORATE INCOME

1			Income from Employment
	1		Professions
	2		Business
	3		Public Sector Employment
	4		Private Sector Employment
	5		Other
	6		Rehabilitation Levy
2			Other Personal Income
	1		Interest
		1	Withholding Tax
		2	Other
	2		Rent
3			Other Non-Corporate Income
	1		Private Non-profit Institutions
	2		Trusts
	3		Expenditure Tax
4			Surcharge on Non-Corporate In- come

**Commissioner General
of Inland
Revenue**

HEAD 4 - GROSS RECEIPTS OF TRADING ENTERPRISES

SUB HEAD	ITEM	SUB ITEM	OFFICER RESPONSIBLE FOR FURNISHING ESTIMATES
1*		Railway	General Manager, Railway
2	1*	Postal	Postmaster General
	2*	Telecommunication	Director Telecommunications
3*		Revenue of Out Ports	Respective G.A.A.
4	1	Other Net Profits from Advance Account Activities (Trading)	Heads of Departments Managing Commercial Activities

HEAD 5 - RENTS, INTEREST, PROFITS AND DIVIDENDS RECEIVED

SUB HEAD	ITEM	SUB ITEM	OFFICER RESPONSIBLE FOR FURNISHING ESTIMATES
1		Rents	
	2	Rent of Government Buildings	Secretary/Head of Departments of Ministry/Department given in Annexe (I)
	2	Revenue from Crown Forests	
		1 Revenue Officers	Secretary, Lands & Land Development
		2 Forest Department	Conservator of Forests
	3	Rent of Lands and Other	Secretary, Lands & Land Development/General Manager Railway.
	4	Revenue from Resthouses	Secretary, Home Affairs.
2		Interest	
	1	Railway	General Manager, Railway
	2*	Government Loans	Director Accounts and Payments
	3	Public Servants Provident Fund, Bonuses and Interest not payable to contributors	Secretary, P.S.P.F
	4	Other	Director Accounts and Payments
3		Profits and Dividends	
	1	State-Sponsored Corporations	Director, Accounts and Payments
	2	Public Companies	Director Public Enterprises
	3	Local Loans and Development Fund (Net Profit)	Secretary, Local Loans and Development Fund.
	4	Profits from sale of non-monetary gold	Secretary, Finance and Planning
	5	Levy on Ceylon Petroleum Corporation	Secretary, Power & Energy.

HEAD 6 - SALES AND CHARGES

SUB HEAD	ITEM	SUB ITEM	OFFICERS RESPONSIBLE FOR FURNISHING ESTIMATES
	1*	Sales	
	2	Health Services	Director General of Health Services.
		Sale of Publications	
		1 Department of Examinations	Commissioner of Examinations
		2 Government Press	Government Printer
		3 Department of Posts & Telecommunications	Post Master General-Director Telecommunications
		4 Ministry of Cultural Affairs Receipts;	Secretary, Cultural Affairs
	3	(1) Dept. of Agriculture	Director of Agriculture
		(2) Dept. of Animal Production & Health	Director Animal Production and Health.
	4	Miscellaneous Receipts	
		1 Sale of scrap metal	Director of Government Supplies
		2 Sale of Textiles	Director of Textile Industry
		3 Sale of Mineral Deposits	Government Mineralogist.
		4 Sundries	Secretary/Head of Department of Ministry/ Department given in Annexe (I)
		Non-Regulatory Charges	
	1	Tolls	Secretary, Home Affairs.
	2	Court Fees	Secretary, Ministry of Justice.
	3	Rural Court Fees	
	4	Health Services	Director General of Health Services.
	5	Department of Examinations and other fees	Commissioner of Examinations.
	6	Irrigation dues	Secretary, Lands & Land Development.
	7	Fees under the Motor Traffic Act and other receipts of the Commissioner of Motor Traffic	Commissioner of Motor Traffic.
	8	Fees of Sundry Departments	
		1 Audit Fees	Auditor General
		2 Air Navigation Fees	Secretary, Defence/Director Civil Aviation
		3 Public Trustee's Fees	Public Trustee
		4 Government Analyst's Fees	Government Analyst
		5 Receipts-Government Supplies Department	Director of Government Supplies
		6 Fees and receipts under Registration of Persons Act No.32 of 1968	Commissioner for Registration of Persons.
		7 Receipts - Survey Department	Surveyor General
		8 Receipts - Government Press excluding sales of Publications	Government Printer.
		9 Receipts - Department of Prisons	Commissioner of Prisons
		10 Receipts - Department of Probation and Child Care	Commissioner of Probation and Child Care.
2	8	11 Deleted	
		12 Fees and other receipts under the Fauna and Flora Protection Ordinance	Director of Wild Life.
		13 Fees recovered on Visas and Passports	Controller of Immigration and Emigration.
		14 Fees recovered under the Weights and Measures Ordinance	Commissioner of Internal Trade
		15 Hire of Sri Lanka Air Force Aircraft	Commander of Sri Lanka Air Force.
		16 Sri Lanka Navy	Commander of Sri Lanka Navy.
		17 Deleted	
		18 Fees under the Merchant Shipping Act No.52 of 1971	Director of Merchant Shipping
		19 Deleted	
		20 Annual Payments on Account of Permits and Grants under the Land Development Ordinance.	Land Commissioner

SUB HEAD	ITEM	SUB ITEM	OFFICERS RESPONSIBLE FOR FURNISHING ESTIMATES
		21	
		22	Chief Valuer
			Registrar of Companies/Registrar of Patents and Trade Marks
		23	Secretary/Head of Department of Ministry/Department given in Annexure(2)
		24	
		25	
	9	Sundries	
		Fees recovered under the Private Omnibus Act No.44 of 1983	Director of Private Omnibus Transport.
3		Regulatory Charges	
	1	Fines and Forfeitures	
		1	
		2	Secretary, Justice
		3	
		4	Director General of Customs
		5	

HEAD 7 - SOCIAL SECURITY CONTRIBUTIONS

SUB HEAD	ITEM	SUB ITEM	OFFICERS RESPONSIBLE FOR FURNISHING ESTIMATES
	1*	General W. & O.P Scheme	
	2	Teachers - Teachers Pension Scheme	Secretary, W. & O.P Office. Secretary, Education.
	3*	Pensionary Contributions (Other)	Director of Pensions.

HEAD 8 - OTHER CURRENT TRANSFERS

SUB HEAD	ITEM	SUB ITEM	OFFICERS RESPONSIBLE FOR FURNISHING ESTIMATES
	1	Domestic	
		1	
		2	Secretary, Local Government Housing & Construction. Secretary, Justice
	2	Reimbursements to the Central Government of expenses incurred in working of the Municipal Magistrate's Courts	
		1	
		2	Director Accounts & Payments
		3	Secretary, Finance and Planning.
		4	-do-
		5	Secretary, Loan Board.
		6	-do-
		7	Secretary,P.SP.F.
		8	Commissioner of Labour
	3	Household	
		1	Secretary/Head of Department of Ministry/Department given in Annexure No.4
		2	
	4	Gifts of Money	
		1	General Manager Railway
		2	Secretary, Power & Energy
2		National Lottery	Secretary, Finance & Planning
		National Savings Bank	
		Loan Board	
		Unclaimed Loan Board Deposits	
		Public Service Provident Fund Expenses of Office	
		Reimbursement of Expenditure Chargeable under Section 7A of the Employees' Provident Fund Act.	Director Account & Payments. Departments concerned should report to Director Accounts and Payments.
		Sundries	
	3	Public Enterprises	
		1	
		2	Director Accounts & Payments.
	4	Railway	
		Ceylon Electricity Board	
		Other (Central Bank)	
		Foreign	
	1	Profits from sale of Investments	
	2	Grants (Other than capital equipment) received from foreign Governments and Agencies including non-capital cash grants.	
	3	Other	

HEAD 9 - SALES OF CAPITAL GOODS

SUB HEAD	ITEM	SUB ITEM	OFFICERS RESPONSIBLE FOR FURNISHING ESTIMATES
1		Property - Land Sales	Secretary, Lands and Land Development
2	1	Other Capital Goods - Sale of old stores and cast animals	Secretary/Head of Department of Ministry/Department given in Annexure No.5
	2	Sale of used vehicles and equipment	-do-

HEAD 10 - CAPITAL TRANSFERS FROM DOMESTIC SECTOR

SUB HEAD	ITEM	SUB ITEM	OFFICERS RESPONSIBLE FOR FURNISHING ESTIMATES
1	1	Death Duties - Estate Duty	Commissioner General of Inland Revenue.
2		Other Capital Taxes	-do-
3	1	Capital Transfers Joint Investment Fund	Secretary, Finance & Planning.

HEAD 11 - CAPITAL TRANSFERS FROM ABROAD

SUB HEAD	ITEM	SUB ITEM	OFFICERS RESPONSIBLE FOR FURNISHING ESTIMATES
1*		Capital Assets	Department concerned should report to Director Accounts and Payments.

HEAD 12 - REPAYMENT OF LOANS AND ADVANCES

SUB HEAD	ITEM	SUB ITEM	OFFICERS RESPONSIBLE FOR FURNISHING ESTIMATES
1	1	Local Government Local Loans and Development Fund	Secretary, Local Loans and Development Fund.
2*		Corporations	Director Accounts and Payments.
3*		Other	

ANNEXURE (I)

LIST OF MINISTRIES AND DEPARTMENTS RESPONSIBLE FOR FURNISHING ESTIMATES FOR REVENUE HEAD 5
SUBHEAD 1 ITEM 1 & HEAD 6 SUBHEAD 1 ITEM 4 SUB ITEM 4.

- 1 Office of His Excellency the President
- 2 Office of the Prime Minister
- 3 Auditor General's Department
- 4 Office of the Chief Government Whip
- 6 Department of Elections
- 7 Judicial Service Commission
- 8 Ministry of Defence
- 9 Sri Lanka Army
- 10 Sri Lanka Air force
- 11 Police Department
- 12 Department of Civil Aviation
- 13 Government Analyst
- 14 Department of Immigration and Emigration
- 15 Registration of Persons Department
- 17 Ministry of Plan Implementation
- 18 Department of Census and Statistics
- 19 Ministry of Lands and Land Development
- 20 Irrigation Department
- 21 Department of Land Development
- 22 Land Commissioner's Department
- 23 Department of Survey
- 24 Ministry of Trade and Shipping
- 25 Registrar of Companies
- 26 Department of Government Supplies
- 27 Controller of Imports and Exports
- 28 Department for Development of Marketing
- 29 Department of Commerce
- 30 Department of Internal Trade
- 31 Department of Commodity Purchase
- 32 Ministry of Education
- 33 Department of Examinations
- 34 Educational Publications Department
- 35 Ministry of Higher Education
- 36 Ministry of Power and Energy
- 37 Department of Labour
- 38 Ministry of Public Administration
- 39 Department of Pensions
- 40 Department of Credit Councils
- 41 Ministry of Rural Development
- 42 Ministry of Local Government, Housing and Construction
- 43 Department of Local Government
- 44 Department of Buildings
- 47 Ministry of Industries and Scientific Affairs
- 48 Department of Meteorology
- 50 Ministry of Finance and Planning
- 51 Department of Inland Revenue
- 52 Department of Excise
- 53 Valuation Department
- 54 Ministry of Transport
- 55 Department of Railway
- 56 Department of Motor Traffic
- 57 Ministry of Transport Boards
- 58 Ministry of Private Omnibus Transport
- 59 Ministry of Plantation Industries
- 60 Ministry of Justice

Contd:- Annexure (I)

- 61 Attorney Generals Department
- 62 Legal Draughtsman's Department
- 63 Department of Bribery Commissioner
- 64 Department of Prisons
- 65 Ministry of Agricultural Development and Research
- 67 Department of Agriculture
- 68 Department of Minor Export Crops
- 69 Department of Agrarian Services
- 70 Ministry of Fisheries
- 71 Department of Coast Conservation
- 72 Ministry of Mahaweli Development
- 73 Ministry of Rural Industrial Development
- 74 Department of Small Industries
- 75 Department of Animal Production and Health
- 76 Department of Posts
- 77 Department of Telecommunications
- 78 Ministry of Health
- 79 Ministry of Women's Affairs and Teaching Hospitals
- 80 Ministry of Indigenous Medicine
- 81 Department of Ayurveda
- 82 Ministry of State
- 83 Department of Government Printer
- 84 Department of Wild Life Conservation
- 85 Department of National Zoological Gardens
- 86 Department of Social Services
- 87 Department of Probation and Child Care Services
- 88 Ministry of Cultural Affairs
- 89 Department of National Myuseaums
- 90 Department of Archaeology
- 91 Department of Buddhist Affairs
- 92 Ministry of Parliamentary Affairs and Sports
- 93 Department of Food Commissioner
- 94 Ministry of Co-operatives
- 95 Department of Co-operative Development
- 96 Ministry of Textile Industries
- 97 Department of Textile Industries
- 98 Ministry of Coconut Industries
- 99 Ministry of Regional Development
- 100 Department of Highways
- 101 Ministry of Home Affairs
- 102 Registrar General's Department
- 103 Ministry of Rehabilitation and other Ministries and Departments concerned

ANNEXURE 2

**LIST OF MINISTRIES AND DEPARTMENTS RESPONSIBLE FOR FURNISHING ESTIMATES FOR REVENUE HEAD 6
SUBHEAD 2 ITEM 8 SUB ITEM 23, 24 and 25**

- 1 Sri Lanka Army
- 2 Sri Lanka Air Force
- 3 Ministry of Education
- 4 Department of Labour
- 5 Department of Buildings
- 6 Department of Meteorology
- 7 Department of Inland Revenue
- 8 Valuation Department
- 9 Department of Archacology
- 10 Government Agents and other Ministries and Departments concerned.

ANNEXURE 3

**LIST OF MINISTRIES AND DEPARTMENTS RESPONSIBLE FOR FURNISHING ESTIMATES FOR REVENUE HEAD 6
SUB HEAD 3 ITEM 1 SUB ITEM 5**

- 1 Office of the Leader of Parliament
- 2 Judicial Service Commission
- 3 Registrar of Companies
- 4 Department of Geological Survey
- 5 Department of National Zoological Gardens
- 6 Department of National Archives
- 7 Government Agents &
- 8 Other Ministries and Departments concerned

ANNEXURE 4

**LIST OF MINISTRIES AND DEPARTMENTS RESPONSIBLE FOR FURNISHING ESTIMATES FOR REVENUE HEAD 8
SUB HEAD 1 ITEM 2 SUB ITEM 8**

- 1 Office of His Excellency the President
- 2 Ministry of Foreign Affairs
- 3 Ministry of Plan Implementation
- 4 Department of Commodity Purchase
- 5 Ministry of Finance and Planning
- 6 Department of Wild Life Conservation
- 7 Ministry of Cultural Affairs &
- 8 Other Ministries and Departments concerned

ANNEXURE 5

**LIST OF MINISTRIES AND DEPARTMENTS RESPONSIBLE FOR FURNISHING ESTIMATES FOR REVENUE HEAD 9
SUB HEAD 2 ITEM 1 SUB ITEM 2**

- 1 Ministry of Defence
- 2 Sri Lanka Army
- 3 Police Department
- 4 Land Commissioner's Department
- 5 Department of Survey
- 6 Department of Forest
- 7 Department for Development of Marketing
- 8 Department of Prisons
- 9 Department of Agriculture
- 10 Ministry of Health
- 11 Department of Textile Industries
- 12 Government Agent Vavuniya
- 13 Government Agent Galle &
- 14 Other Ministries and Departments concerned.

SRI LANKA GOVERNMENT TENDER PROCEDURE

1. INTRODUCTION

1.1 Chapter XI of the Government Financial Regulations discusses in detail the procedure to be followed in inviting tenders, receiving them, evaluation of them and making awards. You should therefore study these regulations carefully. In the lecture and these notes an attempt is made to furnish guidelines and explain certain principles and procedures laid down in the regulations for tendering for supplies service, and works.

2. BENEFITS OF THE TENDER SYSTEM

2.1 The sealed tender system is the 'common law' of public purchasing in democratic countries. The theory behind the law envisions the following benefits.

- Giving all persons equal opportunity to obtain government business.
- Minimising favouritism and fraud in the letting of contracts.
- Securing for the government the benefit arising from competition.
- Safeguarding the public purchasing officer from unfair criticism.
- Assuring public accountability.

3. REQUIREMENTS TO BE COMPLIED WITH

3.1 In order to realise the benefits referred to above the following requirements should be complied with by the tendering agency.

- Advertising for tenders sufficiently in advance of the opening date.
- Consideration of the tender of any tenderer who has not been debarred from tendering.
- Public opening and recording of tenders on a prescribed date and time.
- Definition of the article, service or work by clear objective specifications.
- Award of the contract to the tenderer offering the tender most advantageous to Government.

4. FINANCIAL REGULATION 685.

4.1 This Regulation states that except as otherwise provided for in the Regulation, works, services and supplies must be offered for public competition through the tender procedure.

5. TRANSACTIONS EXEMPTED FORM TENDER PROCEDURE.

5.1 Low value orders

Purchases under emergencies /exigencies where time is of the essence

- Purchase of branded products
- Purchase of standardised makes (where standardisation has been approved)
- Purchase from single source suppliers
- Purchase from government corporations, authorities, boards etc.
- Purchase from institutions listed in the Regulations
(eg. Government Factory, Prisons, ect)

6. TENDER PROCEDURE AND CONTRACTING BY STATE CORPORATIONS, BOARDS, ETC.

6.1 These entities generally follow the tender rules and procedures contemplated in the Financial Regulations, subject to certain modifications with regard to financial limits.

7. THE TENDER PROCESS.

7.1 The invitation for tenders provides a complete tender package, which is given at 7:3

7.2 The tender cycle is given below

- Tender notice
- Issue of the tender package on payment of tender fee/deposit.
- Receipt of the tender package duly completed by the tenderer.
- Public opening, reading and recording of tenders received of tenderers names and prices.
- Evaluation of tenders by the tendering agency.
- Submission of evaluation and recommendation to the appropriate tender board.
- Decision/award by the Tender Board.
- Award conveyed by the tendering agency to the successful tenderer.
- Signing of the contract agreement.

7.3 The tender package referred to in 7.1 above consists of -

- Conditions of tender
- Special condition of tender (if any)
- Specification/description/bill of quantities for supplies/services/works respectively.
- Tender schedule to enable tenderer to quote. For works bill of quantities to be completed by tenderers.
- Tender form

- 7.4 FRR lay the guidelines for the preparation of these documents, and they also contain specimens of a tender notice and standard conditions in two appendices.
- 7.5 The tender notice be as brief as possible and should contain a brief description of the item (supply service or work), where tender forms and any particulars could be obtained and the date of closing of tenders. In this connection it is important to ensure that tenderers are given adequate time to prepare their tender and submit it. One common complaint is that, particularly in respect of large tenders, for such items as plant and equipment, construction works, major projects, etc. tenderers find it difficult to cost their tenders, negotiate with their subcontractors for terms and prices, inspect site, study conditions in consultation with legal advisor, finance experts ect., before they could submit a tender, owing to inadequacy of time allowed. The tenderers compelled to ask for extended dates for tender submission. This, you will appreciate, creates a bad impression in the business world, and also tends to create suspicion that certain interested parties had come to know of the issuance of the tender with specifications, delivery requirements, etc., in advance and had ample time to prepare their tenders. The requirement is that prospective tenders should be given sufficient time to prepare their tenders. 'Sufficient time' depends on the nature of the items, service or work. For instance, a tender for locomotives, overhead transmission lines, a water supply project, requires very much more time for a tenderer to prepare his tender than a tender for printing paper, portland cement, steel product etc.
- 7.6 Conditions of tender and contract. These should be spelt out very clearly. Normally standard conditions and contract terms and clauses are used. However where high value capital items, works, etc. are concerned, the conditions of tender would have to be framed in consultation with the legal advisors. There should be a meeting of minds between the tendering agency and the potential tenderer. Incomplete and inaccurate information given in the tender package prevents good tendering and causes administrative difficulties. Always remember that 'Clear agreements make firm friends'.
- 7.7 Specifications These should be clear and comprehensive. Specifications written around particular makes, or specifications incorporating proprietary products or systems tend to limit competition and also adversely affects keen pricing. Many instances could be cited where potential tenderers had lodged strong protests that they had been precluded from tendering owing to this 'malpractice'. If the intention of the purchaser is to obtain a particular make, he should negotiate with the supplier concerned for prices and terms with the requisite approval from the appropriate authority. Another point to be kept in mind is that many difficulties encountered in the evaluation of bids and the award and administration of contract stem directly from improperly selected specifications, or from carelessly prepared purchase descriptions which are either loosely drawn or unreasonably restrictive. When the requisition merely identifies the type or level of quality which would be acceptable the purchasing officer must adapt the description to purchase requirements. In doing so, he should use the specialised knowledge and sources of information available to him such as specification files, commercial and technical information, bulletins, professional journals and catalogues.
- 7.8 Price Schedule / Bill of Quantities This should be included in the tender package to enable the tenderer to quote correctly. All those portions of the tender which have to be filled by the tenderer should be grouped as closely as possible. In the case of a supply tender, besides the brief description of the item the unit of measure, the quantity required, FOB/C&F/CIF prices to be quoted, delivery dates promised, are essentials for which ample space should be provided in the schedule for the agency commission in rupees (if any) to be indicated. By using this form, the attention of the tenderer will be focused on all the essential particulars and also protect him from making mistakes and omissions which might invalidate the tender.
- 7.9 Form of Tender Departments use standard form of tender which has had the approval of the legal authorities. No further comment is necessary.

