

## Head 231 - Department of Debt Conciliation Board

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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The audit of the financial statements of the Department of Debt Conciliation Board for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Department of Debt Conciliation Board was issued to the Accounting Officer on 09 June 2022 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department was issued to the Accounting Officer on 30 June 2022 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the Department of Debt Conciliation Board as at 31 December 2021 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

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My opinion is qualified based on the matters appear in Paragraph 1.6 of this report . I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidences I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **1.3 Responsibilities of the Accounting Officer on Financial Statements**

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Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Department in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

### **1.4 Auditor's Responsibility on Audit of Financial Statements**

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control of the Department .
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

## 1.5 Report on Other Legal Requirements

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I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018 .

- (a) The financial statements are in consistent with those of the preceding year.
- (b) The recommendations made by me regarding the financial statements of the preceding year had been implemented.

## 1.6 Comments on the Financial Statement

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### 1.6.1 Accounting Deficiencies

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#### (a) Payment of Advances

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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Because of the amount of Rs. 686,270 which was the payment of Advances to	The amount of Rs. 686,270 which was the payment of Advances	Expenditures should be accurately included in the

Public Officers during the year under review had not been accounted for in the statement of financial performance, the balance in the statement of financial performance and the balance in the imprest reconciliation statement had not been matched by that value.

to Public Officers during the year under review was not accounted for in the statement of financial performance by a mistake. It is informed that the actions will be taken to prevent the happening of such errors in future.

statement of financial performance.

**(b) Property, Plant and Equipment**

<p><b>Audit Observation</b></p> <p>-----</p>	<p><b>Comments of the Accounting Officer</b></p> <p>-----</p>	<p><b>Recommendation</b></p> <p>-----</p>
<p>Because of the assets purchased in the year under review amounting to Rs. 173,300 had not been shown under the additions of the year in the statement of non-financial assets, the balance of non-financial assets had been understated by that amount.</p>	<p>As the relevant assets were not brought to accounts under 2102-acquisition of office equipment, it has not been entered in the non-financial assets. It is informed that such errors will be prevented in future.</p>	<p>Additions of non-financial assets during the year should be accurately included in the statement of financial position.</p>

**1.6.2 Failure to Maintain Registers and Books**

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<b>Audit Observation</b>			<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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<b>Type of the Register</b>	<b>Relevant Regulation</b>	<b>Observations</b>		
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(a) Register of Securities	Financial Regulation 891	Had not been held	Actions will be taken to maintain the Register of Security, the Register of Losses and Damages, the Attendance Register of Procurement Committee and the Technical Evaluation Committee in an updated manner.	Relevant registers and books should be maintained up to date.
(b) Register of Damages	Financial Regulation 110	Had not been updated		
(c) Attendance Register of Procurement Committee and Technical Evaluation Committee	Procurement Guideline	Had not been held		

**2. Financial Review**

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**2.1 Expenditure Management**

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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Out of the total net allocation made for 02 capital expenditure objects and 10 recurrent expenditure objects totalled to Rs. 38,850,000, the provision totalled to Rs. 26,023,884 had saved and it	The provisions had saved because of office activities were not properly functioning and not being able to recruit for vacant posts due to the covid pandemic	Expenditure Estimates should be prepared with proper consideration regarding the economy and efficiency in terms of

had ranged from 53 per cent to 100 per cent of the net allocation of expenditure objects.

situation.

the provisions of Financial Regulation 50 .

## 2.2 Liabilities and Commitments Entered Into

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### Audit Observation

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Details of liabilities included in the financial statements amounting to Rs.141,543 had not been formally reported to the Treasury.

### Comments of the Accounting Officer

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It is informed that the actions would be taken to properly report the details of liabilities to the Treasury in future years.

### Recommendation

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Details of liabilities should be reconciled with Statement of Treasury Liabilities.

## 2.3 Non- compliance with Laws, Rules and Regulations

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Instances of non-compliance with the provisions of laws, rules and regulations observed during audit test checks are analyzed below.

### Reference to the Laws, Rules, Regulations etc.

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Financial Regulations of Democratic Socialist Republic of Sri Lanka

### Non-compliance

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### Comments of the Accounting Officer

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### Recommendation

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Financial 135 (1)	Regulation	Although the authorities should be delegated among several persons whenever possible so that each transaction is examined by two or three persons, authorizing and approving the payments of the Department had been done by one officer and certification and payment by one officer.	Due to the existing of only Secretary and Accountant posts as approved staff posts in the Department, authorization and approval to one officer and the certification and payment have been assigned to one officer.	Actions should be taken in terms of Financial Regulation 135 (1) .
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**3. Operating Review**

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**3.1 Vision and Mission**

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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As mentioned in the Vision, adequate activities had not been identified to provide a debt relief method to the public affected by debt transactions with regard to the real estate. Similarly, attention had not been paid to make	Gampaha and Galle Branch Boards and Kurunegala Branch Board have been established in the year 2021 and 2022 respectively in order to expand the service of the Department. Simultaneously, a poster	Special attention should be drawn to make aware the people affected by indebtedness all over Sri Lanka regarding the role of the Department.

aware the people suffering from indebtedness all over Sri Lanka.

containing the role of the Department has been distributed in the Divisional Secretariats of Galle and Gampaha Districts. Accordingly, relevant awareness is properly being done .

