

Auditor General's Department  
306/72,  
Polduwa Road,  
Battaramulla.

To all the Divisional Heads, Superintendents of Audit and Group Officers,

**Audit Process and Issue of Audit Queries**

All the information collected to use as the basis for the expression of the audit opinion in terms of the Sri Lanka Audit Standard 500 are considered as the audit evidence.

1. In the collection of audit evidence, all the following processes or one or several processes as required by the circumstances may be put in place.
  - 1.1 Test of controls
  - 1.2 Compliance Testing
  - 1.3 Review of Acts, regulations, various reports, registers, notes on the guidelines, decisions etc.
  - 1.4 Minutes on the discussions conducted with the staff of the institution and external institutions or the individuals.
  - 1.5 The established details collected from the external institutions and individuals.
  - 1.6 Field inspections or physical verifications.
  - 1.7 Audio tapes and photographs.
  - 1.8 Electronic evidence (Eg: E-mails)
  - 1.9 CCTV evidence

Only the relevant evidence should be collected, certified and counter signed by the Audit Officers.
  
2. In order to confirm the each audit evidence specified above, following procedures should be adopted
  - 2.1 Examination
  - 2.2 Observation
  - 2.3 Confirmation
  - 2.4 Computation

2.5 Analytical Review

2.6 Query

3. A confirmation should have been obtained from the source of evidence to the effect that all the evidence collected are true and correct.
4. All the evidence in support of carrying out each audit procedure referred to above should be included in the files pertaining to the audit process.
5. In the collection of information from the persons who are not the public officers and from the general public and the private institutions, action should be taken to obtain evidence through the close public officer who can closely deal with them and in the event of deviating from the relevant limits, action should be taken to seek the assistance of the relevant immediate Head of the Division.
6. All the inspections carried out by the Audit Officers from the beginning to the end of the audit process, observations and all the activities relating to the other audit procedures and the evidence relevant thereto should be included in the audit file pertaining to the query. Even though all the observations of the audit query are included in the final report, the supervising officer should personally satisfy that the adequate evidence is contained in the relevant files to establish the fact that the audit observations made by the officer are correct. I would like to point out that making audit observation disregarding this requirement is an offense coming under the professional negligence.
7. **Issue of Audit Queries**
  - 7.1 Subsequent to completion of the audit procedures, the Superintendent of Audit should issue an audit query inclusive of the observations made upon the reliable evidence to the Accounting Officer of the institute. An adequate duration- a week, two weeks or three weeks should be given to answer the matters contained in the query and it may differ according to the contents of the query.
  - 7.2 A separate number should be given for each audit query.
  - 7.3 The relevant Audit Officers and the Superintendents of Audit should examine and satisfy that the answers given by the institution for the audit queries are

coherent and adequate to each matter contained in the query and in connection with unacceptable answers, the auditee institution should be informed that the answers given for the observations are unacceptable and inadequate. In case the answers received for the audit queries are ambiguous, incomplete, questionable or contentious nature, action should be taken to issue an audit query again when further clarifications are needed.

- 7.4 The Superintendent of Audit should ensure to prepare paragraphs suitable to report firstly to the management and finally to Parliament by including the qualitative and quantitative audit observations which are required to be included in and accepted by the institution specified in each Audit Queries and to obtain the approval of the Divisional Heads.
  - 7.5 In reaching the final conclusion in the Auditor General's reports based on the audit observations, the supervising officers should personally ensure that such observations had been established adequate evidence which could be accepted without any dispute and that any matter resulting in embarrassments to the Audit and adversely affect the quality of the audit had not been included therein.
  - 7.6 Where the observations referred to in the Audit Query have been rejected or subjected to the controversy, if the audit observations are included in the report in the same manner irrespective of that matter, the reason attributed to the disregard of that matter should be apparently specified in the audit file.
8. Since professional issues may crop up due to inclusion of unsupported and unacceptable matters, I would like to strictly draw the attention of all the officers regarding the fact that the necessity of following the procedures on the field activities carried out according to the audit standards is a part of the supervision process itself.
  9. In the issuance of an audit query to the auditee institution, the Superintendent of Audit and the Divisional Heads should compare the contents and the final observations of the audit query signed by them with the evidence collected and satisfy those are correct. In this endeavour, the adequate evidence in support of the content of the audit observations should be confirmed through the following process. Those details should be properly filed in the audit file.
    - 9.1 Audit assigning.
    - 9.2 Field work records.