NOTE: PUBLIC CONTRACTS ACT No. 3 of 1987 The provisions of this Act shall apply to every public contract where the contract cost exceeds five million rupees. The provisions of this Act however, shall not apply to (a) any public contract of any class of public contracts that the President may in the interests of national economy exempt by general or special order (b) a sale by public auction by any public body.

8. CLAUSES INCLUDED IN SUPPLY TENDERS

- 8.1 Tenders to be in the currency of the supply country. Prices quoted should be on a FOB and C & F basis and should also be in the currency of the country of supply and in SL currency at the rate of exchange on the date indicated in the tender conditions.
- 8.2 Mode of payment: Payment for supply will be made either by letter of credit, or presentation of shipping documents as stipulated. The document normally are: freight pre-paid bills of lading, suppliers priced invoices, certificates of origin, certificates of quality and quantity packing list.
- 8.3 Inspection Requirements of inspection to be stipulated by the tendering agency.
- 8.4 Packing and shipping There are stated in the conditions.
- 8.5 Damage for late delivery: Liquidated damages for delay in delivery are indicated in the conditions. (a % per week of the value of any supply which may be in arrears)
- 8.6 Default Provisions for dealing with defaults.

- 8.7 **Patent Rights** Tenderers to indemnify the Government against any or all claims arising on account of violation of patent rights or royalties either from manufacturers or others.
- 8.8 **Performance Bond** Contractors should furnish a performance bond up to a maximum of five% of the value of supply.
- 8.9 **Laws of Sri Lanka** Tender and contract resulting therefrom shall be governed by and construed according to the laws of Sri Lanka.

Note : The tender conditions also stipulate the date and time/closing and opening of tenders (the ideal would be to open the tenders immediately after the time of closing), the power of the Tender Board to accept any tender or part of a tender, rejection of any tender or all tenders, etc.

9 SPECIAL CONDITIONS

- 9.1 In addition to the standard conditions, special requirements may be included by the tendering agency. They include location of tenderer's services, (Such as repair and maintenance of equipment, maintenance of spare parts inventory, guarantees and warranties. etc.) Anticipated or desirable variations must be provided for in the conditions. Whatever conditions that are incorporated in the tender should be carefully worded so that the tenderer will take them into account when he prices his offer.

10. TENDER EVALUATION

- 10.1 **Scheduling of tenders received** - Tenders received by the correct date and time are opened publicly, names of the tenderers, the rates quoted by them are read out and scheduled. Tenders received after the closing time and date are rejected. There are two practices with regard to late tenders which are adopted in various Government Departments.
- (i) Late tenders are returned intact to the tenderers concerned indicating that they are rejected because of their late receipt;
 - (ii) Late tenders are opened and marked late and scheduled. However, they are not evaluated. Those who follow the latter are of the view that late tendering may afford valuable information which can assist the tendering agency to evaluate the tenders received in time. The standard rule is that all tenders received late should be rejected.
- 10.2 **Evaluation process** - In the case of homogeneous items the tendering agency has no difficulty in preparing an evaluation report; but where the items are highly technical in nature, it is the practice for a technical committee to evaluate the technical features of the tenders and recommend which comply with technical specification and which do not. A commercial committee evaluates the commercial aspects of the offers, ascertain if the tenderers have the capabilities to carry out the contract if awarded. A joint recommendations is made to the tender board thereafter for a decision. Reasons for rejecting any offers should be always stated. Where a large foreign exchange element is involved or where tenders are financed by foreign lending agencies the advice of the Central Bank will also be necessary.
- 10.3 **Counterproposals made by tenderers** - Sometimes tenderers may not quote strictly according to the conditions laid down: they may qualify their tenders by submitting counter offers/proposals. These tenders should be evaluated giving due consideration to the qualifications. Of course, if these qualifications amount to significant deviations from the specifications and conditions laid down, then they should be recommended for rejection by the tender board.
- 10.4 **Firm or variable prices** - Generally in the case of supply tenders, tenderers are required to quote firm prices. In the case of tenders for capital goods, such as plant and machinery, rolling stock, etc; tenderers are permitted to quote variable prices. In these cases tenderers are required to furnish basic prices and also the appropriate official price formula relevant to their pricing. It is important for the tendering agency to verify if the basic prices are realistic to enable a fair price comparison. The successful tenderer has to support any price increase claimed by them on the basis of the accepted formula by submitting documentary evidence in support of the actual increases which he had incurred in the manufacture of the items concerned.
- 10.5 **Capabilities of tenderers** - Whether a tender is invited locally or on a world-wide basis, it is important the capabilities of tenderers to perform the contract if the tender award is made to them. This means that immediately tender forms are issued, and at any rate before the award is made, the tendering agency has to satisfy itself that the tenderer/s are capable of carrying out the contract. Where selective or restrictive tenders are invited from pre-qualified sources, a further inquiry is not needed, as the tenderers' credentials would have been ascertained beforehand for the purpose of prequalification.
- Tenderers should be screened for their -
- technical capability
 - financial capability
 - Managerial capability
 - Past performance (track record).

A number of sources are available to secure information on these:-
 Directly from the tenderers by their providing answers to a questionnaire regarding their assets, recent clients, finances, etc. From the bankers of the tenderers, Chambers of Commerce, Embassies and High Commissions, etc. If after due inquiries it is found that a tenderer is not suitable to be given a contract, his tender should be recommended for rejection.

- 10.6 **PERIOD OF VALIDITY OF TENDERS** - Tenderers are required to keep their offers open for acceptance for a Stipulated period. In this connection, it is important to keep in mind that no supplier would like to keep his validity period too long as he may be prevented from accepting other contracts in anticipation of the tender being awarded to him. This period should therefore be kept short. The longer the period of validity the greater the possibility of the tenderer quoting higher prices.

11. TENDER BOARDS

- 11.1 The composition and classes of tender boards which have to consider evaluations and recommendations and make decisions are described in detail in the FRR.

The classes of tender boards are:

- Minor tender boards
- Departmental tender boards Value limit Rs. 2,000,000
- Ministry tender boards Value limit over Rs. 2,000,000 to Rs. 5,000,000
- Cabinet tender board Value limit over Rs. 5,000,000

- 11.2 The following are the powers of the tender boards:

The right without question -

of accepting any tender or portion of a tender.

of rejecting any or all tenders

of directing the tendering agency which has invited the tender to invite fresh tenders, when all tenders are rejected.

The tender board has also power to vary terms and conditions of a contract already entered into. It has power to blacklist a tenderer and also remove his name from the blacklist. Where a tender board requires expert advice in the course of its deliberations for making an award it has the power to do so.

However, the power to waive penalties, liquidated damage, etc; is vested in the Secretary of the Ministry concerned. Extra contractual payments are also a matter for the Secretary and not for the tender board.

12 RE-TENDERING

Occasions may arise when it is necessary to cancel tenders received and invite fresh tenders:

- If it is found on the scrutiny of tenders that tenderers have acted in collusion to quote non-competitive prices
- If no acceptable tenders have been received
- If the tender validity period has lapsed
- If there has been ambiguity in the tender specifications and conditions
- If there has been a significant change in market conditions.
- If there have been changes in requirements after tenders were invited.

13 LIMITED OR SELECTIVE TENDERING

Financial Regulations provide for this under certain circumstances (read FRR). This is a modification of the open tender system discussed above. The open tender system may lead to a wasteful multiplication of tenderers, some of whom may not fully satisfy the criteria of a right source. It may also increase unnecessarily the cost of inviting tenders and delay in the tender award.

The selective tender system saves time and expense and ensure that an award is made to a reliable source. Under this system the procedure of per-qualification is resorted to, and only the parties who satisfy the pre-qualification criteria are issued tender documents. These criteria include production capability, technical capability, financial capability and managerial capability, past performance, etc.

14 NEGOTIATED PURCHASING

Negotiated purchasing is resorted to when competitive tendering is not practicable, in such circumstances as the following:

- availability of one source of supply
- the existence of only one reputed firm to undertake a particular work or service.
- In the case of very sophisticated equipment the purchase of which could be done only by mutual discussion between the buyer and the supplier on specifications, etc. The Department of Defence USA buys over 90% of its total purchasing by negotiation.
- where time is of the essence and there is no time to go through the tender process.

15 LETTER OF ACCEPTANCE OF TENDER

Immediately after a tender board makes an award, a notice of acceptance is transmitted by letter, cable, telex or fax, to reach the tenderer before the expiry of validity date. The letter of acceptance should not be tedious by repeating the conditions and other terms of the contract. The tenderer should be instructed to acknowledge the receipt of the acceptance without delay.

Sometimes, instead of a letter of acceptance, letter of intent is sent to the successful tenderer. It is sent to request him to proceed with the contract up to a defined financial limit until a formal letter of acceptance is sent to him. The successful tenderer is also required to furnish a performance bond before a written contract agreement is signed.

16 PUBLICATION OF AWARDS

Once contracts have been finalised, the awards are published in the Gazette and the Press.

SUGGESTED READING -

S.L.Government Financial Regulations- Chapter XI

Colin Trupin : Government Contracts.

THE SIX RIGHTS OF PURCHASING

RIGHT	QUALITY
RIGHT	QUANTITY
RIGHT	SOURCE
RIGHT	TIME
RIGHT	PLACE
RIGHT	PRICE

BASIC BUYING PRINCIPLES

RIGHT QUALITY

SPECIFICATIONS	SUPPLIERS WHO	QUALITY ASSURANCE
MARKET	CAN COMPLY WITH	QUALITY CONTROL
GRADES	SPECIFICATIONS	DURING MANUFACTURE
BRAND/TRADE	SPECIFICATION	ON DELIVERY BY
NAMES	QUALITY	SUPPLIER
ENGINEERING	CONFORMANCE	TESTS OF SAMPLES
DRAWINGS/BLUE	QUALITY	FROM THE MARKET
PRINTS SAMPLES	RELIABILITY	INSPECTION AGENCIES
COMBINATIONS OF		
ABOVE INTERNAL		
SPECIFICATIONS		
EXTERNAL		
SPECIFICATIONS		

PRODUCT EVALUATION - 1 QUALITY FACTORS

ECONOMY OF USE	= COST PER UNIT OF OUTPUT WILL BE MINIMUM
PRODUCTIVITY	= PERFORMANCE CAPACITY RATE OF PERFORMANCE
RELIABILITY	= OF PERFORMANCE DOWN TIME
DURABILITY	= SERVICE LIFE OF EQUIPMENT AT HIGH EFFICIENCY
LABOUR SAVING	= NUMBER OF OPERATORS REQUIRED
TRACK RECORD	= PROVEN USE

RIGHT PRICE

FAIR AND
REASONABLE
TO BOTH THE
BUYER AND
THE SUPPLIER
A REASONABLE
PROFIT MARGIN
TO THE
SUPPLIER

PERFECT AND
IMPERFECT
MARKETS
MONOPOLISTIC
AND
OLIGOPOLISTIC
SITUATIONS
PRICE RINGS

COST ANALYSIS
PRICE ANALYSIS
NEGOTIATION
FAIR TRADING
COMMISSION
DISTRICT PRICE
FIXING COMMITTEE

**SERVICE EVALUATION
THE SERVICE MIX**

SERVICE LITERATURE

SERVICE MANUALS, MAINTENANCE MANUALS, SPARE PARTS MANUALS,
INSTALLATION DRAWINGS

WARRANTY

PERIOD OF WARRANTY, SCOPE OF SERVICE DURING THE WARRANTY
PERIOD AND AFTER.

TOOLING

TRAINING OF PERSONNEL

AVAILABILITY OF SPARES AND COMPONENTS.

EX STOCK, PROXIMITY OF SPARES DEPOTS, STOCKLESS BUYING, PRICES
OF SPARES.

ADVISORY ... SERVICES

ON-TIME ... DELIVERY

REPAIR ... SERVICES

**PRODUCT EVALUATION - 2
BID ANALYSIS**

MATCH THE SPECIFICATION

OFFERED TO THE SPECIFICATION GIVEN BY BUYER MAJOR DEVIATIONS. MINOR DEVIATIONS.

HORSE POWER

ENGINE CHARACTERISTICS - POWER CHARACTERISTICS - GRAPHS OR FIGURES TO SUPPORT THEM (MANUFACTURERS LITERATURE NECESSARY TO SUPPORT THEM)

SPARES

FOR TWO YEARS - POLICY OF USAGE - COST OF SPARES FOR PERIOD OF USAGE

DOWN TIME

MANUFACTURERS PLANNED DOWN TIME

RECURRENT COSTS

OF RUNNING INCLUDING COST OF MAINTENANCE AS ESTIMATED.

TOTAL LIFE CYCLE COST

INITIAL COSTS OPERATING COSTS, MAINTENANCE COSTS, ETC:

RIGHT PLACE

RIGHT PLACE CAN BE THE SUPPLIER'S GODOWN/PORT OF DESTINATION/BUYERS PREMISES/SITE

COMPARATIVE COSTS WARRANTIES/

INSTALLATION GUARANTEES

RIGHT TIME

ORDER SHOULD BE TIMED SO AS TO MEET PRODUCTION SCHEDULES/ OPERATIONAL REQUIREMENTS	MARKET SITUATION MARKET FORECAST LEAD TIME REQUIREMENTS	FINANCE SPACE AVAILABILITY RIGHT TIME TO REORDER (RE-ORDER LEVEL) RIGHT TIME TO DELIVER PRODUCTION SCHEDULES JIT/KAMBAN	HAND TO MOUTH BUYING TO CURRENT REQUIREMENTS FORWARD BUYING SPECULATIVE BUYING
--	---	---	--

RIGHT SOURCE CRITERIA

THE SELECTION OF THE SOURCE OF SUPPLY IS THE ACID TEST OF SOUND PURCHASING	TECHNICAL CAPABILITY FINANCIAL CAPABILITY PRODUCTION CAPABILITY MANAGERIAL CAPABILITY	INQUIRIES FROM BANKS EMBASSIES AND HIGH COMMISSIONS TRADE MISSIONS TRADE JOURNALS DIRECT QUESTIONNAIRE ETC. QUALIFICATION OF TENDERS SUPPLIER RATING PERIODICAL REGISTRATION
--	---	--

RIGHT QUANTITY**INTERNAL FACTORS****EXTERNAL FACTORS**

AROUND 50% OF A MANUFACTURING FIRM'S INVESTMENT IS IN THE FORM OF RAW MATERIALS, PARTS, SUPPLIES AND OTHER INVENTORIES PUBLIC SECTOR SPENDS 25% OF BUDGET EXPENDITURE ON SUPPLIES	HOW MUCH NEEDED DEMAND FORECASTING SHELF-LIFE POSSIBLE OBSOLESCENCE STORAGE SPACE FUNDS E.O.Q (ECONOMIC ORDER QUANTITY)	TRADE CUSTOMS PRODUCTION CAPACITY DELIVERY PERIOD MARKET CHARACTERISTICS QUANTITY DISCOUNTS
--	---	---

FORM OF TENDER

The Chairman,
Tender Board.

I/We having examined the Conditions of Tender, the Bill of quantities and all other Documents pertaining to this work/supply, do hereby offer and undertake to carry out the work/supply, to the satisfaction of the strictly in accordance with the conditions of Tender; at the prices and within the delivery period set forth in the accompanying Bill of Quantities pertaining to Tender No And in consideration of the trouble and expense incurred by you in preparing the contract documents and in examining and considering the tender, I/We further undertake that this tender shall not be withdrawn by me/us before the expiration of calendar months from the date of closing but shall remain binding on me/us and may be accepted at any time before such expiration.

And I/We further undertake in the event of this tender being accepted to deposit in each 5 per cent (5%) of the tendered amount as security with the or to furnish a Bank Guarantee as per Tender conditions in the said sum confirmed by a Bank Operating in Sri Lanka, in favour of the for the due performance of the Contract and for the payment of all claims to which the may be entitled, and so execute an agreement in the prescribed form duly stamped by me/us at my/our expense in accordance with the Stamp Duty Ordinance and to complete the work to the entire satisfaction of the

and I/We further agree in the event of my/our declining or failing to make such deposit or execute such bond and/or execute such agreement within two (2) weeks of my/our being called upon to make such deposit or execute such bond and/or to execute such Agreement that the has the right to recover from me / us the full amount of damages sustained by the as a result of my/our so declining or failing and confiscate the security deposit.

I/We understand that you are not bound to accept the lowest or any tender you may receive.

Signature of Tenderer

Date:
Tenderer's Name:
Address :
Witness :
Signature : 1. 2.
Name :
Address :

Annex 2

SCHEDULE OF PRICE FOR

ITEM	DESCRIPTION	QUANTITY NOS.	RATE F.O.B.	TOTAL FOR ITEM FOB	TOTAL FREIGHT TO COLOMBO (Item Wise)	TOTAL C & F Value OF COLUMNS 5 & 6 FIGURES WORDS	

We have furnished Bid Bond No. from as Bid Security., I/we agree to abide by the Conditions stipulated in your tender No.

Name & Address of Local Agent
Name & Address of Tenderer

Total
Signature of Tenderer...
witness : I
Signature :
Name & Address :
Date :

407

Any payment to be made by the purchaser to a Local Agent in S.L.Rs. over and above value in Col.5&6 state percentage Item wise.	Cost of Clearing from Port, Handling and Delivery to (indicate Item by Item) Excluding Custom Duty and B.T.T	Total Item wise Foreign C & F	Local L.Ts

Witness 2.

Signature :

Name & Address :

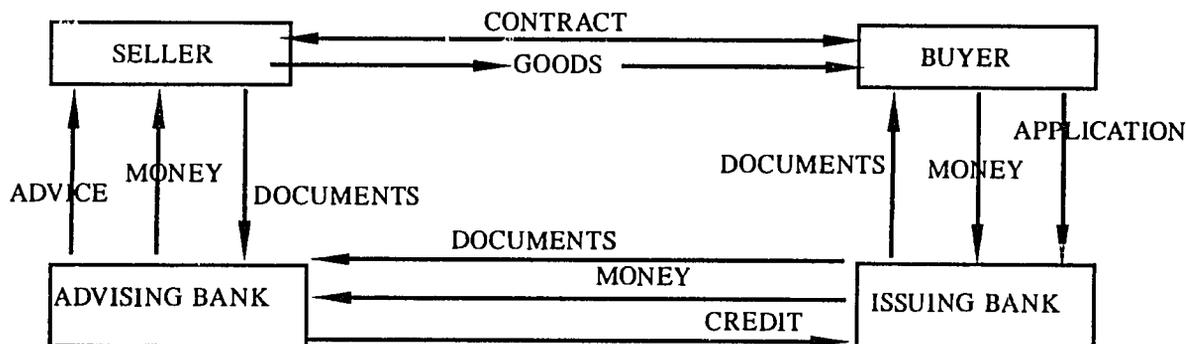
Discount if any,
if all items are awarded

GRAND TOTAL S.L. Rs.

PREQUALIFICATION OF TENDERERS

1. There is an increasing tendency to formally prequalify tenderers for large civil works, complex projects, turnkey contracts, etc. It is however, not the normal practice to prequalify tenderers for equipment, plant, etc.
2. Prequalification is desirable or necessary to ensure that only tenderers who are considered capable of executing a particular contract are invited to submit bids.
3. Prequalification procedure should be on the same lines as the normal tender procedure in respect of advertisement; i.e. the invitation to prequalify should be advertised in the local newspapers, gazette, trade and technical magazines of standing, and copies of invitation should also be sent to Trade Missions, High Commissions and Embassies for circulation.
4. The invitation should spell out the scope of the work, brief specifications, and a clear statement of the requirements for qualification.
5. The prequalification questionnaire should include the following topics:
 - * Experience of similar work (details to be furnished)
 - * Nationality of ownership
 - * Reputation
 - * Financial position
 - * Extent of sub-contracting to be done
 - * Technical capabilities. Magnitude of work undertaken in similar fields
 - * References - Banks, clients, etc.
 - * Experience in working in developing countries (Projects sponsored by World Bank, ADB, etc.)
6. It would be necessary to verify the accuracy of the information furnished from banks, Missions, previous clients, etc. in order to ensure that the parties concerned satisfy the criteria laid down.
7. Where the prequalification procedure is employed all concerns which are found to be qualified should be permitted to tender.

DOCUMENTARY LETTER OF CREDIT



PROCUREMENT FROM FOREIGN SOURCES

1. INTRODUCTION

The steadily increasing internationalization of trade in present times makes it necessary for purchasing people to get more involved with purchasing from abroad. While the main objectives of buying from abroad are the same as buying from within the country, (the objectives being buying goods of the right quality, in the right quantity from the right source, at the right time and at the right price), many complications are involved in overseas buying.

