



பிரதமசெயலாளர் செயலகம், வடக்குமாகாண சபை

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Chief Secretary's Secretariat, Northern Provincial Council



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My No: NP/09/AP/4/CIR/12/2018

Date: 07.12.2018

Provincial Finance Circular No: PF/AP/05/2018

Secretaries,
Deputy Chief Secretaries,
Head of Departments,
Northern Province

1. Financial Statements - 2018

In accordance with the State Accounts Circular No 267/2018 dated 21.11.2018 issued on the preparation of Appropriation Accounts of years 2015, 2016 and 2017, in addition to the Appropriation Account to be prepared in terms of Financial Regulation 150, a new methodology has been introduced for the preparation of a Statement of Financial Performance, a Statement of Financial Position and a Cash Flow Statement for each accounting year, as per the formats introduced therein.

As per Section 16 of the National Audit Act No. 19 of 2018, it has been emphasized the necessity for preparation of Annual "Financial Statements" including the Annual Appropriation Account, the Revenue Account and the accounts relating to Advance Accounts activities by every auditee entity.

As such, a set of Financial Statements is introduced by this Circular to be prepared in place of Annual Appropriation Account under FR 150 and Revenue Account under FR 151 incorporating all the revenue and expenditure of the respective Revenue and Expenditure Heads, on the cash basis. The Financial Statements of year 2018 prepared accordingly by every Expenditure Head should be submitted to the Auditor General on or before 28th February 2019.

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2. Preparation of the Financial Statement

Final Financial Statements for the year 2018 should be prepared in Sinhala , Tamil and English languages separately in the formats introduced in the Section 6 of this Circular, in A4sheets.

3. Statistical data required for the preparation of Financial Statements

Financial Statements should be prepared following the below mentioned guide lines based on figures appeared in the final Financial Statements for the year 2018 and the tables annexed there to be released by the Provincial Treasury as indicated in the Section 4.6 of the Provincial Finance Circular No PF/AP/03/2018 dated 01.11.2018.

- 3.1 In preparation of Financial Statements of each Ministry/ Department, it should be ensured that figures indicated therein should be tallied with the revenue, expenditure and main ledger balances as appeared in the Final Provincial Treasury Accounting Statements. Of those Final Provincial Treasury Accounting Statements should be enclosed to the Financial Statements of the respective institute as an annexure.
- 3.2 In preparation of Final Accounts, revenue, expenditure and other main ledger balances should be reported to the nearest rupee value.
- 3.3 In reporting non-financial assets, it should be ensured that the value of the main ledger balance of those assets be tallied with the individual assets value. If there is any non-reconciled balance, such values should be revised in the main ledger balance by journal entries until the balance is identified.
- 3.4 The Statements of Liabilities and Commitments under Note (iii) should be in line with the statement of commitments and liabilities issued by the General Treasury in relevant to each Expenditure Head. Any commitment or liability which had not reported in such a way should not be settled in year 2019 as a previous year expenditure.

3.5 Explanation on the variations of Total Net Provisions and Total Expenditure

Variations between Net Provision and actual expenditure and reasons for such variations should be furnished in ACA-2(ii) under each object code. It is not required to furnish such explanations for savings less than 5% or Rs. 10,000/- whichever is higher of the total net provision. Explanations for variations should be concise and justified with reasonable facts. Further, the reasons should be in compliance with replies already given for Audit Queries, if any.

- 3.6 Statement of Financial Performance , Statement of Financial Position and Statement of Cash Flow should be prepared based on the details in formats

ACA-1 to ACA-6 and the Notes No. (i) to (viii). The relevant formats should be prepared separately for each programme and only the consolidated figures should be incorporated in the final financial statements.

- 3.7 In addition to the format AC A-2(a) and other, format ACA-2(a)(i), ACA-2(a)(i i) , ACA-2(a)(iii) and ACA-2(a)(iv) should be furnished by the Provincial Treasury to reveal the information in relation to additional allocations provided under Budgetary Support Services and Contingent Liabilities vote for other expenditure heads by the Provincial Treasury as per the Section 6 of the Appropriation Act.

4. Presentation of the Financial Statements

- 4.1 Chief Accounting Officer, Accounting Officer of each Ministry and Department shall responsible for the preparation of the final financial statements for the year 2018, as per FR 150, with sufficient clarification whenever necessary. Especially the Chief Accountant/ Accountant should certify that the details in relevant financial statement are in agreement with the final Treasury Accounting Statements.
- 4.2 Chief Accounting Officer, Revenue Accounting Officer and Accounting officer should sign the specimen forms where the requirement is specifically stated. The Chief Accountant / Accountant should sign all the specimen forms.