- 9.3 Notes of the discussions.
  - 9.4 Attested written evidence in support of the observations.
  - 9.5 Work records to confirm that the audit assigning and all other works connected thereto have been adequately performed.
  - 9.6 Attested copies of the following matters abstracted in support of the contents of the query.
    - Cabinet Memorandums and Decisions
    - Minutes of the Board of Directors Meetings
    - Reference Numbers relating to terms and regulations
  - 9.7 Audit files notes.
  - 9.8 File should be numbered and references to the information included in the file should be made in the content.
  - 9.9 Documents to establish the fact that the computations have been accurately done on professional and technical basis.
  - 9.10 Documents in support of the evidence obtained from electronic and all mass media (Care should be exercised not to use these facts as the evidence unless those are being established)
  - 9.11 If expertise knowledge had been obtained for the utilizations relating to specific technical matters when required, the documents in support of that.
  - 9.12 In case external details such as share market, economic analysis have been used, the documents in support of that.
  - 9.13 In case information has been collected from the Internet and other sources, their quotations and reference numbers of the websites.
10. It is hereby stressed that all the officers are responsible for the issue of audit query only after the completion of these basic requirements, proper maintenance of the audit files and thereby carrying out proper supervision and further attention is drawn on the following matters as well.
- 10.1 All the groups should use an audit query document as appeared in the Format H2546 in respect of their auditee institutions.
  - 10.2 The name and the designation of the officer from whom the matters pertaining to the audit query are disclosed should be indicated in the column, Other Remarks.

- 10.3 A query number inclusive of the letters and figures representing the officer's number, branch, auditee institution, year, the officer and the reference number should be given in respect of each audit query.  
Eg: As JPA/A/PRI/2016/A/01 in case of an query relating to the JPA/A/ Branch.
- 10.4 The original of each audit query should be computerized in a standard letter head of the audit query of the Department and referred to the Accounting Officer. Copies should be forwarded to the Secretary to the Line Ministry. As the final conclusions on the observations specified in the query have not been reached, copies should not be sent to the other institutions.
- 10.5 Query should be prepared in a manner enable to clearly distinguish the office copy and the coy of the main file from the original issued to the Chief Accounting Officer or the Accounting Officer and it should ensure that the information issued to the external parties are not the information extracted from the office copies.
- 10.6 An Audit Query is not a final report and as it is an enquiry made on the matters observed, the language should be simple, clear, meaningful and polite. Care should be exercised not to give indication in the form of an order, directive, final notification or a charge sheet and harsh, irresponsible and pompous phrases should not be used.

It should particularly be careful not to use the phrases as mentioned below.

- (a) .....Please explain the matters
- (b) Please explain the reasons as to why surcharges should not be imposed up on you.
- (c) Forthwith.....
- (d) Cannot be approved in audit.
- (e) To inform what is the authority and that act is vehemently condemned.
- (f) It is stressed that not to state the reasons on the accuracy or inaccuracy of the matters included in the audit query, but only an opinion on the reasonableness highlighted at the audit can be expressed.
- (g) I would like to inform that the manner in which the audit evidence are summoned in audit is determined by the auditor and the auditee institution

does not reserve any right to challenge or enquire it and that explanations can be made only on the matters queried.

- (h) Fraudulently, with the assistance of the management and for the personal gains.
  - (i) Presentation of amusing trivial matters in this nature by the officers who hold a responsible post.
  - (j) Considering as his own property so as to gain personal benefit at his discretion.
- 10.7 Where laws, rules and regulations are applicable, the relevant reference should be precisely stated and the audit query should be an enquiry on the specific matters but it should not be an elaboration.
- 10.8 The information connected with the observations of the query should be presented by an annexure and the matters should be stated briefly so as to be able to recognize immediately by the referred person.
- 10.9 Although it is clearly observed that there is a fraud, irregularity or malpractice, it should ensure not to mention that it has been finally confirmed. Nevertheless, when there is a reasonable doubt that a fraud, irregularity or malpractice has taken place, the audit reserves the right to summon information to confirm the same and if it is established, it should be stated that the relevant information will be brought to the notice of the Head of the institution for further examination.
- 10.10 On completion of the audits, action should be taken to issue the relevant audit query immediately and the copies of the audit queries inclusive of special audit observations should be referred to my consideration.
- 10.11 A summary report on the audit queries issued in each month should be presented to the Divisional Head monthly as referred to in the annexure.
- 10.12 In case action has not been taken to answer the queries within the prescribed period, reminders should be issued thereon and follow-up action should be taken. Action should be taken not to close the relevant file until a conclusion is reached on the matters pertaining to the query.