Sri Lanka imports over 60% of her total requirements and, although we have made significant progress in manufacturing locally certain goods such as cement, steel, textiles, fuel, and even some machinery and equipment, we have to remember that many inputs required for the manufacture of these items have to be imported.

Buyers naturally like to buy locally even imported items as it saves them the trouble and problems of importing the items themselves owing to the complications involved in the import process. These are discussed below:

2. WHY BUY FROM ABROAD?

We buy from abroad for the following reasons:

- The item required is not available domestically. We import plant and equipment, for example.
- What is produced domestically is insufficient to meet total needs. For instance, we still import rice.
- The quality of locally made goods may not be satisfactory. Users therefore prefer to buy the imported counter-parts.
- The foreign made goods are cheaper. For instance, one main reason why USA buys Japanese cars is that they are much cheaper than the cars made in USA. Further technological innovation of Japanese auto makers has ensured that their motor cars are of a very high quality.
- There may be strategic reasons for sourcing abroad. The purchasing strategy may be to improve supply security by having a second source abroad.

3. COMPLICATIONS OF BUYING ABROAD

The main complications involved in buying abroad are the following:

- Fluctuations in the relative value of currencies.
- Differences in contractual form and legal systems.
- Transportation problems.
- Payment methods
- Documentation problems.
- Communication problems.

3.1 Fluctuations in the relative value of currencies.

Foreign suppliers would require payment in their own currencies. Suppose a foreign supplier's quotation to supply of goods to the value of £100,000 has been accepted, the purchaser would have to ensure that the supplier gets this amount in pounds: which means that the purchaser has to bear the risks involved in currency fluctuations. He could either take the risk that there will be no adverse fluctuations in the exchange rates (thus bearing the loss if the rate becomes adverse) or safeguard himself by buying the exchange forward. The buyer is well advised to obtain the expert advice of his bankers with a view to minimising the risk.

3.2 Different types of contracts

While the buyer would prefer that the contract entered into with his foreign supplier is according to the conditions of contract adopted in his country, the supplier may require that the contract should be in accordance with his country's conditions of contract. This problem should be straightened out in advance before a contract is signed. In the case of SL Government purchases, when tenders are invited world-wide it is clearly stipulated in the tender conditions and that the contract shall be governed by the laws of Sri Lanka.

3.3 Trade terms

Various trade terms are used in international trade, and these terms are sometimes interpreted in different ways. Such terms include the following:

- FOB - Free on board. Supplier is liable for the goods until they are on board ship and pays for transport and handling to that point.
- FAS - Free alongside the ship (usually at the port of export)
- C&F - Cost & Freight supplier is liable for goods until they reach the port of destination and selling price covers ocean freight to that point.
- CIF - To C&F insurance is added.

There are over 20 trade terms used in shipping and over the years difficulties in interpretation have occurred. These can be avoided if both parties adopt the definitions standardised by the International Chamber of Commerce Paris and published as INCOTERMS. This body has also drawn up rules of "Conciliation and Arbitration" and in case of a dispute the Court of Arbitration in Paris can be requested to appoint arbitrators to conduct proceedings in any country.

3.4 Communication problems

Communication problems exist when two parties have different first languages. English is the lingua franca of world commerce, yet non-English businessmen may speak English very well and still misunderstand some of the things written or said by a native English speaker. Consensus idem agreement on the same thing, is fundamental to a valid contract, and particular care should be taken to achieve this when there are language problems.

3.5 Payment methods

There are four methods of payment to a foreign supplier:

- **Consignment method** The buyer pays only after the goods are received. The foreign supplier runs a risk.
- **Advance payment** The foreign supplier is paid in advance to enable him to ship the goods. The buyer runs a risk.
- **Collection through bank** The foreign supplier sends the documents to a named bank of the buyer who pays for the documents and clear the goods concerned.
- **Documentary letter of credit** The universally accepted method today is the letter of credit method.

There are several types of letters of credit:

- Revocable letter of credit
- Irrevocable letter of credit.
- Confirmed irrevocable letter of credit
- Back to back credit
- Revolving letter of credit
- Red clause credit.

The type mostly used is the irrevocable letter of credit - confirmed or unconfirmed.

A letter of credit may be defined as a written undertaking given by a bank acting at the request and in accordance with the instructions of a customer (the applicant for the credit) to make payment to the beneficiary (supplier) or accept the bill of exchange drawn by the beneficiary against stipulated documents, provided the terms and conditions of the credit are complied with.

The normal documents which are stipulated are:-

- Freight - prepaid bill of lading
- Suppliers commercial invoice
- Certificate of quality and quantity
- Certificate of insurance
- Certificate of origin
- Packing list
- Consular invoices (where appropriate)

The mechanics of the letter of credit are shown in annexed diagram.

3.6 Other Problems

Besides the above, there are other problems such as transportation problems, different local systems and additional documentation which certain governments may require. There are also certain requirements to be complied with; such as import and exchange control requirements, special regulations governing imports of agricultural products, drugs and narcotics, etc.

4. SOURCING ABROAD

Sourcing abroad is much more difficult than sourcing domestically. It will be admitted that it is much easier to investigate and satisfy oneself with the capabilities and finance of a local supplier than with those of a foreign supplier. In the case of the former one can even carry out a personal investigation by visiting the suppliers' establishment; but in the latter case most of the information would be secondhand. This of course, does not mean that such information is not reliable.

In order to locate sources of foreign suppliers and find out their capabilities and standing, several sources are available such as the ones given below:

- Trade journals
- Directories (Kemps, Kompass, British Exports Dun and Bradstreet's World Marketing Directory, Botting International Business Register, Jane's major Companies or Europe, Business International etc.)
- Trade Lists.
- Commercial Sources
- World Trade Centre
- Import Agents
- Trade Fairs
- Trade Associations
- Departments of Commerce of various Governments
- Foreign Trade Missions
- Commercial Attaches
- Chambers of Commerce
- Banks. Advertising Agencies
- International Federation of Purchasing and Materials Management (IFPMM)

Before proposing to place an order the following capabilities of the potential suppliers should be investigated in the manner stated above.

- Production capability
- Technical capability
- Financial capability
- Management capability
- Past performance (Track record.)

5. INQUIRY FOR QUOTATIONS

Where it is decided to obtain goods from an overseas supplier, it is necessary to request the supplier to submit a quotation. Of course, you would have satisfied yourself about the capabilities etc., mentioned above. Some vital matters that should be considered carefully and included in the invitation to quote letter are:

- Specifications (As far as possible standard specifications of recognised bodies such as the British Standards Institution, should be adopted.)
- Delivery requirements (don't state this in months. Say 30 days or an other period in days to avoid confusion.)
- Trade terms - such as FOB, C & F or CIF etc. should be interpreted according to INCOTERMS. (See 3.3 above).
- Method of payment

The language used should be very clear, and terms used should be standard.

6. A short check list which the buyer should carefully follow is given below.

CHECK LIST FOR BUYING ABROAD

- i. Are the goods subject to duty or subject to quota?
- ii. Is an import licence required?
- iii. Is Foreign exchange approval required?
- iv. Are there special regulations with regard to agricultural products or public health regulations?
- v. In what currency is the price quoted? In what currency is it payable? Any complications?
- vi. What legal systems apply to the contract?
- vii. Have you costed the transaction allowing for transport, import or export taxes, insurance and incidental expenses?
- viii. Have you made sure that the supplier understands the specification?
- ix. Are you satisfied with the capabilities of the supplier to comply with the specification?
- x. Are you satisfied that the supplier is capable of carrying out the contract to your satisfaction?
- xi. Arising from above are there any doubts about the suppliers conforming to the delivery terms and other requirements?

7. AIR TRANSPORT

There are five basic modes of transport

- Water
- Air
- Road
- Rail
- Pipe Line

Our country imports goods mostly by sea.

However a steadily increasing proportion of imports are obtained by air. There are several advantages in importing by air in the case of certain items such as drugs, spares, perishables, etc. Packing may not be so elaborate as in the case of sea transport. The incidence of pilferage, damages, etc; is extremely low. Further, buyers could work on small inventories which means lower stockholding costs. One of the salient points of air-freight is its lead - time economics: the very short transit time enables stocks to be kept low.

Regarding documentation, while priced invoices, packing lists, etc. are needed, instead of the Bill of lading which is required for ocean transport, the document called the AIRWAY BILL is used in air transport. However, the Customs formalities are the same,

8. CLEARANCE OF IMPORTS.

Clearance of imports from the Port and the Customs involves a series of formalities.

Preparing customs entries, documentation, clearance from the Port are processes which are complicated and time consuming. Unless an organisation has a well established unit manned by experienced wharf staff fully conversant with customs and port procedures and operations, it is advisable to engage the services of well established forwarding and clearing agents registered with the Port and Customs authorities. There are excellent agencies with long experience who would undertake this service at competitive rates.

Framing customs entries require a good knowledge of the Brussels Tariff Nomenclature (BTN) and customs tariff.

Prepared by S.A.P. Rupasinghe

PREQUALIFICATION OF TENDERERS

1. There is an increasing tendency to formally prequalify tenderers for large civil works, complex projects, turnkey contracts, etc. It is however, not the normal practice to prequalify tenderers for equipment plant, etc.
2. Prequalification is desirable or necessary to ensure that only tenderers who are considered capable of executing a particular contract are invited to submit bids.
3. Prequalification procedure should be on the same lines as the normal tender procedure in respect of advertisement; i.e. the invitation to prequalify should be advertised in the local newspapers, gazette, trade and technical magazines of standing, and copies of invitation should also be sent to Trade Missions, High Commissions and Embassies for Circulation.
4. The invitation should spell out the scope of the work, brief specifications, and a clear statement of the requirements for qualification.
5. The prequalification questionnaire should include the following topics:
 - Experience of similar work (details to be furnished)
 - Nationality of ownership
 - Reputation
 - Financial position
 - Extent of sub-contracting to be done
 - Technical capabilities. Magnitude of work undertaken in similar fields
 - References - Banks, clients, etc.
 - Experience in working in developing countries (Projects sponsored by World Bank, ADB, etc.
6. It would be necessary to verify the accuracy of the information furnished from Banks, Missions, previous clients, etc. in order to ensure that the parties concerned satisfy the criteria laid down.
7. Where the prequalification procedure is employed all concerns which are found to be qualified should be permitted to tender.

EVALUATION OF TOTAL ORDER COST COST CALCULATION

FOREIGN COSTS	[TOTAL FOB COST (TO INCLUDE COST OF PACKING TOTAL FREIGHT TO COLOMBO INSPECTION FEES (FOR INSPECTOR APPOINTED BY THE BUYER
LOCAL COSTS	[ALL CHARGES TO THE SRI LANKA PORTS AUTHORITY. CONTAINER DEPOSIT AND CHARGES TO SHIPPING AGENTS. COST OF TRANSPORT AND HANDLING TO BUYER'S SITE. ADDITIONAL EXPENSES FOR DOUBLE HANDLING? RENT, CRANE HIRE ETC., AT THE PORT.
OTHER COSTS	[CUSTOMS DUTY AND BTT PAID BY BUYER BEFORE DISCHARGE OF CARGO LOCAL AGENT'S COMMISSION PAID IN S.L. RUPEES AFTER DEDUCTING APPROPRIATE B.T.T. BY BUYER

Prepared by S.A.P. Rupasinghe

BANK DOCUMENTATION IN FOREIGN PROCUREMENT

1. In the International Trade very often the buyer and seller do not meet each other. The buyer is in one country while the seller is in another. The laws, practices, customs and even the interpretation of terms used differ from country to country. The seller is reluctant to part with his goods before receiving payment, and the buyer prefers to have control over the goods before parting with the money. The buyer anticipates that the seller will deliver the goods and services in accordance with the specific requirements. Hence making payment with physical delivery is rarely possible, so a compromise is arrived at, i.e. payment against constructive delivery, handing over of the documents, transferring the title to or control over goods. This is where the Bank steps in as an intermediary, giving a conditional undertaking of payment to the seller.
2. Under Documentary Credit which is more fully described in the Uniform Customs and Practices, the procedure to be followed is for payment to be made against documents that represents the goods and make it possible for the transfer of rights for those goods. Hence, Letters of Credit or Documentary Credits as they are called are ideal instruments which act between the buyer and seller assuring them the safety of their transaction. Therefore the bank documentation in foreign procurement is very important, not only for the banker, but also for the importer and exporter as well.
3. Before I go into the topic of documents to be used by the Bank, the importer and the exporter, I would like to name several parties involved in the documentary credit operations. They are-
 - (a) The Buyer, also known as Account Party, Accountee, Applicant, Importer.
 - (b) The Seller- Beneficiary, also known as Exporter, Supplier, Shipper.
 - (c) The transferee in a transferable credit, 2nd Beneficiary.
 - (d) Other parties who are indirectly involved such as Carriers, Insurers, Freight Forwarders, Agents, etc.,
 - (e) Banks- Issuing, Advising, Nominated, Paying, Accepting, Negotiating, Confirming, Remitting, Reimbursing, Requesting.
4. A documentary credit is opened by the bank at the request of the buyer. It is the practice in the banking industry that the order forms provided by the buyer's bank be used for this purpose. The connected documents are
 - (1) Proforma Invoice or indent. This is actually a quotation given by the seller to a potential buyer. This document gives the basic details such as price, quantity, quality and the description of the goods. The seller may be required to certify on the commercial invoice that the goods are in accordance with the proforma invoice issued by him,
 - (2)
 - a) Commercial Invoice is issued by the exporter and will carry the following information
 - Name and address of the buyer and seller and date of invoice.
 - Complete description of the goods.
 - Unit price, where applicable and the value of goods.
 - Where the settlement is under documentary credit, or documents against payment (D/P), documents against Acceptance (D/A)
 - (b) Certified Invoice is an ordinary signed commercial invoice with a conditional certificate to the effect that the goods are in accordance with the specific contract or proforma specifying the country of origin or not and any additional documentation or statement to be given by the seller at the request of the buyer, usually manually signed.
 - (c) Consular Invoice - this invoice is usually signed and visaed (official seal affixed) by the consul of the buyer's (importing) country, unless the credit allows the visa to be executed by some other friendly nation. If this document is called for in duplicate, both copies have to be on original forms (plain copies and tissues are not acceptable). In filling this form one has to be extremely careful as this documents is considered invalid if there are alterations, omissions, etc.,
 - (3) Certificate of Origin certifies the country of origin of goods. Normally the Chamber of Commerce or the Consulate will attest or authenticate the statement appearing in the Certificate of Origin. It is used where preferential tariff rates are in existence between the buyer's country and the seller's country.
 - (4) Weight Note will indicate the weight of the goods which should tally with the other documents. This could be issued by the seller or even a third party.
 - (5) Packing List - this lists out the items of each package, bale, carton or other container. This information is often required by the Customs authorities to make a spot or thorough check of the contents in any particular package.

- (6) Third Party Certificate of Inspection will declare the results of an examination of goods carried out by a recognised independent body or competent authority. This will enable the importer to make sure that the seller or exporter has shipped the correct goods and that they are in conformity with the invoice. This is a very important matter to the buyer as well as the bank as payment is made through the bank using letters of Credit governed by the Uniform Customs and Practice, as clearly indicated under article 4 that Banks deal with documents and not in goods.
- (7) Special Certificate/Health Certificate - Certificate of this nature is called for goods relating to vegetables, plants, food items and animals to safeguard the importer and the consumer, through diseases, etc.
- (8) Transport Documents - there are different types of Transport Documents used in the international trade depending on the mode of transport. They are mainly Ocean Bill of Lading, Airway Bills and Postal Receipts or Rail Receipts, etc.,

A Bill of Lading/Airway Bill will be issued by the shipping company/air line or their authorised agents for goods shipped/air freighted.

This document will clearly indicate the terms and conditions under which the shipping company/airline carry the goods. In addition it comprises documents of title to the goods described therein.

A Bill of Lading is issued in sets of one or more, stamped and signed. Since the Bill of Lading is a document of title, the complete set must be obtained by the shipper. Shippers may also obtain non-negotiable Bills of Lading for their records and to forward them with the other shipping documents as advance copies to the buyer. Those non-negotiable unsigned copies do not form part of the valid set of bills of lading. A clean transport document is one which bears no super-imposed clauses or notations which expressly declare condition of the goods/or packing.

5. A Bill of Lading gives the following details-

- The port of loading and port of discharge.
- The shipment is consigned to the party indicated in the credit.
- The shipment is either consigned to "order of shipper" and blank endorsed, consigned direct to named consignee, or to order of named consignee, as respectively required in the credit. If the credit required bills of lading to order, straight consigned bills of lading cannot be accepted.
- The shipping marks and numbers agree with the marks and numbers on the other documents i.e. on the commercial invoice, insurance documents, etc.

There are no superimposed clauses on the face of the bill of lading which expressly declare a defective condition of the goods or packing such as contents "leaking", "barrels broken", "bags torn", etc. Such clauses make the bills of lading "unclean", and not acceptable.

- "Freight Prepaid" or "freight paid" has been stamped on the bills of lading if the credit requires freight paid bills of lading or if the invoice includes ocean freight added to the FOB or FAS value. Clauses reading "freight to be paid" or "freight prepayable" are not acceptable for "freight paid" or "freight prepaid". The total number of boxes, bags, etc. or tonnage or quantity indicated on the bill of lading, agree with the same information listed on the commercial invoice, insurance document, and other shipping documents presented.
- The description of the goods indicated on the bills of lading agreed with, or is at least a good generic description of the goods listed on the invoice, insurance, and other shipping documents presented, and not inconsistent with the description of the goods in the credit or other documents.
- If a transshipment is indicated on the bills of lading, the credit allows transshipping, the bills of lading are through bills of lading, and the merchandise will be delivered at final port of destination against the bills of lading issued when cargo was loaded on the first vessel, the entire voyage must be covered by one and the same bill of lading.
- If the bills of lading are through bills of lading, the merchandise will be delivered at final port of destination against the bills of lading issued when cargo was loaded on the first vessel. The entire voyage must be covered by one and the same bill of lading.
- Goods are not loaded on deck, unless specifically stated "on deck" shipments are permitted before accepting bills of lading stamped "on deck".
- If the L/C requires "on board" bills of lading, the date of the bills of lading in the case of a shipped bill of lading, or the date in the on board endorsement in the case of a received for shipment bill of lading, is within the latest date for shipment mentioned in the credit. If the L/C does not specifically call for goods to be "on board" that the date of the bill of lading is within the latest shipping date.

- The bills of lading should be properly endorsed.
- All changes or alterations on the bills of lading are initialled by the signer of the bills of lading.
- The name and address of the "notify party" is exactly as indicated in the credit.
- The bills of lading cover no other merchandise than that which is being invoiced and specified in the credit terms.

(9) **Airway Bill**, if the documents indicate that the goods are to be sent by air the following documents will be necessary.

- Signed and dated airway bill issued by the carrier or its authorized agent covering the merchandise being invoiced.
- The airway bill is dated within the latest shipping date allowed in the credit and that it is presented within 21 days of its date of issue or such other time as required by the credit terms.
- The air way bill is marked freight prepaid if freight paid bills of lading are required.
- An Airway bill is not issued by a forwarder. Forwarders air way bills are not acceptable unless they are authorised in the credit terms or unless they show the name of the carrier and are signed by the carrier or his agent.
- The flight number and date is indicated on the Airway bill if specifically required in the credit terms.

10) **Insurance Policy or Certificate**:-

- Both the original and duplicate of the insurance document are included if issued in duplicate unless otherwise provided for in the credit.
- The date of the insurance is not later than the date of the shipment or dispatch as evidenced by the bills of lading or other shipping documents, or in the case (combined transport, the date of taking the goods in charge.
- The insurance is endorsed by the party to whom the loss is payable so that it is in negotiable form, unless the credit specifies some other insured party in the country of destination.
- Insurance is issued for the amount stipulated in the credit if the credit requires a certain percentage above the CIF value.

Prepared by K.A.Wijsekera, B.A., LL.B., A.I.B
Asst General Manager - Intl
People's Bank, International Division

INSTITUTE OF PUBLIC FINANCE AND DEVELOPMENT ACCOUNTANCY

TRAINING PROGRAMME FOR GOVERNMENT ACCOUNTANTS

CONTRACT ADMINISTRATION

Contract Administration in Government Departments involves-

- I - Legal aspects - Law of contract
- II - Procedural aspects - (i) FRR, Treasury Circulars, ICTAD Guidelines, and other Government directives.
(ii) Donor requirements as in Foreign Aid Agreements, etc.

Part I

1. LAW OF CONTRACT

All contracts are governed by the Law of Contract. Unlike other Laws, the Law of Contract gives legality to what has been agreed by the parties by mutual agreement. The parties themselves create the Rights and obligations for the contract.

2. CONTRACT is an ACT of TWO or MORE parties,
Whereby an agreement is reached
Which is legally Binding the parties, and is enforceable in Law.