5. Obtaining specimen forms for Financial Statements

Specimen forms of the Statement of Financial Performance, Statement of Cash Flow, and the relevant sub specimen forms can be sent through the Email of respective Ministries and Department. Soft copies can also be obtained from the Chief Accountant (Accounts and Payments) of Provincial Treasury if required.

6. Specimen forms to be used in preparation of the Financial Statements

The following specimen forms, attached herewith should be utilized for the preparation of Financial Statements.

ACA -(F)	Statement of the Financial Performance for the period ended 31 st December.....
ACA-(P)	Statement of the Financial Position as at 31 st December

ACA-(C)	Statement of Cash Flows for the period ended 31 st December
ACA-1	Statement of Revenue for the period ended 31 st December
ACA-1(i)	Statement of Areas of Revenue for the period ended 31 st December.. . . .
ACA-1(ii)	Explanation for Variance between Original Revenue Estimate and Revised Revenue Estimate
ACA-1(iii)	Explanation for Variance between Actual Revenue and Revised Revenue Estimate
ACA-2	Summary of Expenditure by Programme for the period ended 31 st December.....
ACA-2(a)	Summary of Expenditure by Programme for the period ended 31 st December ... (Only for the use of Provincial Treasury)
ACA-2(a)(i)	Explanation for the variation between total net provision allocated under the vote of Budgetary Support Service and Contingent Liabilities as per the section 6 of the Appropriation Act to meet Recurrent Expenditure of any other Expenditure Heads and the Actual transfers.(Only for the use of Provincial Treasury)
ACA-2(a)(ii)	Allocation issued to Other Expenditure Heads for Recurrent Expenditure from the vote of Budgetary Support Services and Contingent Liabilities during the year (Only for the use of Provincial Treasury)
ACA-2(a)(iii) -	Explanation for the variation between Total Net Provision allocated under the vote of Budgetary Support Service and Contingent Liabilities as per the section 6 of the Appropriation Act to meet Capital Expenditure of any other Expenditure Heads and the Actual transfers (Only for the use of Provincial Treasury)
ACA-2(a)(iv) -	Allocation issued to Other Expenditure Heads for Capital Expenditure from the vote of Budgetary Support Services and Contingent Liabilities during the year (Only for the use of Provincial Treasury)
ACA-2(i)	Statement of Expenditure by Programme
ACA-2(ii)	Statement of Expenditure for the period ended 31 st December
ACA-2(iii)	Explanation for Variance between Original Expenditure Estimate and Revised Expenditure Estimate

ACA-2(iv)	Summary of Financing the Expenditure by Programme
ACA-2(v)	Financing of Expenditure by Projects of each Programme (Financing of Capital and Recurrent expenditure according to Projects of a Programme)
ACA-3	Imprest Account as at 31 st December..
ACA-4	Statement of Deposit Accounts as at 31 st December
ACA-5	Advance Accounts as at 31 st December..... . . .
ACA-5(a)	Rent and Work Advance Accounts as at 31 st December
ACA-5(b)	Rent and Work Advance Reserve Accounts as at 31 st December
ACA-6	Statement of Non-Financial Assets - 2018
Note-(i)	Statement of Losses and Waivers (Losses under F.R. 106 and F.R. 113)
Note-(ii)	Statement of write off from books
Note-(iii)	Statement of Liabilities and Commitments
Note-(iv)	Statement of Liabilities - (i) Statement of Commitments in Terms of FR 94 (2) and (3)
Note-(v)	Statement of Liabilities - (ii) Provision Transferred to the Deposit Account in terms of FR 215 (3) (b) & (c)
Note-(vi)	Statement of Claims under Reimbursable Foreign Aid
Note-(vii)	Statement of Missing Vouchers
Note-(viii)	The Status Report as at 31/12 /2018 on New Bank Accounts Opened in terms of Para (01) of Treasury Operation Circular No. 5/2007 of 5/9/2007

7. Guideline for preparation of the Financial Statements

The following steps should be followed.

- (i) In compilation of the Statement of Financial Performance, Statements of Financial Position and Statement of Cash Flow, information included in ACA-1, ACA-2, ACA-2(a) , ACA-2(i) , ACA-2(ii) , ACA-3 , ACA-4, ACA-5, ACA-5(a), ACA-5(b) and ACA-6 should be taken into consideration.
- (ii) Revenue collected by other Ministries/Departments on behalf of Revenue Accounting Officers should not be included in the form ACA-1 of the Statement of Financial Performance and such revenue should also be

included in the form ACA-3 considering as an imprest released by the Provincial Treasury.