### 3.2 Failure to obtain the Desired Output Level

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Even though it was planned in the year 2021 to register 1,525 cases related to debt related complaints and to complete 540 and to carry forward 985 , despite 1,364 cases were registered and only 223 cases had been completed as per the performance information, in fact 1,141 applications had been brought forward to resolve in the next year. Accordingly, only 14.6 per cent of the applications that were to be resolved during the year were actually resolved</p>	<p>Due to the Covid virus in the year 2021 and as a result of the situation in the country, it was not possible to carry out the inquiries of the Debt Relief Board on a daily basis and to commence the Branch Boards as expected, it could not be able to achieve the desired level of performance.</p>	<p>Actions should be taken to improve the performance.</p>

### 3.3 Informal Transactions

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
----- Although the allocations had been made available under due approvals as per the 2 (i) of the Memorandum of Cabinet of Ministers submitted by the Minister of Finance in Cabinet Paper No. 21/1596/304/134 entitled “Review of Public Expenditure”, despite it was mentioned that the purchases which had not yet been commenced should be temporarily suspended, the procurements totalled to Rs.2,063,010 against the approval of the Cabinet of Ministers had been carried out by the end of the year under review.	----- The Ministry of Justice had informed to assign staff to the Branch Boards of the Department and commence the office works. Because there should be enough office equipment for that, only the essential office equipment amounting to Rs.2,063,010 was purchased.	----- It should act in accordance with 2(i) of the Memorandum of Cabinet of Ministers.

### 3.4 Annual Performance Report

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
----- The Annual Performance Report pertaining to the year 2020 had not been tabled in Parliament even by the date of this report.	----- A soft copy of the Annual Performance Report for 2020 has been submitted to Parliament and it is informed that the actions will be taken to table in the Parliament as soon as possible.	----- Actions should be taken in terms of Paragraph 12.1 of Public Finance Circular No. 02/2020 dated 28 August 2020

### 3.5 Procurement Plan

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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<p>(a) A Detailed Procurement Plan had not been prepared as detailed in each procurement action from the time of commencement of procurement until completion in terms of Paragraph 4 (2)(2) of the Government Procurement Guidelines.</p>	<p>It is informed that the actions will be taken to prepare a Detailed Procurement Plan as per the Government Procurement Guidelines.</p>	<p>Steps should be taken to prepare a Detailed Procurement Plan as per the Government Procurement Guidelines.</p>
<p>(b) Even though a sum of Rs. 2.5 Million had been made available for the purchase of goods and services in the Procurement Plan that had been presented, a sum of Rs. 3.29 Million had been spent for the purchase of goods and services in addition to that. Subsequently, a Revised Procurement Plan including all those procurements had been sent to the Secretary to the Ministry on 08 February 2022 and got approved.</p>	<p>As the purchases planned by the Procurement Plan had to be revised at certain times, the Revised Procurement Plan for the year 2021 related thereto was prepared on 08.02.2022 and submitted to Audit and Secretary to the Ministry of Justice.</p>	<p>It should prepare the Procurement Plan as accurately as possible and act accordingly.</p>

Accordingly, it was not observed whether it had acted with an understanding of the intended objectives of the Plan and the Government Regulations.

- (c) Although the procurement entity can make some emergency purchases in case of man-made or natural calamities or to fulfill unexpected social obligations and in other special cases of similar circumstances similar to that and determined as an emergency by government authorities in terms of 3.1.8 of Government Procurement Guideline, the items valued at Rs.5,655,060 needed to be established new branch offices of the Department which were planned for many years, had been purchased from State Trading (General) Corporation considering as an urgent need. Further, without taking actions to make provisions for this in the Annual Estimates, provision had been made available by the Supplementary Estimates. Five laptops, 7 printers, 04 fax machines had been purchased for a
- Since the establishment of Branch Boards of the Debt Conciliation Board was essential, the furniture and office equipment related to that had to be purchased. Although an estimate of Rs.7 Million was made for the purpose of reconciliation of fixed assets, in the preparation of Budget Estimates for the year 2021, only Rs.2 Million had been allocated by the Department of National Budget . Purchase of fixed assets valued at Rs. 5, 655,060 had been made utilizing additional provisions through the allocations provided under the three-year plan to improve the infrastructure of the Judicial Sector.
- Actions should be taken in terms of Government Procurement Guidelines.