3. ELEMENTS for a legally binding contract are,
An offer.
Acceptance of the offer.
Consideration or a just cause.
Parties have the capacity to the contract.
Agreed voluntarily and fully.
Not for illegal or immoral purpose.
The intention should result in Legal relationship.

4. OFFER By any one who can fulfil the obligation.
Invitation is not an offer.
Must be clear and precise - not conditional.
Can be - in explicit terms; by word & explicit, or
- implied; by conduct, behaviour, circumstances, etc.
Lapses - on death of offeror or offeree,
- non acceptance in time.
Can be revoked by offeror at any time before acceptance. Once accepted cannot be revoked or rejected by offeree.
(Offeror submits offer offeree accepts)

5. ACCEPTANCE t- Before the offer lapses or revoked.
When offer is properly accepted - an agreement is reached by the parties, the contract is complete, and one party cannot withdraw.
Acceptance should strictly conform to the offer, ie unconditional. It should be an absolute and unconditional assent to all terms of the offer.

A conditional acceptance is a purported acceptance, which amounts to a counter offer.
By this - the offer gets rejected/destroyed,
- the offeree becomes offeror, and
- the offeror becomes offeree.

Negotiations-
- Lead to offers and counter offers,
- Until agreement is reached, and
- one party makes an unconditional acceptance.

6. CONSIDERATION - A benefit expected in return.

7. CAPACITY - Persons over 21 years of age.
- Who are not insolvent, insane or drunkards.
Government Departments - restricted by Rules & Regulations in FRR, circulars, etc.
State Corporations - restricted by Statutes creating the Corporation.
Private Company/Firm - Restricted by Articles of Association or Partnership Agreement.

8. A contract can be - Explicit - on written document, or by means of orally expressed words.
- Implied - evidenced by conduct, behaviour, etc.

9. BREACH OF CONTRACT

- Seek arbitration.
- Sue in court for damages or to declare that the contract no longer exists.

Government Departments resort to

- recovery of liquidated damages,
- cancellation of the contract, get the work done by other means and recover excess cost from the contractor.

Part II

10. CHOOSING CONTRACTORS

Aim of contract is to get work done, services performed or supply made,

- as planned and targeted,
- for a specific purpose,
- in the manner expected of,
- completed before required date and
- fully settled before lapse of funds.

Tender procedures are designed to enable choosing contractors who are capable of achieving this aim.

Methods

- open competitive tendering.
- Selective tendering - shortlisting and competitive among prequalified tenderers.
- competitive giving Preference to approved societies.
Local contractors
Local products, etc.
(F.R.R. 697 & 698 and Treasury Circular Nos FIN 240/1985, 264/1989, 307/1992, 317/1993 & 322/1993)
- selecting a single contractor and negotiating.

Prequalification

- for large complex contracts, to ensure tendering by capable contractors only.
- Applications, from eligible contractors are invited giving brief description of Job, quantities, allowable time, source of fund (FA) and method of payment (whether Turnkey, lump sum, measure & pay basis, etc.). Evidences produced re. legal standing, financial standing, technical qualifications, experience, the capacity for the type of contract envisaged, etc. are evaluated in selecting contractors for prequalification (ICTAD) publication No. SCA/2).

11. COMPETENT AUTHORITY

(i) Head of Department (or delegated staff officer)

- upto Rs.50,000 in value in 'A' Class Departments.
- upto Rs.25,000 in value in all other Departments.

Departmental Tender Board (DTB)

- upto Rs. 2 million in value.

Ministry Tender Board (MTB)

- between Rs. 2 million and Rs 5 million in value.

Cabinet appointed Tender Board (CATB)

- above Rs. 5 million in value.

Departmental Tender Boards at Range/District/Regional/Divisional levels are set up for contracts of smaller values as authorised by Secretary to the Ministry concerned.

(F.R.R. 686 & 687 and Treasury Circular no. 810/1978 and Nos. 138/1981-1989)

Important - All members of the Tender Board should be members of the Board according to the composition of a properly constituted T.B. in writing and decision should be taken by a valid

majority. If a member is involved, there should be condition that the tender is awarded to the lowest bidder. If the award of the contract is done by some representative of the

contractor, for purchases, if the basis is International Competitive Bidding (ICB), the donor should approve the supplies selected by the T.B. before making the award. If the basis is International shopping (IS) or Prudent shopping (PS), such approval may not be required, but other limitations could be specified, such as obtaining at least three quotations, the countries from which quotations to be obtained, purchase operations to be dealt with through their representatives, etc.

12. TENDER DOCUMENTS

Lists of Tender Documents appear in F.R. 688.

Tender documents should be approved by the appropriate Tender Board before calling for tenders.

Before approving the Tender documents, the Evaluation Committee should be report.

(Treasury Circular No. FIN 302/1991)

13. TENDER PERIOD - Period from date of the notice calling for tenders to the last date for receiving the tenders.

The following can be considered

- Small scale tenders - 04 calendar weeks
- Medium scale tenders - 05 calendar weeks
- Large scale tenders - 12 calendar weeks
- International tenders - 12 calendar weeks or period if any required by foreign aid project.

14. LATE TENDERS - Should not be considered under any circumstances. Such tenders should be rejected and returned unopened to the tenderer. Tender box should be closed and sealed at the closing time.

15. A tender should be submitted in **DUPLICATE** (or in such number as required)

16. OPENING OF TENDERS.

- To be opened by Chairman of the T.B. or by specified authority.
- Open at the time fixed and notified.
- In the presence of tenderer or their representatives , if present.
- Affix date - stamp on original and on all copies of the tender and initial them.
- Identify alternations, mark and number each alternations, write total number of the alternations on original and on each copy of the tender, sign and date below.
- Read name of tenderer and amount on each tender for everyone present to hear. Details of make up should not be read as the tenderers are not entitled to this information.
- Any tenderer, if he wishes, could examine the duplicate of any tender to verify the tender amount only, but no technical data or other particulars should be divulged.
- Write in Register of Tenders Received, all relevant details of the tenders.
- received and opened.
- Also write in the Register the names of all persons present at the opening.
- Below these the Officers opening and assisting should sign.
- Original of the tender be sent for further action such as scheduling, evaluation etc.
- Duplicate of the tender to be kept separately in a safe place. (F.R. 695 and ICTAD Publication No. SCA/2)

17. EVALUATION COMMITTEE (E.C) - Appointed to assist the Tender Board (T.B)

Technical Evaluation Committee (TEC) Treasury Circular
Financial Evaluation Committee (FEC) No. FIN. 302/1991

- (i) - An E.C. should constitute
- for large projects not less than three persons knowledgeable of the job.
 - for small works, may be less than three persons with at least one member having the technical knowledge - May even be a single person. (ICTAD No. SCA/2).
 - E.C. is appointed by Chairman of the Tender Board.
 - E.C. will scrutinise and report to the Tender Board with its Recommendations on Tender Documents. Tenders received.
 - If E.C. recommends any tender to be rejected, full reasons should be given (F.R. 696)
 - The E.C. where necessary can obtain clarifications from tenderers, and also negotiate as directed by the Tender Board.

A Tenderer may have qualified his tender with conditions. This should be discussed and written agreement reached before acceptance. There may be other matters too, which may require to be discussed, negotiated and finalised in writing before acceptance, for example any additions or deductions which were not foreseen at time of preparation of tender documents. (ICTAD No. SCA/2)

- (ii) In a "two Envelop System " of receiving tenders, the technical proposals and the financial proposals are submitted in two separate envelopes. In such special cases.
- the T.E.C evaluate the technical proposals first and reports to the T.B. for selecting the best acceptable technical proposal. Thereafter,
 - The F.E.C. will open and evaluate the financial proposal of the best acceptable technical proposal, and report on it to the T.B.

This system is adopted for an assignment of a Complex nature, where the end product is very significant , a small reduction in quality could have unacceptable impact on the project, and where price alone should not be a deciding factor. For this the selection procedures recommended are,

- (a) Those which rely solely on an evaluation of the technical competence of the Contractor, the personnel for the assignment, and suitability of the proposals and,
- (b) Those that involve both a technical evaluation and consideration of the offered price.

Where quality is the paramount requirement, price cannot dominate the selection process to the detriment of the effective execution.

(World Bank Guidelines on Consultancy Contract)

18. DETERMINING SELECTION PROCEDURE/ CRITERIA

A.T.B. should determine the selection procedure and evaluation criteria for each contract before inviting tenders. In appropriate cases, indicate these on tender documents.

The E.C. will be of assistance to the T.B. in determining these.
(Treasury circular No. FIN 302/1991)

19 TENDER AND SECURITY DEPOSITS

Tender Deposits

For issue of tender forms
Paid before obtaining tender forms
Intended to prevent
Unscrupulous persons,
- Obtain tender forms, and
- not submit offer or
- not enter into contract

Refunded - after decision on the tender
(and signing of Contract by successful tenderer)

Security Deposits

For entering into Contract
Paid before signing the agreement.
Intended to prevent
- Slackness and delays by contractor
- non performance
- not carrying out the contract obligations.

Refunded - after tender completion and after maintenance warranty period and taking over, and nothing is due from the contractor.
Alternative - Bid Bond.

20. SIGNING OF CONTRACT

- The officer signing on behalf of Government Department-
 - Over Rs. 500,000 by Head of Department
 - Rs. 500,000 and less by Head of Department or by a staff officer nominated by Head of Department. (FR. 702 amended by Treasury circular letter No. contracts/81 of 02.05.1983).
(Some Departments such as Railway, Highways, Irrigation etc. have special limits).
- The person signing on behalf of Firm or Company, Society, etc. should
- Produce a letter of authority to sign the contract documents, and,
- Affix the seal of the firm or Company or Society, etc. in the place he signs.

Important - In a contract agreement, the schedule of prices, etc should be furnished as per Tender Board's decision, strictly to every word and figure.

21. STAMP DUTY ON CONTRACT DOCUMENTS

Stamp Duty Act No. 43 of 1982, published in Government Gazette (Part I Section I) of 20.12.1982.,

Amended by Government Notification in Government Gazette (Part I Section I) of 20.01.1984 and of 15.11.1984.

Stamps to the correct value should be affixed and cancelled on contract documents, bonds, Guarantees, etc.

Failure to do so, and when detected,

- the amount or under value, plus 25 % penalty, is payable to Commissioner General of Inland Revenue, and
- The document sent to the Commissioner General for his endorsement.

22. TURNOVER TAX ON CONTRACT PAYMENTS

Turnover Tax Act No. 69 of 1981.

Rates of Tax revised with effect from 15.05.1992 (Ceylon Daily News of 22.05.1992 Davasa of 21.05.1992)

Where the total consideration payable on a contract exceeds Rs. 100,000, Turnover Tax is recoverable at prescribed rates. Also where an Assessor is of opinion to do so the consideration payable on two or more contracts entered into by a person shall be aggregated for the purpose of the Rs. 100,000 limit. (Section 50(7) of the Act).

23. RETENTION MONEY

- Retained on every contract payment in terms of the agreement,
 - Usually at 10 % to 15 %
 - as a further security,
 - to ensure satisfactory completion
- Refunded - after the contract is satisfactorily completed, and taken over and
- after recovering all dues from the contractor.

The refund is considered the final payment on the contract.

Any more due to Government by way of damages, forfeiture, expenses, deductions and other liabilities will be recovered from retention money (and from security deposit also.)

24. ASSISTANCE TO CONTRACTORS

- Technical Advice and guidance.
- Cash advances such as
 - Mobilisation advances - Treasury Circular Nos. FIN. 222/1984 and FIN 309/1992.
 - on Account payments
 - Advance to purchase materials.
- Materials required for the contract.
- Machinery & equipment, if available.
- Working and living facilities and storage space at site.

Cost including Departmental Charges and customs Duty if any, hire charges, etc, will be recovered in appropriate instances.

25. Provisions in contracts as warning to prevent contractor slackness, inefficiency, delay, etc. and to ensure proper execution and expeditious completion-
- Liquidated damages recovery.
 - Cancellation of contract.
 - Recovery of excess cost.
 - Forfeiture of Retention and Security monies.
 - Blacklisting the contractor.

26. LIQUIDATED DAMAGES (L.DD.)

- L.DD is a payment by contractor.
 - for damages resulting from
 - non - performance by the date of completion.(normally it is recovered from payment under the contract)
- L.DD is not a penalty
- L.DD payment (or recovery)
 - will not result in cancellation of the contract.
 - will not relieve from obligation to complete the contract.
 - will not relieve from liabilities under the contract.
- L.DD can be waived by Secretary to the Ministry concerned.
- Date of completion can be extended,
 - under reasonable circumstances, and
 - only if the contractor applies for it in time.
- L.DD recovered
 - should not be refunded, and/or
 - covering extension of date of completion should not be given, without prior approval of Secretary to the Ministry.

27. DELAYS

Avoid delays. (Treasury Circular FIN302/1991)

Plan well and execute to ensure

- completion before required date
- at lowest cost

Use of Bid Bond, Performance Bond, Demand Guarantee, etc.

- Bid Bond
- Performance Bond, Demand Guarantee, etc.
- Advance Payment
- Retention of money
- Liquidated Damages and Penalties.
- Contingency
- Final Payment.

Delays results in

- Lapse of funds
- Lapse of validity of offer
- Lapse of validity of Bid Bond Performance Bond, Demand guarantee, etc.
- Changes in market conditions
 - ground conditions
 - economic conditions,
 - political conditions, etc.,which could affect progress, cost, and other factors which existed at time of the offer.
- uncertainty and liability to keep to targets of time, cost, etc.

28. TERMINATION OF CONTRACT

- Automatic, when completed, final payment made and security refunded.
- Mutual termination as agreed to by the parties to the contract.
- Cancellation of contract by employer in terms of the contract.
- By Court Order.

29. DEFAULTING CONTRACTOR

- is a contractor who was awarded a contract, but
- who had declined or failed to sign agreement, or
- who had failed to carry out his contract satisfactory, or who was guilty of improper conduct, and
- who has not satisfactorily explained as to why he should not be blacklisted.
(F.R. 705, as amended by Treasury circular No. 835/1977)

30. APPEALS

A contractor can appeal to Secretary to the Ministry concerned-

- against any order made under the contract.
- to waive recovery of liquidated damages.
- to waive any condition in the contract.
- for arbitration.
- for extra contractual Payments.
(F.R. 704)

31. EXTRA CONTRACTUAL WORK/PAYMENTS

- An extra contractual work can be
 - an item of work not provided for in a contract, but has to be done to perform the contract.
 - an excess on the quantity of work done over the quantity provided for.
- Variations can occur due to
 - variations in agreed rates
 - variations in agreed quantity.
- Variation in agreed rates can be claimed due to
 - additions
 - substitution
 - alternations
 - changes in quality
 - character
 - kind
 - position
 - dimension
 - form
 - level or line, etc.

For example a contractor can claim an enhanced rate due to change in character of foundation from earth to gravel. A payment for this is extra contractual payment.

Variation in quantity is obligatory of execution by contractor, and is extra contractual.

In case of doubt as to what is extra contractual, refer to Secretary to Ministry for a decision.

Extra contractual payment should not be made without prior approval of the Secretary.

Extra contractual payment should be noted separately in the Register of Contract Payments and on the payment voucher, quoting reference to Secretary's approval.

32. AUTHORISED DEVIATIONS

- Minor works to approved Societies located in the area (F.R. 783)
- Urgent works up to Rs. 50,000 to selected contractors at agreed departmental rates (F.R. 797(4)).
- Reject lowest tender which is not from an approved Society, and accept higher tender of an approved Society if its amount is within 10% up to Rs. 150,000 or 5% above Rs. 150,000, and the Society is capable and financially sound to do it (F.R. 783 and Treasury Circular Nos. FIN 252/87, FIN 253/87 and FIN 255/87).
- Negotiated contracts to approved Society up to Rs. 750,000/- or amounts as per Treasury Circular No. FIN 322/1993. (Treasury Circular No. FIN 252/1987, 307/1992 & 322/1993)
- Repairs to vehicles, etc., where workshop facilities are not available and tender procedure cannot be followed, by any firm as authorised by a Civil List Officer in terms of FR 785 & Treasury Circular No. FIN 260/1988.
- Direct purchase of articles of small value (F.R. 796)
- Urgent works and purchases - to be authorised by
 - Head of "A" Class Department up to Rs. 50,000
 - Heads of all other Departments up to Rs. 25,000
 - D.T.B. up to Rs. 500,000 with Head of Department's personal approval
 - M.T.B. above Rs. 500,000 with Secretary's personal approval
(F.R. 799 & Treasury Circular No. 840/1978).

- viii. Preference up to 20 % for locally manufactured articles over the lowest rate for imported article (F.R. 697 (3) & Treasury Circular Nos. FIN 240/1985, 264/1989 & 317/1993).
- ix. Preference up to 20% for local tenderers over Foreign tenderers provided the local tenderer is competent (Treasury Circular Nos. FIN 240/1985, No. FIN 264/1989 & 317/1993).

33. ARBITRATION

All contractual disputes between Government Departments/ Institutions and their contractors/ consultants will be resolved by the CENTRAL AUTHORITY. It functions as an Administrative Arbitrator.

When contractual disputes cannot be settled by the parties themselves or by Secretary's decision, appeal can be made to the Central Authority on contractual disputes.

The Central Authority members are

1. The D.S.T. or his representative (Convenor)
2. The Attorney General or his representative.
3. The nominee of the Secretary to the Ministry.
4. A professional who has the expertise on the matters in dispute.
(Treasury Circular No. FIN 308/1992)

34. GRADING AND REGISTRATION OF CONSTRUCTION CONTRACTORS.

The Institute of Construction Training and Development (ICTAD) has laid down systems for grading and registering construction contractors. Private contractors who are registered in terms of these only are entitled to undertake construction contract work in Government Departments.
(Treasury Circular No. FIN 286/1990 and ICTAD publications).

35. TENDERABLE LIMIT

A contractor is graded and registered on the basis of value up to which he can undertake contract work. The amount of registration is the tenderable limit.

If a contractor has ongoing works, the limit for further works will be the registered amount less the value of uncompleted works in hand.

The tenderable limit of a contractor must be decided at the time of issuing a tender form to him.

36. Once a tender is accepted and the contract is awarded, the relevant details should be PUBLISHED in Newspapers. (FR. 700 and Treasury Circular No. FIN 285/1990).
37. Foreign Principals tendering for provision of supplies, works and services should have a LOCAL AGENT. If not the tender should be rejected. (Treasury Circular No. FIN.285/1990)
38. Reimbursement to contractors for PRICE INCREASES of materials Treasury Circular No. FIN 287/1990.

39. ROLE OF ACCOUNTANTS IN CONTRACTS ADMINISTRATION

- Member of Tender Board.
- Member of Evaluation Committee.
- Certify contract payments.
- Receiving and opening tenders on behalf of the Chairman of Tender Board.
- Internal Control and Auditing.
- Advising Directorate.
- Purchases and sales
- Authorising within delegated limits.
- Receive quotations.
- Schedule and recommend rates. Approve rates within delegated limits.
- Execute job.

40. GENERAL

Contract is an INSTRUMENT to get work done, service performed and supply received.

SUCCESS depends on

- the employer's instructions and supervision, and on
- the Cooperation of the employer, his agent and the contractor.

A. WILLINGNESS to cooperate , and

B. sympathetic UNDERSTANDING of the problem of the other participants will always be vital for achieving the best efficient result.

Prepared by S.KAVURIEL
(Retired Govt. Accountant)

CONTRACTS ADMINISTRATION - CASE STUDIES

1. It was decided to purchase an equipment, or construct a building on contract. What preliminaries should be done ?
2. An urgent work has to be done on contract and completed very early. Sufficient time is not available for normal tender procedure. You have been approached to advice or comment. Discuss the procedures involved.
3. If for any reason the lowest acceptable tender cannot be accepted. What will a Tender Board do ? How will the final decision be taken?
4. What powers do a Tender Board have in deciding on tenders received?
5. Three quotations were obtained to repair a machine in a Department by the Engineer in Charge of the machine. The lowest was from the firm which originally installed the machine the second lowest from a State corporation and the third from a well known firm. The Engineer in charge recommended the lowest bid for Rs.65,000/- for acceptance, and sought approval of the Departmental Tender Board. What will you as a member of this tender board decide and advice?
6. In a tender for purchase of trailer tractor, the specifications indicated that supply of three copies of spares manual should be included in the tender. The lowest tender did not include this, and the evaluation Committee rejected this in their report because of this omission (only) and recommended the acceptances of a higher tender which is more by Rs. 25,000/- per unit. What will you as a member of the tender board decide? Give your reasons?
7. One of the conditions for a tender for the supply of some specialised items stipulated the submission of samples along with the tender. The tender of Mr. A was received before closing time. The tender of Mr.A was higher and his sample was not acceptable. But the tender of Mr. B was lower and his sample was the best acceptable one. Mr. B explained that the delay in submitting the tender was due to the delay in receiving the samples from abroad and was beyond his control. The evaluation committee recommended the acceptance of the tender of Mr. B. What will you as a member of the Tender Board decide? Give your reasons.
8. Who are Approved Societies for purpose of Contracts work in Govt?
9. What preferences and exemptions are provided to Approved Societies?
10. Various Bonds/ Guarantees are mentioned in contracts.
 - i. What are these, and for what purposes are these obtained?
 - ii. When do each of these lapse/returned?
 - iii. What precautions to be taken to safeguard the interests of the employer Department?
11. What important requirements contain generally in a contract agreement?
12. Approved Societies are entitled to various preference and exemptions. A suggestion has been made to similarly exempt them from affixing Revenue stamps on to their contract agreements. What is your advice and why?
13. A contract once entered into-
 - should not be assigned or sublet to another person,
 - should not vary any condition therein.
 except as provided for in the contract.

