

Inland Revenue Incentive Fund - 2011

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Inland Revenue Incentive Fund as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments of Financial Statements

1.2.1 Accounting Deficiencies

According to the letter dated 28 March 2012, the availability of 01 Table Tennis table and 03 steel almirahs had been stated. But those assets had not been included under the fixed assets of the Fund valued at Rs.5,529,194.

1.2.2 Unreconciled Control Accounts

The following matters were observed.

- (a) Inland Revenue Housing Benefit Scheme had been created by depositing the money lying in the Incentive Fund in the State Mortgage and Investment Bank. Even though a balance of Rs.28,245,671 had been shown as at the end of the year, the balance remaining as at the date after the payment of loans amounted to Rs.8,478,432.

- (b) According to the Statement of Accounts of the State Mortgage Bank for December 2010 the balance of the Housing Benefit Fund as at 31 December 2010 amounted to Rs.10,494,141. But according to the Statement of Account presented for January 2011, the balance on 01 January 2011 had been shown as Rs.12,021,499. As such a difference of Rs.1,527,358 existed.

1.2.3 Lack of Evidence for Audit

Lands and buildings amounting to Rs.5,109,075 had not been recorded in the register of Fixed Assets of the Department.

1.2.4 Non-compliance with Laws, Rules, etc.

Even though action in terms of paragraph 03.2 of the Public Finance Circular No PF/423 of 22 December 2006 action should have been taken to close down dormant Funds, action had not been taken to close down the Inland Revenue Incentive Fund as the Fund remained dormant due to the payment of incentive allowance from the provisions made under the Appropriation Head since the year 2006.

2. Accountability and Good Governance

A system of accounting including the recovery of loans granted under the Housing Benefit Scheme had not been prepared.

3. Systems and Controls

Weaknesses in systems and controls observed during the course of audit were brought to the notice of the Commissioner General of Inland Revenue from time to time. Special attention is needed in respect of the following areas of control.

- (a) Control of Housing Benefit Scheme Loans
- (b) Fixed Assets Control
- (c) Action on Closing Down the Fund