- 10.13 As audit observations crop up on the losses incurred due to weaknesses of the institutional structure and the internal control, although queries should be issued at the audit by including those observations to enquire them and provide guidance to correct them, it should be careful not to take action in a manner adversely affect the personal names and the posts and not to include in the queries the names and the personal information of the officers concerned. Since the information on certain instances where queries issued so as to affect the names and the posts of the officers of some institution by stating that public representations have been issued to the Auditor General had been presented to me together with the copies of those queries, it is stressed that audit should not be done based on the personal facts and matters and the special attention of the Superintendent of Audit should be focused on these matters.
11. The Auditor General or any officer authorized by him shall have the right to
- i Obtain all books and registers, records, periodic reports and all other documents required to be obtained for audit,
  - ii Enter the stores and other properties and
  - iii Obtain information that may be required for the discharge of duties and functions and get the matters clarified in the discharge of his duties and functions.
12. Audit queries or letters shall not give rise implications that may lead to question the discretionary rights of the management for taking decisions.
13. Where the replies received for an audit query or a letter are unfavourable, it should ensure not to reciprocate in similar unfavourable way and whatever the response received by the audit, it is stressed that audit should be conducted disciplined and amicable manner. The negligence showed to the audit, unfavourable responses and the instances of not extending assistance to the audit should be brought to my personal consideration.
14. Each audit query should be clearly prepared so as to equipped with every feature including a reference number and the matters observed in audit, decisions and other evidence, timely or temporary audit opinions and a polite request made to express comments thereon. An audit query should consist of four main parts as specified below.
- (a) The part describing the audit scope.

- (b) The part describing audit observations and introducing the other evidence such as the letters, registers and decisions to support those matters.
  - (c) Timely or temporary conclusions reached according to the audit observations.
  - (d) A polite request made to the institution to express its views on the audit observations and temporary conclusions.
15. The seminars, meetings and discussions organized by the auditee institution should not be attended without the approval of the immediate supervising officer. The authority to sign audit queries and letters and hold discussions with the auditee institutions is mandatorily delegated to the Audit Superintendents, Group Officers and the Divisional Heads and where necessary, the officer who carried out the audit may be involved in therefor. All the officers should strictly ensure to take action accordingly. The limitations appear in the annexure.
16. Each Audit Branch should maintain a record on the correspondence dispatched out and records should also been kept on the benefits returned to the institution as a result of the Audit Query. The Audit Query Register, mutatis mutandis, may be used for this purpose.
17. All the Circulars issued heretofore on this subject are cancelled hereby.



Gamini Wijesinghe  
Auditor General



Group:.....

Auditee Institution :.....

The report on the audit queries issued in .....20....

Audit Query No.	Date	Matter	The officer who presented the observation		Other Remarks
			Name	Post	

Signature of the Superintendent of Audit :.....

Date:.....

## Authorization for signature

## Appendix 1

Types of Letter -----		The Addressed Party -----	Authorization for signature -----	Other Remarks -----
1.	Letters for requesting information	Up to the Accounting Officer or the Chief Accounting Officer	Superintendent of Audit/ Group Officer/ Audit Examiners informed by the Superintendent of Audit or required by the circumstance.	The term “ For Deputy Auditor General/ Assistant Auditor General” should be stated and the signature should be placed thereunder. The name and the post of the officer who places the signature should appear above the term For Deputy Auditor General / Assistant Auditor General.
2.	Letters for drawing attention up to the Second Reminder.	-Do-	-Do-	-Do-
3.	The first reminder sent demanding reports, accounting documents, and the accounts not submitted.	-Do-	Superintendent of Audit/ Group Officer	-Do-
4.	Audit Queries and Letters (These queries and letters may include the Audit Observations, temporary conclusions and the requests for expressing comments )	-Do-	-Do-	-Do-

5.	The third reminder relating to the replies etc. for the reports, accounts, audit queries letters not received.	-Do-	-Do-	-Do-
6.	Letters and observations relating to significant findings, special audit queries and reports and the instances of suspicions on frauds, irregularities and malpractices.	-Do-	Divisional Heads	Signature should be placed under the designation of the Divisional Head. The name should be indicated above the Designation.
7.	Advance Accounts Activities, Local Authority Accounts, Attestation of Annual Appropriation and Revenue Accounts, Management and drafted Audit Reports relating to the Public Enterprises.	-Do-	-Do-	Signature should be placed on behalf of the Auditor General.
8.	All activities relevant to the policies, audit findings and observations of nationally importance, letters addressed to the Secretaries to the Ministries and the officers in the similar rank, letters addressed to the General Treasury, important parties, Ministers and the Parliamentarians, Notes to the balance	To all parties	Auditor General and the Divisional Heads with the concurrence of the Auditor General.	

	sheets of the Public Enterprises and the Statutory Funds, all statutory reports, surcharge notifications and their certificates and other statutory documents and registers.			
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- Notes: (1) This authorization for signature cannot be used by the Audit Examiners in Grade I who are not the Group Officers.
- (2) The periodic reports, accounting documents and the fist reminders sent requesting the accounts not received can be dealt with by the Filed Inspection Officer in pursuance of the authorization for signature of the Group Officer.