However due to some unavoidable or acceptable reason, one of the above has to be done. How can you get this done?
14. If a contractor fails to complete his contract before the date of completion, liquidated damage is payable by him for the delayed period. But if the delay was not due to his fault or lapse , what remedy is available to him?
15. What is extra contractual work? What should be done to get extra contractual work done and to pay for it without delay?
16. When you certify a payment under a contract, which provides for recovery of liquidated damages, what should be looked into by you in regard to applying this provisions?
17. Contracts above Rs.50,000/25,000 in value in a Department will have to be dealt with by its Departmental Tender Board. If there is no D T B in that Department who will deal with these?
18. In a tender submitted for a consultancy contract of a Department, the make up of the total price was given as

(1) Basic salary	Rs. 1,500,000	
(2) Social charges 15 % of (1)		Rs. 225,000
(3) Overheads 60 % of (1)		<u>Rs. 900,000</u>
(4) Sub total	Rs. 2,625,000	
(5) Fee 10% of (4)	<u>Rs. 262,500</u>	
(6) Total amount of the tender		Rs. 2,887,500

The overhead of 60 % included BT element of 10 %. The Ministry Tender Board which dealt with this tender decided - (i) to deduct the 10% for TT from overheads and reduce it to 50% (ii) to reimburse the contractor with the actual amount for TT recovered from his payments on this contract, and (iii) to award the contract for Rs. 2,598,750 (Rs.2,887,500 less (10%) Rs. 288,750). The Department observed the arithmetical error in arriving at the deduction of the 10%, deducted only the correct amount of Rs. 165,000 (150,000+15,000), and entered into contract for Rs. 2,722,500. There was an Audit query and was referred to you. What are your observations?

**INTENSIVE TRAINING PROGRAMME FOR
GOVERNMENT ACCOUNTANTS
(BY I.P.F.D.A)
CONTRACTS MANAGEMENT**

P A R T I

CONTRACT - The **ACT** of **TWO** or **MORE** parties

- * where an agreement is reached
- * which agreement is legally binding between the parties and which agreement is enforceable in law.

LEGALLY BINDING CONTRACT the following **ELEMENTS** should be present

- + An Offer
- + Acceptance of the offer
- + Consideration or a just cause
- + The parties have the capacity to contract
- + The parties have agreed Voluntarily and fully
- + No illegal or immoral purpose is involved
- + The intention should result in legal relationship

OFFER - By **ANYONE** who can fulfil the obligation.

Invitation is not an offer

Tender or quotation is an offer.

Offer must be accepted

Offeror submits offer. Offeree accepts.

Offer can be-

- * In explicit terms - by words and explicit, or
- * **IMPLIED** - by conduct, behaviour, circumstances, etc,

LAPSE - Offer lapses

- on death of offeror or offeree
- by non acceptance in time

REVOCATION- Offer can be revoked at anytime before acceptance, and should reach the offeree.

REJECTION - Offer can be rejected by offeree

- by communicating to offeror, or
- by making a counter offer, or
- by a conditional acceptance

+ **ACCEPTANCE** - Before the offer lapsed or revoked

once accepted the offer becomes **IRREVOCABLE**

- * When offer and acceptance correspond in every respect.
- an agreement is reached by the parties.
- the contract is complete, binding and can be enforced in law.
- one party cannot withdraw.
- * Acceptance should strictly conform to the terms of the offer i.e. **UNCONDITIONAL**. It must be an absolute and unqualified assent to all terms of the offer.

A Conditional acceptance is not an acceptance.

If it is conditional it is a purported acceptance, which amounts to a **COUNTER OFFER**.

- * The effects of counter offer are -
 - offer gets rejected/destroyed
 - offeree becomes offeror
 - offeror become offeree
- * When we **NEGOTIATE** with offerors/tenderers,
 - the negotiations lead to offers and counter offers
 - until agreement is reached, and
 - one or the other party makes an unconditional acceptance
- * Acceptance must reach the offeror. He must know that his offer is accepted.

+**CONSIDERATION** - a benefit expected in return

- * In a contract, there is mutual obligation and liability
No one incurs liability without a benefit in return
Eg., a sum of money for which a contractor undertakes to perform an agreed work, service or supply
- * Past consideration is different from executed consideration.

+CAPACITY to contract - All persons over 21 years of age
- All who are not insolvent, insane or drunkards

For the following institutions, the capacity is restricted by -

- * Govt. Departments - Rules & Regulations, contained in F.R.R., Treasury Circulars, etc
- * State Corporations - Statute creating the Corp.,
Local Body, etc.,
- * Private Companies - Memorandum of Association

FORM of Contract - A contract may be entered into,

- * On WRITTEN document, or
- * by means of ORALLY expressed words, or
- * as evidenced by the course of conduct of the parties concerned.

BREACH OF CONTRACT - One party to the contract failing or refusing to carry out the obligation. The injured party can

- * take action as provided for in the contract, viz.,
 - recover Liquidated damages
 - Cancel the contract and get the work, etc., executed by other means and recover excess cost, if any
 - go in for Arbitration
- * go to Courts and SUE
 - for damages
 - to declare that the contract no longer exists.

FREEDOM OF CONTRACT - Contracts entered into freely and voluntarily will be held sacred. But there are exceptions, as follows:-

- * Standard Contracts - We accept terms of C.T.B., Railway, Airlines, etc
- * Insurance Contracts - We accept terms in Insurance Policy
- * Group Organisation & Collective Bargaining - Individual's freedom to bargain is curtailed.
- * Social Welfare Regulations - Interfere with individual's freedom

CONTRACTS MANAGEMENT P A R T II

The Government Departments, which are not adequately organised and provided with necessary staff equipment and facilities for the performance of their works and services, or for producing their stores and supplies, will have to get these done on Contracts with outside parties.

For this purpose the Tender and Contracts procedures will have to be strictly followed.
(F.R.R. PART I CHAPTER XI)

AIM OF ENTERING INTO CONTRACT

- * to get a work done, service performed or supply made
 - * as planned and targeted for
 - * for a specific purpose
- It should be done, - in the manner expected of, and
- completed and
 - fully settled
 - before end of the Financial year

Methods of CHOOSING CONTRACTORS

- * Open competitive tendering - inviting by advertising
- * Selective tendering - competitive tendering by selected contractors (shortlisting procedure)
- * Competitive tendering giving preference to approved Societies, local tendering local products etc., (F.R.R 697 & 698 and Treasury Circular Nos. Fin 264/1989, 240/1985).
- * Selecting a single contractor and negotiating with him.

As a general rule all contracts should be offered on, **OPEN PUBLIC COMPETITIVE TENDERING**

Exceptions are -

- Departmental arrangements by direct labour, etc
- Getting done by Approved Societies (FR.698)
- Adopting deviation procedures in urgent and exceptional circumstances
- Negotiating with selected tenderers
- Repairs as authorised by Civil List Officers when open competitive procedure cannot be adopted. (F.R 785 and Try. Circular No.FIN 260/1988)
- Emergency purchases
- Purchasing articles of small values

- Basic STAGE of competitive tendering
- * PREPARATION of tender documents
 - * APPROVAL of tender documents by competent authority
 - * INVITING tenders, giving wide publicity
 - * ISSUING tender documents to those entitled to obtain
 - * RECEIVING and opening tenders
 - * SCHEDULING and evaluation
 - * CONSIDERATION and award by Competent Authority

COMPETENT AUTHORITY

Head of Dept or appropriate staff officer - upto Rs. 50,000 in value (F.R.686 & Treasury Circular No.840).

Departmental Tender Board - upto Rs. 2 Million in value

Ministry Tender Board - between Rs. 2 Million and Rs. 5 Million in value.

Cabinet appointed Tender Board - above 5 Million in value

(Refer Treasury Circular, FIN 263/ of 1989)

For Minor Tenders, Department Tender Boards at Range/District/Regional/Divisional levels are set up with specific limits as authorised by Secretary to the respective Ministry.

TENDER DOCUMENTS (Refer FR 688 also)

Tender documents comprises of -

- Notice calling for Tenders - Condition of Tender
- Specification - Form of Tender
- Bill of quantities - Drawings (for large works)
- Certificate that financial authority is available

TENDER PERIOD-

Time allowed for submission of tenders from the time of notice. Sufficient time should be allowed. Normally the following periods are allowed -

- | | | |
|---------------------------|---|--|
| Small Scale Tenders | - | 4 calendar weeks |
| Medium Scale Tenders | - | 5 calendar weeks |
| Large Scale Tenders | - | 12 calendar weeks |
| For International bidding | - | 12 calendar weeks or period if any required by a Foreign Aid Projects. |

LATE TENDERS- Tenders which are received after closing time of receiving the tenders

- * Late tender should not be considered under any circumstances.
- * Also a tenderer should not be allowed to revise his offer after the closing time.

TENDER FORMS - should not be issued to persons

- * whose name appear in the list of **DEFAULTING CONTRACTORS**
- * who had not proved to **SATISFY CONDITIONS**, if any specified
- * who has not paid **TENDER DEPOSIT, OR**
- * who has asked for it **AFTER THE CLOSING TIME** for issue.

Inspection of Tender Documents allowed free of charge

A Tender Form is issued in duplicate, after entering -

- official receipt No. & date of tender deposit
- full name and address of tenderer and date

Tender form. should be signed by issuing officer before issue. (Refer F.R. 694 also)

TENDER DEPOSIT

- * made before obtaining tender documents
- * to ensure only those genuinely interested in
 - + obtaining tender documents, and
 - + offering bids
- * to prevent unscrupulous persons obtain tender documents and
 - + do not submit the tender in time, or
 - + after submitting do not honour it.

A BID BOND is accepted in place of tender deposit, for large contracts.

REFUND of tender deposit is made to all unsuccessful tenderers, except the first 3 or 4 tenderers, whose deposits will be refunded after the contract is signed. The deposit of those not tendered for but returned the forms before closing time, will also be refunded.

The deposits of those,

- who did not submit the tender in time, or
- who did not return the tender forms before closing time, or
- who after submitting tender did not honour it,

will be FORFEITED

OPENING TENDERS

- * Open at the time fixed for it.
- * In the presence of the tenderers or their representatives
- * Affix date-stamp, initial/sign on original & duplicate
- * Note all alterations on each copy, write total number of the alterations, sign & date below
- * Read name of tenderer, amount, etc appearing on each tender for everyone present to hear
- * Write names of all those present in a register and obtain their signatures
- * Write in the register the relevant details such as name of tenderer, amount etc. The officers opening and assisting should sign below all entries in the register.

EVALUATION COMMITTEES

- * Appointed by Chairman of Tender Board,
- * to scrutinize and report to Tender Board giving its recommendations;
- * if any tender is to be rejected, full reasons should be given. (FR.696)

- E.Cs should expedite evaluation & reporting - within two or three days of closure of tenders.

- Before inviting tenders, E.C. to scrutinize tender documents and return with its recommendations to T.B., for consideration at time of approval of the tender documents.

- E.Cs assist T.B. in determining selection procedure and evaluation criteria for every tender (Treasury Circular No. 302/1991)

For employment of Experts - Consultancy Contracts -
Two E.Cs normally appointed, viz

- + Technical Evaluation Committee - to evaluate Technical proposals.
- + Financial Evaluation Committee - to evaluate Financial proposals
(Mentioned in Treasury Circular No. 302/1991)

Under 'Two Envelope' system - the Technical Proposals are first opened and evaluated.
The Financial Proposals of the accepted Technical Proposals (only) will then be opened and evaluated.
After award and signing of Agreement, all unopened Financial Proposals returned to the respective tenderers.
(These are done as per Donor conditions under Foreign Aid)

Once a Tender is accepted and Awarded, the details should be PUBLISHED, giving

- + description of the work
- + No. of Tenders received
- + name of successful Tender, and
- + amount at which it was awarded

(F.R. 700 and Treasury Circular No. FIN.285/1990)

SECURITY DEPOSIT

- * made BEFORE SIGNING Contract Agreement
- * to ensure satisfactory PERFORMANCE and DISCHARGE of the OBLIGATIONS and duties under the contract.
- * Performance Bond(or Bank Guarantee) is provided as Security in place of cash deposits, for large contract.
(F.R. 692 also on Special concessions relating to Tender Deposits and Security)

STAMP DUTY ON CONTRACT DOCUMENTS -

- In terms of Stamp Duty Act No. 43 of 1982, published in,
- the Govt. Gazette (Part I Section 1) of 20.12.1982,
 - amended by Govt. Notifications in the Govt. Gazettes (Part I Sect.1) of 20.01.1984 and of 15.11.1984 -

Stamps to the correct value should be affixed and cancelled on contracts, Bonds, Guarantees, etc.

Failure to do so is an offence, and when detected,

- the amount or the under value involved,
- plus 25% penalty, is payable to the Commissioner General of Inland Revenue, and,
- the document sent to the Commissioner General for his endorsement.

The prevailing Stamp Duty amounts are -

- A contract for construction work or for services in connection with construction work, not being a contract for the construction of residential houses - For every Rs. 1,000 of part there of ... Rs.1/-
 - A contract for construction of Residential house ... Rs.10/-
 - Any Instrument not expressly given in the Schedule to the Stamp Duty Act ... Rs.10/-
 - Stamp Duty on a receipt or a discharge given for any money or other property amounting to Rs.100/- upward ... Rs.2/-
- (Treasury Circular letter No. FIN/267 of 28.04.89)

TURNOVER TAX ON CONTRACTS

Where the total value of a contract exceeds Rs. 100,000 -

- Turnover Tax at the PRESCRIBED RATES should be deducted on payment under that contract;
 - Deducted at the time of payment; and
 - remitted to the Commissioner General of Inland Revenue;
 - within seven (7) days of such deductions;
 - giving
 - i. Name, address, and if available the T.T.file No. of the contractor,
 - ii. The gross amount of the payment,
 - iii. The rate and amount of the Tax deducted,
 - iv. The net amount actually paid.
 - A certified copy of this statement to be given to Contractor;
 - For this purpose, use Form No.TTDS-1 issued by Department of Inland Revenue.
- ++ Any officer who fails to deduct and remit the Tax will be held liable.
- * The present PRESCRIBED Rate are -
- | | |
|--|--------|
| Construction work | ... 5% |
| Laying Terrazzo flooring-in-situ | ...10% |
| Rendering Services (other than Employment) | ...5% |
| Rendering Services abroad for which payment is made in Sri Lanka | ...5% |

RETENTION

- + A sum of money, normally about 10% to 15%, withheld on every part payment on a contract.
 - + As a FURTHER SECURITY
 - + To ensure satisfactory completion of the contract.
- Any money due by way of damages, forfeiture, expenses, deductions and liabilities, will be RECOVERED from the retention monies, as well as from the security.

RETENTION MONEY - REFUND

Retention money is refunded after - - the entire work or supply is satisfactorily completed, and

- the completed work or supply is taken over
- nothing is due from the contractor
- certificate issued by the Engineer, Mechanical Engineer, or whoever it may be, that the work is satisfactorily completed or the supply conforms to specification, etc, and that nothing is due from the contractor.
- Since the refund will be the final payment on the contracts the contractor too should give a certificate, preferably on the final payment voucher, that there is nothing else due to him under the contract.

ASSISTANCE PROVIDED BY A DEPARTMENT TO ITS CONTRACTOR

- Free technical advice and guidance
 - Materials, for the work, especially which are scarce to get
 - Machinery and equipment required to perform the contract
- Cash advances to meet the cost of the contract, such as
- * Mobilisation Advance
 - * On Account payments
 - * Advance for materials

Working and living facilities, and storage space at site

Any other facility available and can be provided, and asked for by the contractor

Recover includes cost, departmental charges, Customs Duty if any, hire charges, etc., as per departmental rates, etc., The recovery is usually made from contract payments, unless it is recovered at the time of issue, etc.

MOBILIZATION ADVANCE

It is a sum of money PAID TO A CONTRACTOR as an advance to enable him to make arrangements for the work, including purchase of machines, equipment, materials etc.

It is payable only,

- * If it is considered NECESSARY
 - * Having regard to the TYPE OF WORK involved and
 - * If the fact of the payment is STATED IN THE INVITATION FOR BIDS mentioning - the AMOUNT of advance payable (which should not exceed 20% of T.E.C. of the work)
 - at WHAT STAGE it will be paid
 - the manner of its RECOVERY (to be mentioned in the agreement also)
 - that a Demand Bank Guarantee is furnished to cover the advance before its payment. However, a Demand Bank Guarantee is not required for mobilisation advance to Farmer Organisations.
- (Treasury Circular No.222/1984 & No.309/1992)

DETERRENTS

Provided for in a Contract to ensure proper execution and completion before specified date -

- * Recovery of LIQUIDATED damages for delay
- * CANCELLATION of the Contract
- * RECOVERY of excess cost in getting the work done by other means after cancelling the contract
- * FORFEITURE of security
- * FORFEITURE of retention money
- * BLACKLISTING the contractor as a defaulting contractor

LIQUIDATED DAMAGES (L.DD)

- L.DD is a PAYMENT by contractor
- for damages that could result
- for non-performance BEFORE DATE OF COMPLETION
- + L.DD is not a penalty
- + Recovery of L.DD
 - * will not result in cancellation of the contract
 - * will not relieve from the obligation to complete the contract
 - * will not relieve from the liabilities under the contract
- + L.DD can be waived by the Secretary to the Ministry concerned
- + Date of completion can be extended
 - * under reasonable circumstances, and
 - * if the contractor applies for it in time
- + Once L.DD is recovered
- it should not be refunded, and/or
- covering extension of the date of completion should not be given without prior approval of the Secretary to the Ministry.

DELAYS in Tender Procedure - to be avoided (Treasury Circular No.FIN.302/1991 regarding expediting Tender Procedure)

- EXPEDITE**
- * EVALUATION of tenders
 - * decision & award by tender board
 - * INFORMING acceptance to tenderer
 - * SIGNING contract
 - * EXECUTING the contract

The delays result in -

- + lapse of validity period, causing lapse of the offer
- + changes in - market condition
 - ground condition
 - economic conditions
 - political conditions, etc.,

Which could affect progress, contract cost, and other factors which existed at time of offer.

- + uncertainty and inability to keep to target time, cost, etc.,

TERMINATION OF CONTRACT

A contract automatically remains terminated when the contracted job is satisfactorily completed and handed over, final payment made and the security refunded.

- Mutual termination is by both parties to the contract agreeing to mutually terminate.
- cancellation of contract for any reason as mentioned in the contract agreement, e.g., contractor failing to discharge his obligations to the satisfaction of the employer, misconduct, etc. Cancellation leads to
 - surcharge of excess cost
 - forfeiture of dues
 - blacklisting the contractor

DEFAULTING CONTRACTOR - is a contractor who was awarded a contract, but -

- * who had declined or failed to enter into contract, or
- * who had failed to carry out his contract satisfactorily, or
- * who is guilty of improper conduct, and
- * who has not satisfactorily explained as to why his name should not be placed in the list of defaulted contractors.

THE EFFECT OF BLACKLISTING

- * He will not be given any contract under Government
- * He will not be issued with any Tender Form
- * Blacklisting does not imply any moral delinquency attached to him (F.R. 705 as amended-by -Treasury Circular No. 835)

Procedure for defaulting - See Treasury Circular No. 835

APPEALS

- A contractor can appeal to the Secretary (F.R. 704)
- Against any order made under the contract
- To waive recovery of liquidated damages
- To waive any condition in the contract- For arbitration
- For extra contractual payments

EXTRA-CONTRACTUAL WORK/PAYMENTS -

An extra-contractual work can be -

- an item of unforeseen work not provided for, but has to be done to perform the contract.
- an excess on the quantity of work done

Variations can occur due to -

- variation in agreed rates
- variation in the agreed quantity

Variations in agreed rates can be claimed by the contractor due to -

- | | |
|----------------------|-----------------------|
| * additions | * character |
| * substitution | * kind |
| * alterations | * position |
| * changes in quality | * dimension |
| * form | * level or line, etc. |

For example a contractor may claim an enhanced rate due to change in character of foundation from earth to gravel. A payment for this for extra-contractual payment.

Variation in quantity is obligatory of execution by the contractor, and is extra-contractual.

In case of doubt as to what is extra-contractual work should not be made without the prior approval of the Secretary to the Ministry.

