

MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT

Circular No 1 of 2021

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16 February 2021

From: Financial Secretary

To: Supervising Officers-in-Charge of Ministries/Departments and Accounting Officers

Late Submission of Amended Financial Statements by Statutory Bodies to National Audit Office

As you are aware, as per the roadmap for the implementation of accrual IPSAS in the Public Sector, a set of Consolidated Financial Statements (CFS) will have to be prepared for FY 2022-23 and audited accordingly. The CFS will include the accounts of Ministries/Departments, Local Authorities, Statutory Bodies, and financial & non-financial corporations.

Quality of Financial Statements Submitted

2. As per Section 7(2) of the Statutory Bodies (Accounts and Audit) Act [SBAA], Statutory Bodies have to submit their financial statements within four months of the end of the financial year, i.e. by 31st October every year. Section 7(3) of the SBAA provides that the Auditor has to issue his Audit Report within six months of the receipt of the financial statements.

3. It has been observed that although Statutory Bodies submit their Financial Statements within the prescribed deadlines as set in the SBAA, those statements are generally not to the standards. This results in these Financial Statements being sent back to concerned Statutory Bodies for necessary amendments.

4. The main reasons for the Financial Statements to be amended are as follows:

- (i) accounting treatment/disclosure not complying with applicable Accounting Standards;
- (ii) under/overstatement of material figures;
- (iii) comparative figures not correctly restated following previous year's audit;
- (iv) disclosure omitted in the Notes to Accounts; and
- (v) in case of Public Interest Entities, corporate governance disclosure not complying with code of corporate governance.

Late Submission of amended Financial Statements

5. The National Audit Office (NAO) has reported that most of the public bodies concerned take an unduly long time to amend and re-submit their financial statements for audit purposes. This process takes them around 3 to 19 months to submit their amended Financial Statements and as a result they fail to comply with the statutory requirements.

6. Consequently, the delay in submitting amended financial statements to the NAO have the following repercussions:

- (i) it prevents the NAO from issuing its Audit Report within the deadline set in the Statutory Bodies (Accounts and Audit) Act;
- (ii) it delays the tabling of annual reports and certified financial statements to the National Assembly by Statutory Bodies; and
- (iii) it generates backlogs of financial statements to be audited by the NAO, as well as audit of financial transactions.

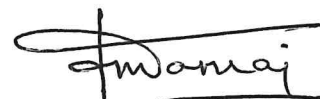
Way Forward

7. With the current trend, it would not be possible for the Accountant-General to prepare the CFS for the whole of the Public Sector and for the NAO to issue its Audit Report thereon within the deadline. For the sake of transparency, accountability, good governance and timely implementation of accrual IPSAS, it is imperative that the accounts of Statutory Bodies are audited and their financial statements are tabled within the prescribed deadlines.

8. In this context, you are kindly requested to:

- (i) ensure that Statutory Bodies falling under your purview submit their Financial Statements as per the statutory deadlines and requirements;
- (ii) inform officers of the Parent Ministry serving on Board of a Statutory Body to ensure that the Statutory Body prepare their Annual Report to the required standards and submit to the Director of Audit as per the Statutory deadline;
- (iii) monitor any disciplinary actions taken by the Board of a Statutory Body under your purview with regards to non-compliance in the submission of annual estimates and Annual Report as stated in Section 7A(2) of the SBAA; and
- (iv) ensure compliance with the new approach that is being adopted by the NAO, *details at Annex*, for the timely submission of amended financial statements.

9. It would be appreciated if you could kindly relay the contents of this circular letter to the attention of the Chairperson and members of Boards/Councils/Committees and Chief Executive Officers of Statutory Bodies/Local Authorities/Special Funds and other Bodies falling under the aegis of your Ministry for necessary actions.



**D.D. Manraj, GOSK
Financial Secretary**

The new approach that is being adopted by the National Audit Office to ensure the timely submission of amended financial statements is as follows:

- (i) Statutory Bodies concerned would be required to submit their approved amended financial statements by dates to be specified in management letters addressed to them;
- (ii) where amended financial statements are not submitted by specified dates, the audit report will be based on the last approved financial statements received at the NAO and same will be stated in the Audit Report;
- (iii) the new approach will also apply to Local Authorities, Special Funds and other Bodies that submit financial statements to the NAO for audit;
- (iv) Public sector bodies will be notified of this approach in Engagement Letters issued by the NAO; and
- (v) necessary amendments to financial statements will be communicated to auditees during the audit process, at exit meetings and in Managements Letters.