- (iii) If the value arrived after deducting the total expenditure of recurrent , capital and other main ledger expenses from the value arrived by adding the revenue and other receivables to the total revenue is a positive value, that amount should be settled to the Provincial Treasury at the end of the year and if it is a negative value that amount should be received from the Provincial Treasury (such minus balances (deficits) can be shown when other Ministries /Departments make payments in cash to settle expenses incurred under relevant expenditure heads)
- (iv) Equivalent value of property, plant and equipment should be shown as reserves under net assets/capital.
- (v) Net value under the net assets and capital in Statement of Financial Position is calculated by deducting the value of Deposit Accounts from the value of Advanced Accounts of the Ministry/ Department. If this value is a positive value it will be shown as a value to be settled to the Provincial Treasury at the end of the year and if it is a negative value it will be shown as a value to be received to the Ministry/Department from the Provincial Treasury.
- (vi) The value to be settled to the Provincial Treasury or to be received from the Provincial Treasury according to the Statement of Financial Performance and the value to be settled to the Provincial Treasury as per the cash book will certainly be different and therefore an **imprest adjustment account should be prepared to reconcile these balances.**

Accordingly, the following transactions should be recorded in the debit side of the Imprest Adjustment Account.

- (a) The value of the revenue that are collected by other Ministries / Departments under the Revenue Head of your Ministry/Department and recorded in the monthly Accounts Summaries of such Ministries and Departments.
- (b) Expenditure incurred on the other Ministry/Department expenditure heads, as per Provincial Financial Regulations 155.

The following transactions should be credited to the Imprest Adjustment Account.

- (a) Expenditure incurred by the other Ministries/ Departments for the respective Ministry/ Department under Provincial FR 155.

Accordingly, the final balance arrived after transferring the amount of the Adjustment Account to the Imprest Account should be equivalent to the cash book balance of the Ministry/Department.

8. General Instructions

- 8.1 As per the Provincial Circular no PF/AP/03/2016 letter dated 29.02.2016, It is necessary to be maintenance Fixed Assets Register and Computer accessories.
- 8.2 If there are non-financial assets which are yet to be reported, they should be properly identified and should be accounted at cost or in the absence of costs, they should be accounted at assessment values. Accounting of all the non-financial assets required to be completed by 2019 by all the entities.
- 8.3 In addition to the details of Deposits and Advance accounts to be provided in Specimen Forms ACA-4 and ACA-5 of the Financial Statements, all the expenditure heads should prepare Notes to the accounts in relevant to advances, and accounts for the Deposit Accounts separately under FR 502 and 506 respectively and submitted to the Provincial Treasury on or before 8th February 2019.
- 8.4 Since the receipts and payments are reported daily under the CIGAS programme it is not required to retain the manually maintained cash book. If a hard copy is required, printed copy of the cash book obtained through the CIGAS programme can be filed separately.

8.5 Each expenditure head should publish their Financial Statements for the year 2018, observation of the Auditor General in relevant to these Financial Statements and clarifications given for such observations in their website.

9. Forwarding the Accounts to the Provincial Treasury

Financial statement prepared in the Specimen format along with the 4 copies should be furnished to Provincial Treasury in all 3 Languages having duly signed in the required forms with full of accuracy on or before 8th February 2019.

10. Preparation of Annual Financial Statements on Accrual Basis

Preparation of Annual Financial Statements on Accrual basis in terms of Provincial Financial Circular PF/AP/07/2017 also required to be forwarded in 4 copies to the Provincial Treasury on or before 8th March 2019. as per the Financial Reporting Manual issued to the Ministries and Departments in the year 2017.

11. Preparation of the Annual Performance Report

As per the section 16 of the National Audit Act 19 of 2018, it has been emphasized to prepare and submit Performance Report which includes the objectives achieved, future goals, key performance indicators and progress in the use of resources. Accordingly action has to be taken to prepare such report and send it to the Deputy Chief Secretary-Planning on or before 8th February 2019 to enable them to prepare and send Provincial Performance Report to the Auditor General on or before 28th February 2019.



A. Pathinathan
Chief Secretary

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Chief Secretary
Northern Province

Copies to:-

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|--|---------------------------------|
| 1. Secretary to the Hon. Governor, NP | - Inform to the Hon. Governor |
| 2. Secretary, M/PC & LG, Colombo-01 | } - For your information please |
| 3. Secretary, Finance Commission, Rajagiriya | |
| 4. Deputy Auditor General, NNE | |
| 5. Chief Internal Auditor, NP | |