In view of this, the quantities, etc, involved should be correctly prepared as far as possible and provided for in the contract, in order to avoid appeals to the Secretary and the consequent delay in paying the contractor for the work done at the request of the employee or of his agent.

AUTHORISED DEVIATIONS

- i. Minor works to approved Societies located in area (F.R. 783)
- ii. Urgent works upto Rs.50,000 to selected contractors at agreed departmental rates (F.R. 797 (4))
- iii. Reject lowest tender which is not from an approved Society, and accept higher tender of an approved Society if its amount is within 10% upto Rs. 150,000 or 5% above Rs. 150,000 and the Society is capable and financially sound to do it (F.R. 783 and Treasury Circular Nos. FIN 252/87, FIN 253/87, FIN 253/87 and FIN 255/87).
- iv. Negotiated contracts to approved Society upto Rs. 750,000/- (Treasury Circular No. FIN 252/1987 & 307/1992).
- v. Repairs to vehicles, etc., by any firm as authorised by a Civil List Officer (F.R. 785 & Treasury Circular No. FIN 260/1988)
- vi. Direct purchase of articles of small value (F.R.796)
- vii. Urgent works and purchases - to be authorised by
Head of "A" Class Department upto Rs. 50,000
Head of "B" Class Department upto Rs. 25,000
D.T.B. upto Rs. 500,000 with Head of Department's personal approval
M.T.B. above Rs. 500,000 with Secretary's personal approval
(F.R. 799 & Treasury Circular No. 840)
- viii. Preference upto 10% for locally manufactured articles over the lowest rate for imported article (F.R. 697 (3)).
- ix. Preference upto 10% for local tenderers over Foreign Offers provided the local tenderer is competent (Treasury Circular No. FIN 264/89)

All deviations should be recorded in writing and reported to Auditor General.

ARBITRATION ON CONTRACTUAL DISPUTES

The CENTRAL AUTHORITY appointed by Government will resolve disputes between Govt, Institutions and the contractors/Consultants. It functions as an Administrative Arbitrator.

- + When all avenues for settlement of the dispute/differences by mutual agreement fails, the affected party can appeal to the Secretary to the Ministry, for a decision.
- + If a party desires to appeal against any decision of the Secretary, a written appeal can be sent.
 - through the Secretary concerned
 - to the Director of Finance, General Treasury,
 - to be referred to the Central Authority.
- + At the inquiry the parties can be represented in person, or through their representatives, who are not Attorneys-at-Law.
- + A determination by the Central Authority, with prior agreement of the parties, shall be final and conclusive and will be binding on the parties.

The members of the Central Authority are

- The D.S.T. or his representative (convenor),
- The Attorney General or his representative,
- The nominee of the Secretary to the Ministry concerned,
- A professional who has the expertise on the matter in dispute
(Treasury Circular No. 308/1992)

GRADING AND REGISTRATION OF CONSTRUCTION CONTRACTORS

The objective of a Govt. Department is to perform a service.
The Department depends on the performance of the contractors.
Poor performance by contractors cause negative results, disturb department's programme, cause under expenditure, etc.,

Some contractors undertake work beyond their capabilities

- Resulting in their inability to perform
- upto the required targets of time, quality and cost

So the NEED to ENSURE - before awarding the work - that a Contractor is capable of doing it.

One way of doing this is the GRADING and REGISTRATION.

- * The Institute of Construction Training and Development (ICTAD) has laid down systems of grading and registering them, and for continued monitoring their performance, and periodical reviewing of the grading.

Private contractors who are registered in terms of these are only entitled to undertake construction contract work in Govt. Departments.

(Treasury Circular No.FIN 286/1990 and ICTAD Publications)

TENDERABLE LIMIT

Limit upto which a Contractor can Tender

The amount of Registration is the limit.

If a contractor has on going works, the limit will be the Registered amount LESS the value of uncompleted work in hand.

The Tenderable Limit of a contractor must be decided at the time of issuing a tender form to him.

GENERAL

Contract is an INSTRUMENT to get work done, service performed and supply received. SUCCESS depends on the employer's instructions and supervision, as well as on the CO-OPERATION of the employer, his agent and the contractor.

A WILLINGNESS to Co-operate, and a sympathetic UNDERSTANDING of the problems of the other participants, will always be vital for achieving the best efficient result.

ROLE of Accountants in contracts management

- * Member of TENDER BOARD
- * Member of EVALUATION COMMITTEE
- * Receiving and OPENING tenders of behalf of tender Board
- PURCHASE and SALES - authorising within delegated limits
 - calling for tenders/quotations
 - scheduling and recommending rates
 - approving rates within delegated limits
- * CERTIFYING contract payment vouchers
- * INTERNAL CONTROL and AUDITING functions
- * ADVISING DIRECTORATE, including procedural aspects

S.Kavuriel, Retired Sri.DD(Finance),
Irrigation Department Colombo.

CONTRACTS MANAGEMENT - SOME QUESTIONS FOR DISCUSSION

1. An urgent work has to be done on contract. It has to be commenced very early. Sufficient time is not available for following normal tender procedure and other formalities. You have been approached for advice or comment. Discuss the problems involved.
2. A repair to a specialised (scientific) type machine, including supplying a large wheel and fixing to the machine at site. The Engineer selected three reputed firms and obtained quotations, one (the lowest) from the firm which originally installed the machine, the other from a State Corporation and the third from a well known firm. The Engineer recommended the lowest bid for Rs.85,000 for acceptance, and sought approval of the Departmental Tender Board. What will you as a member of this tender board decide and advice.
3. There was a tender for purchase of Trailer Tractors. The specifications indicated that supply of three Copies of spares manual should be included in the tender. The lowest tender did not include this, and the Evaluation Committee rejected this in their report because of this omission (only) and recommended the acceptance of a higher tender which is more by Rs.28,000 per unit. What will you as a member of the Tender Board decide? Give your reasons.
4. There was a tender for the supply of a few specialised items. Samples will have to be submitted along with the tender. The tender closed at 2.00 p.m. Mr. A submitted his tender at 1.30 p.m. The tender of Mr. B was received at 3.30 p.m., after the opening of the tender of Mr.A. Except for one item, the tender of Mr. A for all other items were lower and acceptable. But for this one item, the tender of Mr. A was higher and the sample produced was not acceptable. But the Tender of Mr. B was lower and the sample was the best acceptable one. Mr.B.explained that the delay in submitting the tender was due to the delay in receiving the sample from abroad, and was beyond his control. The Evaluation Committee recommended acceptance of the tender of Mr.B. What will you as a Member of the Tender Board decide? Give your reasons.
5. If for any reason the lowest acceptable tender cannot be accepted, what will a tender board do? How will the final decision be taken?
6. State briefly the proceedings at the time of opening of tenders received and placed in the tender box.
7. Compare Tender Deposits and Security Deposits in Contracts. Who are exempted from these?
8. It is a requirement that stamps for appropriate value have to be affixed to contract agreements and cancelled. A proposal is made to exempt an Approved Society from affixing the Stamps. What is your advice & Why?
9. Various Bonds/Guarantees are mentioned in contracts. What are these and for what purposes are these obtained? When do each of these lapse returned? What precautions should be taken to safeguard the interests of Employer Department?
10. What preferences and exemptions are available to Approved Societies?

INTENSIVE TRAINING PROGRAMME FOR GOVERNMENT ACCOUNTANTS

CONTRACTS MANAGEMENT - CASE STUDIES

1. It was decided to -
 - i. purchase an equipment, or
 - ii. construct a building, on contract.What preliminaries should be done?
2. i. Compare tender deposits and security deposits for contract.
ii. Is it necessary for all who do contracts with Government to furnish these deposits?
3. An urgent work has to be done on contract. It has to be completed very early. Sufficient time is not available for following normal tender procedure and other formalities. You have been approached to advice or comment. Discuss the procedures involved.
4. If for any reason the lowest acceptable tender cannot be accepted, what will a Tender Board do? How will the final decision be taken?
5. What assistance is provided by a Government Department to contractors in carrying out its work?
6. There was a tender for the sale of some popular brand of vehicles and machinery in a Govt. Dept. More than a hundred tenderers were present to witness the opening. In view of the large crowd present and the volume of work involved, the officer who opened the tender could not follow the procedure fully, and there was a complaint of irregularity against the officer. If you were asked to open the tenders, what procedure will you follow in performing the work properly?
7. Normally a Tender Board consists of an Accountant as a Member of the Tender Board, and he is expected to know the procedures involved. What powers do a Tender Board have in deciding on tenders received?
8. A repair to a special type machinery has to be done. The Engineer in charge obtained quotations from three reputed firms. The lowest was from the firm which originally installed the machine, the second lowest from a State Corporation and the third from a well known firm. The Engineer recommended the lowest bid for Rs. 65,000/- for acceptance, and sought approval of the Departmental Tender Board. What will you as a member of this Tender Board decide and advice?
9. In a tender for purchase of trailer tractor, the specifications indicated that supply of three copies of spares manual should be included in the tender. The lowest tender did not include this, and the Evaluation Committee rejected this in their report because of this omission (only) and recommended the acceptance of a higher tender which is more by Rs. 25,000/- per unit. What will you as a member of the tender board decide? Give your reasons?
10. One of the conditions for a tender for the supply of some specialised items stipulated the submission of samples along with the tender. The tender of Mr. A was received before closing time. The tender of Mr. B was received after the closing time and after opening of the tender of Mr. A. Except for item No.2, Mr A's tender for all other items were lower and acceptable, but for item No. 2, the tender of Mr. A was higher and his sample was not acceptable. But the tender of Mr. B was lower and his sample was the best acceptable one. Mr. B explained that the delay in submitting the tender was due to the delay in receiving the samples from abroad and was beyond his control. The evaluation committee recommended the acceptance of the tender of Mr.B. for the Item No. What will you as a member of the Tender Board decide? Give your reasons.
11. What are Approved Societies for purpose of Contracts work in Govt?
12. What preferences and exemptions are provided to Approved Societies?
13. Various Bonds/Guarantees are mentioned in contracts -
 - i. What are these, and for what purposes are these obtained?
 - ii. When do each of these lapse/returned?
 - iii. What precautions to be taken to safeguard the interests of the employer Department?
14. What important requirements are generally contained in a contract agreement?
15. Approved Societies are entitled to various preferences and exemptions. A suggestion has been made to similarly exempt them from affixing Revenue stamps on to their contract agreements. What is your advice and why?
16. Discuss the obligations of an employer in a Building contract?
17. A contract once entered into -
 - should not be assigned or sub-let to another person,
 - should not vary any condition thereinexcept as provided for in the contract.
However due to some unavoidable or acceptable reason, one of the above has to be done.
18. If a contractor fails to complete his contracted work, service or supply before the date of completion, liquidated damage is payable by him for every day of part of a day of the delayed period. But if the delay is not due to his fault or lapse, what remedy is available to him?
19. What is extra contractual work? What should be done to get extra contractual work done and to pay for it without delay?
20. What are the possible adverse effects caused by delays in following tenders & contracts procedures for a work or supply. How can we prevent such adverse effects.

S.Kavuriel Retired Senior Deputy Director (Finance) Irrigation Department Colombo.

PURCHASE OF 25 CONTAINER FLAT WAGONS

1. A decision was made to purchase 25 bogey wagons for the Railway. The Director, External Resources had informed the GMR that funds have been reserved under Debt Relief Grant and the following currencies were eligible under the Grant:
Japanese Yen
Sterling Pound and
US Dollar

And that these funds cannot be utilised for purchase from Romania. Romania and India have been regular suppliers for the Railway. The Director on a later date in March 1987 informed the GMR that a sum of Indian Rs. 9 million was available under the Indo - Sri Lanka Credit Agreement.

2. Worldwide tenders were called for in June 1986 for the purchase of 25 container flat wagons. Of the 26 tenders received the following three lowest tenders were taken up for consideration :

COUNTRY	FOB	C&F
Egypt US \$	683,125	758,125
Romania US \$	893,650	920,650
India Ind.Rs.	13,250,000	14,575,000

The Ministry Tender Board selected the lowest tenderer from Egypt who had quoted US & 758,125 (SL Rs.21,451,145). This was referred to a Technical Committee which had recommended the purchase.

The following information is given

- a) Agreement signed in September 1987 with target date of supply as June 1989
 - b) Wagons delivered in January 1989
 - c) Letter of credit opened in August 1987 for Rs.21,451,145
 - d) Manufacture of wagons commenced in June 1988
 - e) The Inspecting firm had received the plans and specifications in August 1988.
 - f) The 25 wagons delivered could not be put to use as the manufacture had not conformed to the stipulated specifications.
 - g) An expenditure of Rs.805,238 had been incurred by the Chief Mechanical Engineer to attend to the defects.
The wagons could still not be put on the track.
 - h) A sum of US \$ 6500 was awaiting payment to the Inspecting firm.
 - i) 10 per cent of retention money and 5 per cent bank guarantee totalling Rs.1,522,655 was awaiting release.
 - j) 5 officers including a Deputy Superintendent of Stores had been sent to Egypt for Training in wagon maintenance. A sum of Rs.129,780 had been paid as incidental expenses.
3. You are required to :
 - i) Furnish your observations on the above tender
 - ii) Briefly outline the salient steps you would normally consider in the award of a tender of this nature and the follow up action.
 - iii) Suggest remedial measures

SYSTEMS CONCEPT

WHAT IS A SYSTEM?

A system is essentially a group of things that are interrelated to accomplish some purpose. The fact that businesses, in particular, have become so complex has required us to operate them as systems, not just by segments such as selling, accounting, manufacturing etc.

WHAT IS INFORMATION?

Since business systems are based on information flow, information must be defined at this point. If we consider reports that are stored in files, or technical symbols and reports that are meaningless to the reader, or reports whose contents have not been organised in a meaningful way, we are dealing with data. Information is differentiated from data because it is tables, text symbols, or inputs that are meaningful, is being used by a person, and is affecting the behaviour of the user.

MANAGERS

The managers of today are working with the same basic resources as the managers of earlier times - men, money, materials, machines.

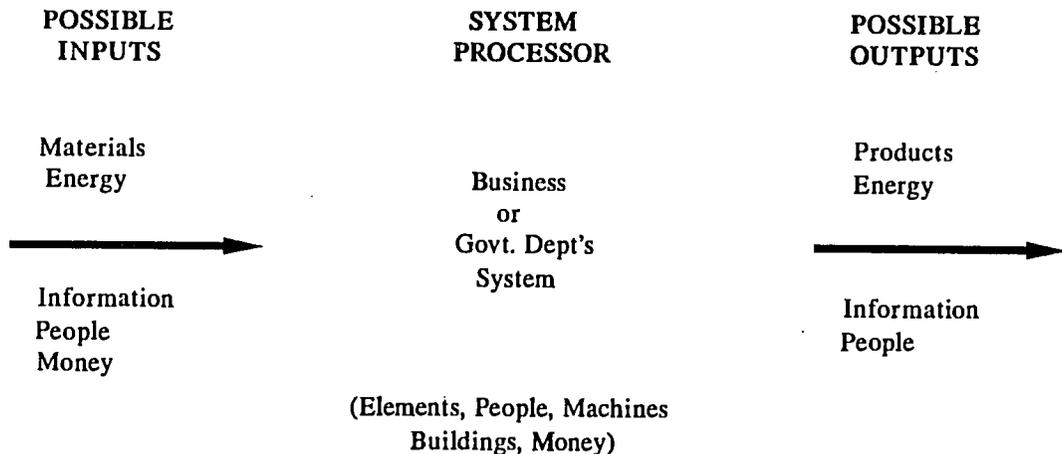
But physical systems such as factory production system distribution system, data processing system, agricultural system are changing.

The really great change is the way we are looking at all organisations and physical operations, that is in development of system concepts. That is all aspects of the total business including people ,their activities physical parts of the Business (or Govt. Dept.) one system.

A FURTHER EXPLANATION OF SYSTEM

Very simply, a system is a set of elements, such as people and things, that are related to achieve mutual goals. Systems that we deal with have inputs from the environment and send outputs into the environment. The system itself is a processor that changes inputs into outputs.

The system as a processor.



STEPS IN SYSTEM BUILDING

Major phases in building systems

Preliminary survey
Design
Installation and
Follow up

The preliminary Survey lays the foundation for design and follow up Survey for a complete accounting system:-

A check list of information needed would be

- i. History/Company/Organisation: age, position in industry, rate of growth, top management
- ii. Products: Classification, by Product lines or activities in case of Govt. Depts.
- iii. Chart of Accounts: General framework of the accounting system.
- iv. Policies - Organisation's top management policies; civilian policies.
- v. Organisation - How it is supposed to function.
- vi. Plan of production processes - General layout and arrangements or work centres, plants.
- vii. Existing accounting and office procedures-Elements of the accounting system

General accounting	- included here are general accounting records
Manufacturing accounting	- deals with cost accounting records, plant ledgers etc.
Planning and control	- Budgetary control records, performance reporting.
Office Services	- RECEPTION, COMMUNICATION SUPPLIES ETC.

GENERAL FRAMEWORK

CHART OF ACCOUNTS

Design of chart of accounts should come early in systems building. This is a tool in the hands of those who work the system and should achieve

Adequacy
Accuracy
Clarity
Other considerations

Systems man proceeds from statements and reports wanted by management to account classification. He will relate accounts to the activities they represent.

GENERAL LEDGERS

These should be in summary form supporting details to be carried in subsidiary ledgers. to

- (a) facilitate book-keeping
- (b) Allow difference for subsidiary ledgers
- (c) to facilitate use of Special ledger forms.

ARRANGEMENT OF ACCOUNTS

In the general ledger, accounts are usually grouped to correspond to the statements to be prepared

Balance Sheet accounts
Surplus statement accounts
account for income statements

Within each group the sequence of accounts should correspond to individual items appearing in statements affected.

CODING

Some plan of coding should be prepared, that will enable quick and easy reference to accounts.

ELEMENTS OF LEDGER DESIGN

Upon completing the chart of accounts one should proceed with the design of ledger account forms.

PROBLEM OF LEDGER DESIGN

A vast amount of clerical work is required in connection with many ledgers, but they should be adopted to purposes which they are to serve.

Following questions need to be answered.

- What information should the Account contain?
- Where will the information be used?
- What are the sources of information?

MERGING LEDGER WITH THE PROCEDURAL RECORD

Before designing ledger forms, one must consider the extent to which the ledger record can be record merged with the procedure by which the information is collected e.g.

- i. File an extra copy of sales invoice with the account receivable.
- ii. Machine tapes of daily additions to and withdrawals keep sufficient the billing procedure.

CHART OF ACCOUNTS - FOR GOVT. DEPARTMENTS

1. In Government Depts. and Prov.Councils (and also local authorities) the main ledger accounts in the Treasury provides the chart of accounts.
 - c.g. Revenue Account
 - Expenditure Account
 - Authorised Advances Account
 - Refund Account
 - Surcharge Account
 - Chief Accountant, C.G.R.
 - General Stores Advance Account
 - Advance to Public Officers Account etc.
2. Heads, sub-heads, and items of Revenue would form the subsidiary accounts. On the Expenditure side the Programme Budget Classification gives the subsidiary accunts.
3. All classifications should correspond to this design.
4. However there is no barrier to prevent Departments maintaining control accounts for
 - (i) Sub-allocations given
 - (ii) Disbursements given to sub-department for expenditure.
 - (iii) Loans given to officers under Advances to Public Officers A/C.

DESIGN OF ACCOUNTING PROCEDURE

BASIC PROCEDURES

Govt. Departments and other businesses use certain basic procedures in the conduct of their operations. These should first be identified and definitively laid down. The procedures fall into different groups

- Sales and collection-- in case of trading organisation
- Receipts and Banking
- Purchasing and payment
- Time-keeping and Payroll
- Classifying, Summarising and closing of accounts.

Prepared by A.N.Fernando

438

COMMUNICATION PROCESS

WHAT IS COMMUNICATION

According to the dictionary, communication has been defined as "Interchange of thoughts and opinions by means of words, letters, or messages". However communication as conceived today goes much further and considers many nonverbal methods of oral and written interchanges of ideas.

A definition

Communication is the process of exchanging ideas and thoughts for the purpose of creating understanding in the thinking of the recipient.

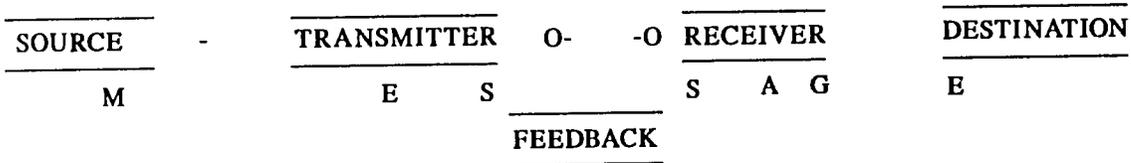
THE BASIC PROCESS

The process of communication begins with an idea or impulse in the mind of the sender. It is then encoded or converted into a signal which becomes the message. The transmission can take different forms, e.g. spoken, written, pictorial, bodily movements etc. The receiver receives and interprets (i.e. decodes) usually there is a response or reaction from the receiver. If the sender becomes aware of this response or reaction from the receiver, a further component, "a feed-back" is added. This completes one round of the communication cycle. More often than not, several rounds are completed before the message gets through.