Rs. 1,174,028 for these 03 Branch Offices in the year 2020 as well.

- (d) As a result of exceeding the limit approved by the Departmental Procurement Committee in the purchase of 12 items valued at Rs.5,655,060, out of which, 10 items for a bid for Rs.4,953,384 and another item for a bid of Rs.99,560 had been approved and purchased from the Departmental Procurement Committee.
- Only the office equipment which were essential for carrying out the office work of the Branch Boards have been procured under the limit approved by the Departmental Procurement Committee.
- Actions should be taken in terms of Government Procurement Guidelines.
- (e) Due to the unavailability of stock to purchase 08 laptops for Rs.1,063,200 from Sri Lanka State Trading (General) Corporation, there was a cost increase of Rs.559,200 because it had to buy for a sum of Rs.1,622,400 in re-bidding.
- Eight laptops had been ordered for the purchase by Sri Lanka State Trading (General) Corporation as the establishment of Branch Boards were urgent and necessary. However, due to unavailability of stock, actions were taken to cancel the relevant order and buy from the institutions that had submitted the next lowest bid.
- Financial Management of the Government should be carried out so that not to incur losses to the Government .

### 3.6 Securities of Public Officers

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#### Audit Observation

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Arrangements had not been made to obtain securities from 05 officers who had required to give securities as per Public Officers' Security Ordinance in terms of Financial Regulation 880 .

#### Comments of the Accounting Officer

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It is informed that the actions will be taken to carry out the security activities of those officers promptly.

#### Recommendation

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Actions should be taken in terms of Government Officers' Security Ordinance in terms of Financial Regulation.

### 3.7 Action Plan

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#### Audit Observation

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Activities formulated according to the priority order and the expected level of completion that should be included in terms of Public Finance Circular No. 01/2020 dated 28 August 2020 were not included in the Action Plan prepared by the Department.

#### Comments of the Accounting Officer

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The Action Plan for the year 2022 has already been prepared and submitted to the Chief Accounts Officer in terms of Public Finance Circular No. 01/2020 dated 28 August 2020 .

#### Recommendation

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Actions should be taken in terms of the Circular.

#### 4. Achievement of Sustainable Development Objectives

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Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Awareness programmes had not been implemented to the interested parties regarding the role of the institution to implement the Sustainable Development Objectives.</p>	<p>Gampaha, Galle and Kurunegala Branch Boards have been established and being maintained from 2021 to expand the service of the Department, and a poster containing the role of the Department has been distributed in the Divisional Secretariat offices of Galle and Gampaha Districts. Accordingly, relevant awareness is being carried out properly.</p>	<p>Actions should be taken to implement the awareness programmes.</p>
<p>(b) It had not nominate two senior officers to coordinate to achieve sustainable development goals at institutional, provincial and national levels according to the National Level Strategic Management Plan and send to the Ministry of Sustainable Development and Wildlife in terms of Ministry of Sustainable Development and Wildlife Circular No. MSDW/08/65 dated 27 April 2018 .</p>	<p>It is informed that the actions will be taken to nominate two senior officers and to send to the Ministry of Sustainable Development and Wildlife.</p>	<p>Actions should be taken in terms of the Circulars</p>

## 5. Good Governance

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### 5.1 Internal Audit

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#### Audit Observation

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An Internal Audit Unit had not been established in the Department in terms of Section 40 (1) of the National Audit Act No. 19 of 2018 .

#### Comments of the Accounting Officer

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An Internal Audit Unit is not being functioned in the Department and internal audit activities are being carried out by the Internal Audit Division of the Ministry of Justice.

#### Recommendation

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An Internal Audit Unit should be established in the Department in terms of 40 (1) of National Audit Act No. 19 of 2018 .

## 6. Human Resources Management

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#### Audit Observation

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(a) Human Resource Development Plan had not been prepared as per Public Administration Circular No. 02/2018 dated 24 January 2018 .

#### Comments of the Accounting Officer

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Human Resource Development Plan for the year 2021 has been submitted on 19.04.2022.

#### Recommendation

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It should act in accordance with the Public Administration Circular No. 02/2018 dated 24 January 2018 .

(b) Due to the inability to maintain a realistic service level and periodic review of the staff, there were 20 vacancies at Secondary and Primary Levels as at 31 December 2021 .

Actions will be taken to fill the relevant vacancies as soon as possible.

Arrangements should be made to fill up the vacancies in essential posts.