There are five major elements in the communication process viz:

- Source
- Transmitter
- Receiver
- Destination (Response or Reaction)
- Feed - back

BARRIERS



A THREE DIMENSIONAL FIELD

Communication operates in a three dimensional field viz: upwards, downwards and sideways

SILENT COMMUNICATION

When the process of communication is carried on merely through gesture or action it is silent communication. Though silent such a message can be more effective than a noisy telling - off

FORMAL AND INFORMAL COMMUNICATION

Formal communication is identified with the formal structure. Formal communication takes place between occupants of positions in the formal organization structure. The same employees when they meet in the canteen, restaurant, discuss petty grievances against the management. This type of organization is referred to as informal organization and their communications are informal.

OPERATION - FILTER - EFFECT

Visualize and attempt on the part of the chief executive to communicate a policy, a decision, an order etc, down to the operative a line. Immediately the man-boss relationship began to filter, edit, censor and distort the original content and when the message reaches the employees they see it as were propaganda an unfair request, or a threat to their status.

The same filtering effect takes place in upward communication too. An attempt of the employees to communicate a suggestion, express a feeling or attitude, or to voice a fear of loss of status comes through to the top as a petty grievance, an unfair demand etc.

BARRIERS AND COMPLEXITIES

Some of the major barriers and complexities that may be found to exist between the transmitter (sender) and the Receiver (Recipient) are as follows;

- sociological complexity
- psychological complexity
- attributing more meaning than intended
- self - image
- diversity of interpretations
- our needs and expectations colour what we see or what we hear
- status
- impersonal hostility
- resorting to Parliamentary methods
- ignoring information that conflicts
- evaluating source
- 'halo' effect
- different perceptions
- effects of emotion

TOWARDS IMPROVED COMMUNICATION

In the final analysis what counts is what the people accept. This underscores the need to motivate the receiver. His needs and interests must be considered. At the same time we must be mindful of our own purposes and goals.

There are two directions :

- (1) Develop an atmosphere of Mutual Confidence and trust
i.e - - remove fear of retaliation, reproach, Condemnation or Criticism
 - be sensitive to our own feelings
 - recognize the other person's feelings
 - learn to listen from the other person's point of view
 - never assume that another person uses words as you do
 - never contradict without seeing what the other person is talking about.

- (2) Correct distortions through feed-back

OVERCOMING BARRIERS

- (i) utilizing feed - back
- (ii) using many communication channels
- (iii) using face-to-face communication as far possible
- (iv) being sensitive to the world of the receiver
- (v) awareness of Symbolic meanings.
- (vi) timing messages carefully.
- (vii) using direct simple language.

PARTICULAR DIFFICULTIES IN A WORK SITUATION

There may be particular difficulties in a work situation such as the following :

- a general tendency to distrust a message in its retelling from one person to another
- a subsequent mistrusting his superior and looking for hidden meaning'
- relative status (sender/receiver)
- people from different job or background having difficulty in talking on the same wave length
- different depts having different priorities or perspectives
- furnishing incorrect/incomplete information
- managers who are prepared to make decisions on a "lunch"
- lack of opportunity for a subordinate to say what he thinks or feels
- conflict in the organization

Managers will find the following useful to tide over difficult communication situations in the work place :

- (a) express themselves effectively and simply
- (b) Obtain the co-operation of subordinates.

(This will avoid suspicion or resentment and also make them free to say what they feel)

A FINAL WORD

The best way to improve one's ability to Communicate is to learn to speak and write to people as you yourself would like to be spoken and written to, in terms that are considerate, in terms that acknowledge the intelligence and thinking capacity of those who receive your message.

EFFECTIVE COMMUNICATION

INFORMATION THEORY

Information can be defined most generally as the selection of order out of chaos. According to information theory communication is most effective when messages are:

- (i) Coded clearly and unambiguously
- (ii) Transmitted without the addition of noise distorting the message.
- (iii) received without the loss of any part because of channel overload.
- (iv) Decoded accurately so that the original information is perfectly duplicated.

Human communications would merely consist of choosing the right words, saying them the right way, and then making sure the receiver understood the meaning of the words. Meaning can vary from person to person.

GENERAL SEMANTICS

It is important to realize that

- (i) words are not the things they represent.
- (ii) things labelled alike are not necessarily alike.
- (iii) words cannot tell all about a person or event.
- (iv) meaning is in people and situations, not in words.

Some of the ways to apply these principles would be to:

- distinguish clearly between statements of observation and statements of inference
- realize that we necessarily abstract, we cannot know all or say all about anything.
- recognize that we live in a world of process, of change, and that our "maps" are out-of-date.
- react to unique people, things and events not to their categories or labels.
- talk and write in terms of degree of probability not either or categories.
- look beyond words to the objects or relationships.

By communication we mean the sum of all things one person does when he want to create understanding in the mind of another. It is the capacity of an individual or group to convey ideas and feelings to another individual or group and where necessary to evoke a discriminating influence. Communication is, therefore, not an end in itself.

Communication is an integral part of the functions of any organization. Leadership is exerted and co-ordination achieved through communication.

It is central to all operations and covers all our activities that influence others. We cannot think of a more important tool for getting things done. Communication is also the basis for creating understanding, obtaining co-operation and securing action.

Communication is only an "atmosphere" and not something we can put our finger on. Devoid of the right atmosphere misunderstanding flourished causing inefficiency, friction and failure. In the final analysis what counts is not what people are told but what they accept.

It would therefore, be seen that communication is the basis of our relationships with others. We experience an information; establish, acknowledge and maintain links between us through communication. This may be done by a nod, a letter, a telephone call, a visit, a signal or even being silent. We make our requirements known to others through communication (e.g.a baby's cry of hunger and discomfort) Communication is also used to satisfy requirements (e.g. Superior giving orders to a Subordinate). The tone used may help or hinder our achievement of the desired result. By suggesting, persuading or requesting we can move a person to do something with commitment whereas a command or order might demotivate him. The reason for doing it and an encouragement to do it will make him understand and motivate him to do it.

Communication implies both transmission and reception of a message. It involves more than the intellect. Feelings and attitudes are also important. Not only physical expressions but also voice inflections may tell the listener more than the words reveal. Even silence as well as the individuals behaviour (actions) can communicate.

Thus communication is employed to influence individuals and groups personally and impersonally directly or indirectly, internally or externally. By "influence" we mean to motivate, persuade or control behaviour in a predetermined direction(e.g.advertising).

PSYCHOLOGICAL BACKGROUND

The attitudes of the men and women who on the one side impart data and on the other receive it are framed of reference inside which communication takes place. Alongside information which we set out to convey there are unlooked for and even unwelcome by-products. Psychological forces like rivers never sleep. Spoken and written language can trigger off reactions, as shattering as powerful electric current.

ATTENTION AND PERCEPTION

This selective activity of the brain is known as "attention" or "attending". Its objective is a clear understanding of the sense data on which it is focused. It leads to the second stage in observation viz. "appropriation" which is the clear perception or recognition by signs and cues of the matter on which the human being is concentrating. This is the process by which we acquire knowledge.

In communication, it is, therefore, important to win the attention of the recipient hold it, fix an impression and evoke a response.

CONCISENESS AND A HEALTHY "RAPPORT"

In business communication there is a need to be concise and to the point. Otherwise it will result in waste of time and money. Courtesy and willingness to establish a healthy rapport as well as trust, co-operation and respect will create a good impression of the organization among its customers, clients and suppliers.

NATURE AND CHARACTERISTICS OF COMMUNICATION

The following considerations will help us to determine the nature and characteristics of communication.

- (a) Meanings are not in words but in the emotions and experiences people attach to them.
- (b) What you say is not what you mean (there is a gap between what you want to say and what you say).
- (c) What you hear is not what I say and certainly not what I mean.
- (d) Meaning of what I say belongs to the semantic environment.
- (e) We see things which do not exist.
- (f) We all see with our cultural map - filter out information.
- (g) We perceive differently (it is not easy to see what others see)

OBJECTIVES SUMMARIZED

In summary for... the objectives of communication are:

- (i) To make sure the receiver understands the communication as the sender intended.
- (ii) to elicit a response
- (iii) To build interpersonal relations.

Very often none of these objectives are achieved. It may be due to the following.

- (a) receiver not being tuned for reception
- (b) transmitter not being tuned for sending
- (c) not selecting the best wave length.

EFFECTIVE COMMUNICATION IN A BUSINESS SETTING

The following suggestions will go a long way to improve communication in a business setting

- (i) use precise and understandable words.
- (ii) make sure your words can be heard/read easily
- (iii) Limit what you have to say or write.
- (iv) Look for feedback that shows comprehension
- (v) Be honest and sincere
- (vi) Remember the barriers and overcome them
- (vii) Choose the correct channel
- (viii) Be consistent and correct
- (ix) Think before you communicate
- (x) Be courteous
- (xi) Know the subject, reason and recipient
- (xii) Use visual aids where necessary
- (xiii) Listen well

INSTITUTE OF PUBLIC FINANCE AND DEVELOPMENT ACCOUNTANCY

INTRODUCTION TO WORKSTUDY

During the past few decades the role of Workstudy as a Management Service has been extensively appreciated. Workstudy techniques were originally applied in industrial situations in order to improve the productivity of these organizations. However in the recent-past these techniques were applied in office situations and thereby office systems and procedures and services provided, have been improved.

WHAT IS WORKSTUDY?

Workstudy has received many different definitions and descriptions. The description generally accepted by the practitioners is as follows:

Workstudy is a generic term for those techniques particularly **METHOD STUDY** and **WORK MEASUREMENT** which are used in the examination of human work in all its contents and which lead systematically to the investigation of all factors which affect the efficiency and economy of the situation being reviewed, in order to effect improvement.

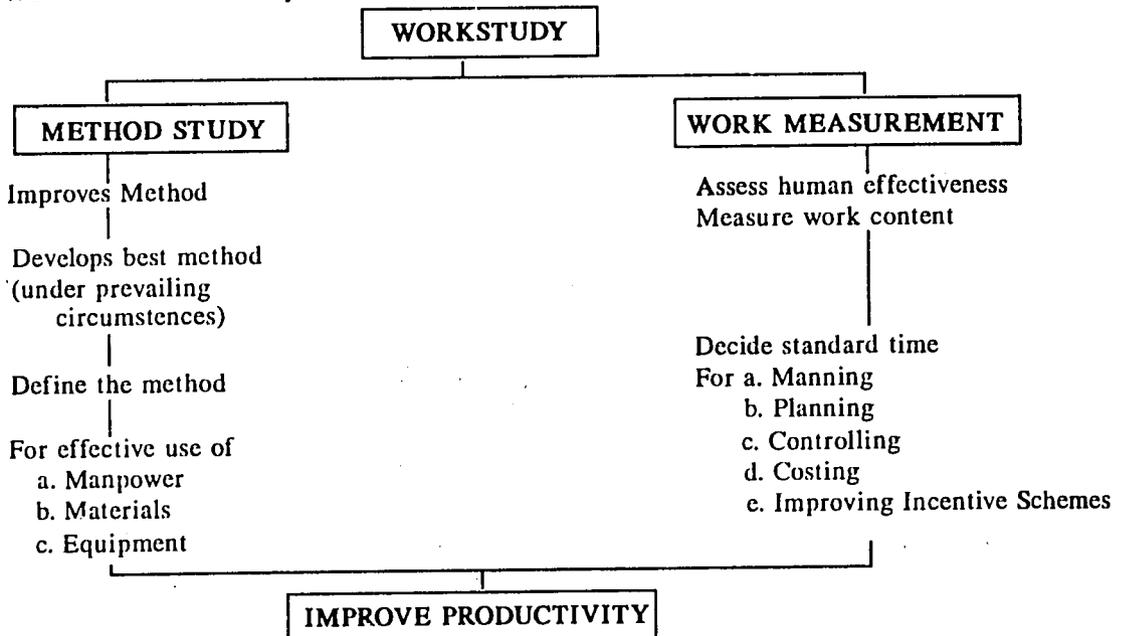
Workstudy is thus concerned with improving productivity. It is most frequently used to increase the amount of production without correspondingly increasing the inputs. It is a scientific method of examining any form of activity. As human work can be influenced by a larger number of economic, sociological or other factors, the workstudy approach to problem solving is multi-disciplinary. While work measurement and method study are considered to be the basic techniques workstudy draws up on other disciplines in the mathematical, physical and social sciences for specialised support.

The thought process of any discipline follows the system of inductive logic and proceeds through the following stages:-

- (a) **ANALYSIS** which involves identification of the problems recording facts and ascertaining reasons thereof,
- (b) **EVOLUTION**, which involves conceptual modelling i.e., thinking of alternative patterns to the existing situation.
- (c) **EVALUATION**, which involves consideration of the various implications of the alternatives considered and selection of such alternatives as are considered acceptable for future use.

Workstudy follows the above outlined scientific method in examining any form of activity. To the extent that the problem can be quantified, the discipline can have the exactitude of a science. As, however, there are many variables in human activity, certain aspects have to be examined qualitatively and to this extent workstudy can be considered to be an art.

The two main areas in workstudy i.e., Method Study and Work Measurement can be depicted as follows:



INSTITUTE OF PUBLIC FINANCE & DEVELOPMENT ACCOUNTANCY

INTENSIVE TRAINING PROGRAMME FOR GOVERNMENT ACCOUNTANTS

HOW TO OVERCOME DELAYS IN EFFECTING PAYMENTS.

(1) ARE REGULATIONS OBSTACLES?

There is a general allegation that delays occur in effecting payments in Government organizations. The reason adduced is over-adherence to rules and regulations. It is true that prompt payments cannot be made as in the case of a private individual. Government Departments are massive organizations with many people handling matters. We must always remember that rules and regulations have been framed for prevention of errors, fraud and similar misdemeanours. But officers should not be allowed to take cover under these rules and regulations to delay matters. If you go through the F.M.'s authority communicated by the S/T. in the existing Financial Regulations, you will notice that regulations are not intended to be a hindrance to the smooth carrying out of the Government's financial transactions and thereby to become an obstruction to the Government's programme of work. I repeat this particular "authority" as it is one that should be well remembered by every Public Officer, specially by those involved in financial management. You can break rules if the demand arises provided you can always justify it and record reasons.

(2) BUDGET AS AN INSTRUMENT OF PLANNING AND CONTROL - TIME FRAME.

The Budget is an instrument of planning and control used by Parliament in the execution of the Government's programme of work. The monitoring of the economy on the policies adopted by the Government is achieved through the Budget. In the case of long term plans the targets to be achieved year by year are incorporated in various programmes and projects on a phased basis. In order to achieve the objectives of such planning, the executive has to complete the tasks within the allocated time frame. Completion of a project involves procurement of goods and supplies including labour. Unless these things are done in time, the objectives cannot be achieved. So you will see how important it is to effect prompt payments for supplies and services without which there cannot be smooth running of operations.

(3) THE INCIDENCE OF UNDER-EXPENDITURE.

If you analyze some of the reports of the Auditor-General year after year you will notice a high percentage of underexpenditure on amounts voted by Parliament, even after providing for variations to estimates that have been made, following virement procedure. Apart from causes such as preparation of non-realistic estimates, lack of proper forward planning and co-ordination is a major area that causes under expenditure.

(4) THE CORRECT APPROACH

Now let us see how we could avoid such a situation and contribute effectively in our functional area in achieving the targets of the Government's programme of work, First of all one must identify one's delegation of powers in regard to the four stages of financial delegation, viz. the authorization, approval, certification and payment. Having identified that, one must ensure that there is no delay in regard to one's task. The systems and procedures followed by the support staff should be studied and reviewed from time to time with a view to identifying bottle necks and taking remedial action to rectify them. As regards financial delegation directly related to one's own delegation, one should be knowledgeable of the systems and procedures connected therewith so that delays which are bound to occur in such functional areas could be spotlighted. Every endeavour should be made to avoid watertight compartmentalization and possible red tapes, keeping in mind the duty towards achieving targets in the whole organisation objective-wise.

(5) NETWORK PLANNING - CALENDAR.

Network planning in regard to procurement of supplies is very useful to avoid delays. Even in regard to payments for contracts and other services it is useful to have an advance programme or calendar of events so that a proper payments programme could be prepared to avoid delays. It is useful to call attention of persons responsible for various activities such as special certificates, inventory certificates, etc. without waiting for the final date which will help one to effect payments promptly.

(6) NEED TO EFFECT PAYMENTS IN THE SAME FINANCIAL YEAR

The general rule is that the claims arising within a financial year should as far as possible be settled within the same year. As pointed out earlier it should be possible to do this by planning one's work and by proper co-ordination and followup. We must remember that the provision in the estimates lapses at the end of the financial year.

(7) LAPSED PAYMENTS.(F.R.115)

Claims falling due in the last month of the financial year, (December) as far as possible, should be settled within the same month. Any deliberate or negligent omission will pave way for a surcharge against officers responsible. If the delay is due to unavoidable circumstances these claims could be settled debiting the relevant provision in the subsequent financial year up to 31st March without supplementary provision being obtained, unless an excess is caused. Thereafter, settlement of such claims require a certificate of a duly authorised officer who should indicate on the voucher the circumstances of the delay which are considered unavoidable.

As for payments falling due before 30th November of the last financial year a similar procedure will be followed if the authorised officer certifies that the delay was unavoidable.

However, if the payment has not been made owing to (1) lack of funds in the vote, or, (2) carelessness or neglect on the part of the officers, the matter should be reported to the accounting officer personally, fixing responsibility, together with the officer's explanation. If the explanation is not satisfactory the A.O.will decide whether to surcharge fully or in part or to authorize payment. Copies of his order will be sent to the Auditor-General.

Claims of other previous financial years, whatever the reasons for the delay are should be referred to the C.A.O.who will deal with it in the same manner, as the A.O. as explained above. As for Personal Emoluments and pensions payments falling due in the previous financial year they could be paid in the subsequent financial year without special certificates. However, if such payment relates to the year previous to the last financial year the matter should be referred to the C.A.O. as explained

The above procedure applies to monetary provision in the Annual Estimates.

It is not applicable to

1. Advance Accounts
2. Deposit Accounts and similar accounts.
3. Refunds from Revenue.

(8) REMEMBER REQUIREMENTS FOR LAPSED PAYMENTS.

1. **NO SPECIAL AUTHORITY NECESSARY** - for claims relating to December last year which could not be settled due to unavoidable circumstances. This authority is available to pay up to 31 st March of the following financial year.
2. **SPECIAL AUTHORITY OF AN AUTHORIZED OFFICER** is necessary in respect of claims falling due prior to 30th November of the last financial year if the settlement could not be made due to unavoidable circumstances.
3. **SPECIAL AUTHORITY OF A.O.PERSONALLY** - in respect of claims falling due before 30 the November last year due to lack of funds, carelessness or neglect. Full or part of the amount may be surcharged against officer responsible.
4. **Special authority of C.A.O** - in respect of all claims falling due relating to other previous financial years.

Maitri Piyasena FPFA.,SAT.,DPFM
Chief Accountant, Public Trustee Department

445

GENERAL TREASURY

ORGANISATION SET UP & FUNCTIONS & ACTIVITIES.

1. Treasury Supervision and Control

The chief function of the Treasury is to maintain control and supervision over Government finance. It is therefore the duty of the Treasury to set up a system of Financial Administration that is satisfactory in all respects specially with regard to Budgeting, collection of Revenue and Accounting, custody of Funds. Expenditure and Accounting for same and reporting to Parliament. This it does in three ways:-

- (a) By Regulation, Directives and Instructions that are generally applicable.
 - (b) By Instructing or Advising Chief Accounting Officers and Accounting Officers on any special measures necessary in particular circumstances and
 - (c) By maintaining Control Accounts and Publishing Consolidated Accounts of the State.
2. The responsibility of the Treasury shown above is not curtailed by the statutory assignment of any Financial Functions to particular officers. (E.G operation of Statutory Funds. "Sevana Fund")
3. The controlling and supervisory Functions of the Treasury include the following:-
- (a) to appoint Chief Accounting Officers and Accounting Officers and to determine their duties and responsibilities,
 - (b) to communicate and interpret all Financial Directions of the Minister of Finance to all Chief Accounting Officers and Accounting Officers.
 - (c) To satisfy itself that Revenues and other moneys due to Government including those of Commercial activities and Deposit accounts are promptly collected and brought to account by Government Departments.
 - (d) To satisfy itself that an efficient system of Accounting is maintained in all Departments and that the provisions in the Financial (Regulations) Manual are complied with by Government Departments, and
 - (e) To exercise supervision over the Consolidated Fund and other Government Funds and Accounts, as well over monies held on Deposit.

FUNCTIONS AND ACTIVITIES OF TREASURY DIVISIONS

1. GENERAL ADMINISTRATION:

The activities of this Division are:-

- (1) Administration, Establishment, Financial and other supporting services.
- (2) Investigation and Review Services in relation to all the Departments and Public Institutions under the Ministry.

2. BUDGET DIVISION:-

The main Functions of this Division is the preparation of Budget Estimates- Capital and Recurrent of the Gov of the Democratic Socialist Republic of Sri Lanka.

ACTIVITIES:

- (a) Resource allocation to Ministries and Departments for Recurrent Expenditure for preparation of draft estimates for the ensuing year.
- (b) Analysis of expenditure proposals and determination of provision for Capital and Recurrent Programmes of Ministries and Departments.
- (c) Assembly of Estimates for Capital and Recurrent Expenditure.
- (d) Supplementary Estimates for Capital and Recurrent Expenditure
- (e) Appropriation Act, Issue of General and Special Warrant etc.
- (f) Authorization of Transfer of Funds by Virement.
- (g) Determination of Cadre and Salary Scales in the Public Services

- (h) Special Law Items.
- (k) Analysis of Budget support requests by Public Enterprises.
- (l) Examination of Cabinet Memoranda pertaining to the above activities.
- (m) Releases from the Contingencies Fund.

3. ACCOUNTS AND PAYMENTS

The Main Function of this Division is the recording of the Revenue and Expenditure of the Government in Governing Budgetary Terms and discharging the Financial Reporting Function of the Minister of Finance.

ACTIVITIES

- (a) Financial business with Agents abroad.
- (b) Refunds from Revenue.
- (c) Payments of authorised expenditure and loans.
- (d) Registration of Powers of Attorney.
- (e) Imprests, Advances, deposits and payments.
- (f) Bring to account transactions of all Departments.
- (g) Preparation and Publication of Accounts of Government
- (h) Consolidated Appropriation Accounts.
- (i) Official Bank Accounts
- (j) Remittances to and from Kachcheries.
- (k) Custody of Duplicate Safe keys.
- (l) Cash and Bank Balances.
- (m) Betting Taxes.
- (n) Appointment of Boards of Survey for cash.
- (o) Savings Certificate Fund.
- (p) Accounting of Foreign Aid.
- (q) Approval for authorised deductions.
- (r) Payment of U.K.Army Pensions
- (s) Advances for losses of Government cash.
- (t) Statutory functions under Public Service Gurantee and Benevolent Association.
- (u) Accounts of Government Departments.
- (v) Cash Management.
- (w) Investments.

4. FINANCE

The main function of this Division is to develop Financial and Accounting systems consistant with development needs ensuring application of these systems and reviewing procedures, all of them with the intension of ensuring better accountability to Parliament.

ACTIVITIES

- (1) Accounts of Public Corporations and Boards.
- (2) Rendering of Accounts to Audit.

- (3) Recommendations of Public Accounts Committee.
- (4) Liquidation.
- (5) P.A.C.Paragraphs and preparation of Treasury Minutes.
- (6) Transfer of Assets.
- (7) Financial Rules of Corporations and Boards.
- (9) Settlement of dues to Corporations.
- (10) Exemption from the Finance Act.
- (11) Accounting Systems and Financial Procedures.
- (12) Delegation of Financial Responsibility.
- (13) Rents.
- (14) Tender Procedures and deviations.
- (15) Contracts and extra contractual payments.
- (16) Local & Foreign Purchase of stores.
- (17) Insurance of Government contracts.
- (18) Waivers and write-offs.
- (19) Surcharges.
- (20) Authority for lapsed payments.
- (21) Internal Audit.
- (22) Audit queries and covering approval.
- (23) Gifts and statutory fees.
- (24) Compensation for damaged property.
- (25) Sale of Government property.
- (26) Irregularities and frauds.
- (27) Security of Public Officers.
- (28) Government Insurance Fund.

(5) ECONOMIC AFFAIRS.

Main Functions and Activities of this Division are:

- (1) To formulate and supervise the execution of Government Policies in general.
- (2) To co-ordinate with the Central Bank on monetary, Banking, financial and exchange control policies.
- (3) To keep under continuous studies local and International Economic trends and their impact on national socio-economic objectives.
- (4) To develop relationships with regional economic and financial institutions.
- (5) To deal with matters relating to International Trade and Payments and the International Monetary System.

6. FISCAL POLICY AND REVENUE

Main Functions of this division is to formulate and review Fiscal Policy.

ACTIVITIES are:

1. REVENUE AND FISCAL MATTERS

- (a) Preparation of Revenue Estimates.
- (b) Review of all Revenue Sources and Policy matters pertaining to this.
- (c) Advisory measures on Taxation including Double Taxation.
- (d) Income Tax appeals.
- (e) Review of Tariff Policy (Imports and Exports) and Publication of Revenue Protection Orders.
- (f) Review of excise levies and Turnover Taxes.
- (g) Tax Legislation and Amendments (Inland Revenue, Customs & Excise).

2. REVIEW OF BUDGETARY POSITION

- (a) Budgetary Out-turn Analysis
- (b) Budgetary Implication of Income Transfers
- (c) Preparation of Financial Statistics for I.M.F.

3. Monitoring the Cash Flow.

4. Research Studies.

5. Rebates of Customs Duty, Turnover Taxes, Excise Duties to Exporters and Export duties in special circumstances.

6. Waiver of Customs Duties under Customs Ordinance and obtaining Parliamentary approval after publication of approvals in the Gazette.

7. Approvals for Tax Holidays and Tax reliefs.

8. Refunds of Taxes and Duties to honour Govt. Agreements.

7. EXTERNAL RESOURCES AND MANAGEMENT OF FOREIGN EXCHANGE BUDGET.

Functions and Activities of this Division are:

- (1) Negotiation and implementation of Foreign Aid and Credit Agreements including Technical Assistance, Training etc.
- (2) Formulation and management of Foreign Exchange Budget.

8. PUBLIC ENTERPRISES

The main functions and Activities are:

- (1) Examination of the Budgets and monitoring performance of
 - (a) State Corporations
 - (b) Statutory Boards
 - (c) Government Owned Business undertakings
 - (d) Advance Account Activities in Part II of the Annual Estimates.
- (2) Salary Scales, Rewards, Pricing and marketing Policy of individual Institutions referred to above.
- (3) Serving the Parliamentary Select Committee on State Corporations and C.O.P.E.

9 INVESTIGATIONS AND INTERNAL AUDIT

The Functions and Activities of this division are:

Auditing and Investigation of Accounts etc, in the Ministry of Finance and Departments under it.

10. PROCUREMENT AND ADVISORY SERVICES UNIT

The Functions and Activities of this unit is

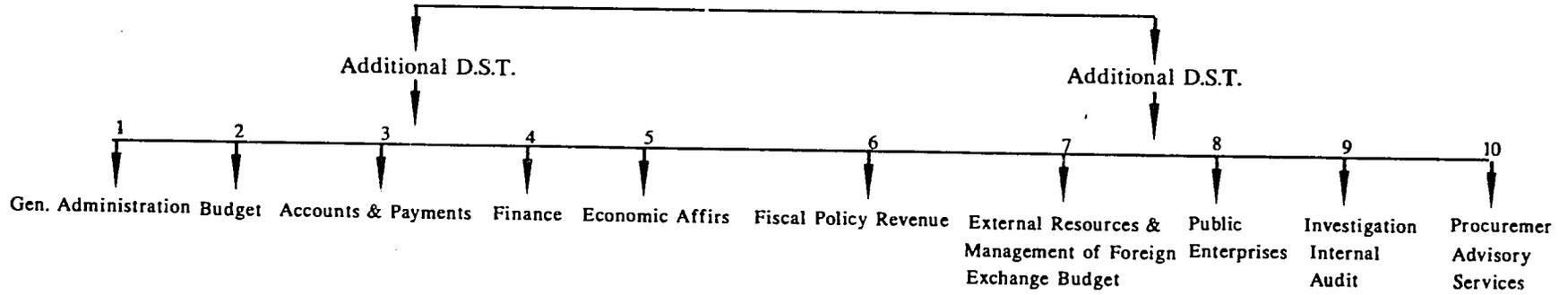
Procurement and issue of supplies and other services such as upkeep of State Residences Acquisition and disposal of Motor Vehicles etc.

ORGANISATIONAL SET UP OF GENERAL TREASURY

SECRETARY TO TREASURY



DEPUTY SECRETARY TO TREASURY



450

ලංකාණ්ඩුවේ ගිණුම.

ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ රාජ්‍ය ගිණුම හා ශ්‍රී ලංකා ආණ්ඩුවේ ගිණුම ප්‍රකාශන සම්බන්ධව මුදල් රෙගුලාසි හා 430 ඇති විධි විධාන ගැන ඔබගේ අවධානය යොමු කරවනු කැමැත්තෙහි.

ර 428: තෙමසකට වරක් ප්‍රධාන ලෙජරයේ ශේෂ පිරික්සුමක්ද පහසු කාණ්ඩ වලට බෙදා සාරාංශ කළ ගිණුම ශේෂ ශාඛායක්ද පිළියෙල කළයුතු අතර, එය භාණ්ඩාගාරයේ නියෝජ්‍ය ලේකම් විසින් අත්සන් කළ යුතුය. මෙය තුන්මස අවසානයේදී භාණ්ඩාගාර ගිණුම පොත් වල දැක්වේ. වත්කම හා බැරකම පිළිබඳ වාර්ෂික ප්‍රකාශයන් සමඟ රජයේ ගැසට් පත්‍රයේ පලකරනු ලබයි. මෙම රෙගුලාසි අනුව අවසාන වරට ගැසට් පත්‍රයේ පල කරන ලද 1990 සැප්තැම්බර් 30 දිනට පැවති බැරකම හා ශේෂද වත්කම හා හර ශේෂද ඇතුළත් පිටපතක් අමුණුම 3 ලෙස ඉදිරිපත් කර ඇත.

ර 430: භාණ්ඩාගාරය විසින් මුදල් වර්ෂය අවසානයේදී හැකි පමණ ඉක්මණින් දෙසැම්බර් 31 වනදා වන විට භාණ්ඩාගාරයන් වලින් අනාවරණය කෙරෙන වත්කම සහ බැරකම ප්‍රකාශයන් පහත සඳහන් කරුණුද සමඟ සැසි වාර්තාවක් ලෙස පල කළ යුතු ලැබේ.

- ආයෝජන ප්‍රකාශයක්.
- සඳහන ණය හෝ ණය තුරුස් ප්‍රමාණය සහ තිදත් අරමුදලේ ප්‍රමාණය.
- හා.නි.ලේ ගේ අභිමතය පරිදි අවශ්‍යයයි හැඟෙන වෙනත් ප්‍රකාශන.

අවසාන වරට සැසි වාර්තාවක් ලෙස ප්‍රසිද්ධ කරන ලද 1984 දෙසැම්බර් 31 දිනට පැවති ලැබීම හා ගෙවීම් වලට එක ලේඛ සම්බන්ධ රජයේ වත්කම හා බැරකම පිළිබඳ ප්‍රකාශයේ පිටපතක් ඇවුරුම් 02 ලෙසද එම සැසි වාර්තාවේ අඩංගු වූ ගිණුම් වල පවුන ඇමුණුම 01 ලෙසද ඉදිරිපත් කර ඇත. ප්‍රකාශයට පත් නොකළ එහෙත් 1990 දෙසැම්බර් 31 දිනට පැවති ලැබීම හා ගෙවීම් වලට එක එල්ලේ ම සම්බන්ධ රජයේ වත්කම හා බැරකම පිළිබඳ ප්‍රකාශයද මෙයට ඇතුළත් ඇත.

මෙම තොරතුරු වලින් පැහැදිලි වන පහත සඳහන් ප්‍රධාන කරුණු ගැන ඔබගේ අවධානය යොමු කරවමි.

වාණිජ ආයතනයක ගිණුම් වලට සම්පූර්ණයෙන්ම සමාන නොවුවත් තරමක් සමාන වන ගිණුම් පද්ධතියක් රජය මගින් ප්‍රකාශයට පත් කිරීම.

භාණ්ඩාගාර ගිණුම් සියල්ල ද්විත්ව සටහන් ක්‍රමයට නඟා ගැනීම.

කිසියම් නිශ්චිත දිනයකට ලැබීම වලට හා ගෙවීම් වලට එම එල්ලේම සම්බන්ධ ලංකාණ්ඩුවට වත්කම හා බැරකම පිළිබඳ තොරතුරු ප්‍රසිද්ධ කිරීම. මේ මගින් රජයේ වියදම්, ආදායම්, රාජ්‍ය ණය ආදී සියලුම වැදගත් තොරතුරු ප්‍රසිද්ධියට පත් කෙරේ.

ලංකාණ්ඩුවේ ගිණුම වල දෙවන කොටස ලෙස ප්‍රසිද්ධ කරනු ලබන්නේ ඔබ විසින් සකස් කර ඉදිරිපත් කරන වාර්ෂික රජයේ ගිණුමය.

ලංකාණ්ඩුවේ ගිණුම වල 1 හා 11 කොටස් ප්‍රසිද්ධ කිරීම උපයෝගී කරගනු ලබන්නේ මාසික ගිණුම සාරාංශ, මාරු , මුද්‍ර. 66 ඉල්ලුම පත්‍ර ආදී ගිණුම වාර්තා මගින් ඔබ විසින් මාසිකව හා වරින් වර ඉදිරිපත් කරන තොරතුරුය. මෙම ගිණුම් සටහන් තිරන්තරයෙන් භාණ්ඩාගාරයේ ඇති ගිණුම සටහන් සමඟ සැසඳීම ඉතා වැදගත් වේ. නිවැරදි ගිණුම තොරතුරු ගෙන් ලැබුණොත් පමණක් නිවැරදි ගිණුම ප්‍රකාශයට පැත්තල හැකිවේ.

451

TREASURY ACCOUNTS AND ISLAND'S ACCOUNTS

01 The basic documents to prepare Treasury Accounts and Island's Accounts are received from following sources.

1. **MINISTRIES & DEPARTMENTS**
Monthly summaries of accounts, transfer orders and other accounting documents.
2. Kachcheri Abstracts/summaries of accounts from Divisional Secretariats
3. Crown Agents Summaries.
4. Public Debt Statements received from Central Bank.

02 Treasury incorporates in its books not only its receipts and payments but also all the transactions of other Govt. Departments effected either in Sri Lanka or abroad. The titles of the accounts maintained in the books of the Depts. should correspond to the titles of Treasury Accounts. There are main ledger accounts as well as accounts subsidiary to total accounts in Treasury ledgers.

Most of the Treasury Accounts are now computerised and some of the accounting books maintained in the Treasury are given below:

- (1) Cash book
- (2) Main Ledger
- (3) Journal

In addition to this, subsidiary accounts are maintained to record the transaction of Government Departments. Your reference is requested to F.R.423 in this connection.

Under F.R.428 the Treasury has to prepare a trial balance of the main ledger quarterly and a statement of the balances of the accounts summarised in groups. This is called the General Statement of Assets and Liabilities of the Treasury as appearing in its books of accounts at the end of the quarter. Under F.R.430 the Treasury has to publish as a Sessional Paper Statement of the Assets and Liabilities as disclosed in Treasury Books as at 31st December of every year including-

- 1 - Statement of Investments
- 2 - Statement of Outstanding Amount of Funded Debts on Loans and of any other Sinking Fund.
- 3 - Any other statement as may be necessary

You are given 3 statements relating to Island's Accounts along with this note for reference. You will observe that the Treasury maintains its records and publishes its accounts in keeping with the principles of double entry book keeping. Even in your Departments this system is followed.

ROLE OF THE GENERAL TREASURY

In simple terms the role the Treasury is that of a Treasurer of any Society, Association or Union, basically undertaking or charged with

- the Collection of Revenue (i.e. Subscriptions, Donations or other levies)
- the Custody of monies and Funds
- Expenditure (effecting payments) and
- Accounting for Receipts and Payments.

The General Treasury has performed these basic functions over the last several decades and more. It is the Finance and Accounting Dept. for almost two centuries. Sri Lanka Government however, like a large Company which has branches or subsidiaries has numerous departments which are but different establishments of one Organisation.

Therefore the Treasury's functions become a little more complex.

- i. Collection of revenue is by a number of Departments. They assess the amounts too. But Treasury makes final estimates and monitors collections.
- ii. Custody of money - Again every Dept. and Ministry does it. But Treasury make regulations for safe custody, Banking and overseas operations.
- iii. Treasury is also the custodian of the Consolidated Fund and other Funds and accounts of the Govt. and is the final repository of cash and other valuables.
- iv. Payments and Expenditure. Again different Departments effect them. But it is out of Imprests given by the Treasury.

Summaries of Abstracts of Receipts and Payments of other Dept. received at the Treasury and Consolidated to prepare the

ACCOUNTS OF THE GOVERNMENT ON A RECEIPT AND PAYMENT BASIS.

Many other additional functions of national importance are performed by the Treasury.

Economic Affairs

The Treasury deals with Banking and Capital markets, and Multi-lateral Institutions like IMF, World Bank, etc.

Fiscal Policy Division

It also deals with Revenue Estimates, Tax legislation, Tax Amnesties, Tariff Policy, Import duties, Export duties etc.

External Resource Division

It also attends to Aid negotiations, Aid disbursement, External debt and Management and monitoring.

Public Enterprises Division

The Treasury also evaluates performance of State Corporations/Boards on a regular on-going basis assisted by the C.O.P.E. . Closer monitoring of Advance A/c activities is also undertaken.

International Economic Co-operation

This activity is of more recent origin. Treasury also coordinates and services the activities of the Foreign Investment Advisory Committee (FIAC) and is participating in Seminars and Fora relevant to International Co-operation and Investment.

Commercialisation of Public Enterprises

The Treasury also studies matters connected with the commercialisation of Public Enterprises and helps Ministries in the (i) Divestiture of Government-owned Business Undertakings and also conversion of Corporations into Public Companies.

Accounts and Payments

The Treasury handles the Account work pertaining to all the Govt. Departments and Ministries. It also attends to the following:-

- Foreign Accounts activities
- Foreign Loans and Foreign Aid Grants
- Repayment of Foreign Loans

Budgeting Activity

One of the central tasks of the Treasury is the preparation of the Annual Budget. From recent times provision for capital expenditure is determined on the basis of the Public Investment Programme prepared by the National Planning Department of the Ministry of Policy Planning and Plan Implementation.

Supplementary Estimates and Supplementary Special Law are also matters for the Treasury.

4. It would now be appreciated in shouldering all these responsibilities the Treasury naturally assumes an Advisory role to the Government and specially to its Minister/ the Minister of Finance.

In the discharge of these functions the Treasury is divided into the following Divisions.

Budget Division	External Resources Division
Accounts and Payments Division	Public Enterprises Division
Finance Division	International Economic Co-operation Division
Economic Affairs Division	Commercialisation of Public
Fiscal Policy Division	Enterprises Division
	and Investigation and Internal Audit Division serviced
	by the Central Administration Division

5. Finance Division

The Finance Division activities become of special importance to Government Departments and their accounts. This Division deals with problems of Accounting systems.

Waivers under F.R. 115, re lapsed payment.

Tenders - nominations of officers to serve as representative of Secretary to the Treasury on Tender Boards.

Appointment of Technical Evaluation Committees.

Procedural lapses and deficiencies observed in the processing of tenders.

Write offs in terms of FR109(1)

Revision of Financial Regulations.

Publication of Treasury Minutes

Operation of the Government Insurance Fund.

Ex-gratia payments by way of compensation under FR202(1)

Payment of Stamp duties to Local Authorities.

Transfer of Stamp Revenue

Issue of Circular instructions pertaining to above.

Whatever stated above explains the role of the Treasury. It performs many function in fulfilment of the role cast on the Minister of Finance by the functions vested in him by the President in assigning functions and also other functions and responsibilities cast on him by other Acts of Parliament e.g. The Finance Act No- 38 of 1971.

6. FINANCIAL CONTROL

Apart from all these the Treasury plays a principal role in the control of financial operations of other Govt. Departments and Ministries. This mostly manifests in the following instances.

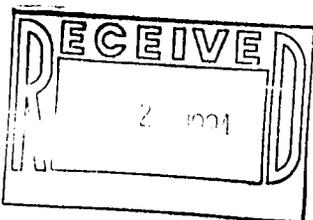
Estimate stage	Consideration of New proposals and budgetary requests and Supplementary Estimates.
Imprest stage	Even though Provision appears in the Estimates and Appropriation Act Cash Imprest has to be sought. Imprest forecast and monthly Imprest requests.
Cash Balance Control	The Treasury can and do recall money already disbursed or lying with Departments in excess of their requirements.
Accounting Control	The Title of Accounts or Chart of Accounts is also determined by the Treasury.
Bank Accounts operations	Treasury approval is necessary for opening of new Bank Accounts.
Procedural Control	Financial Regulations and circular instructions spell out a procedure which has to conform to the specific matters.

The Treasury plays a major role in the Financial Management, the Financial Administration and Economic sphere of Government activity.

A.N.Fernando

GLOBE PRINTING WORKS

No. 1 K. D. David Avenue,
Colombo - 10.



455