

Head 231 - Department of Debt Conciliation Board

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Debt Conciliation Board for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 31 May 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 27 June 2023 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 2022 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

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 Chief Accounting Officer and the Accounting Officer on Financial Statements

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

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

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 following recommendations made by me regarding the financial statements of the preceding year had not been implemented.

Reference to paragraphs of the report related to last year	Recommendation not implemented	Reference to paragraphs of this report
1.6.1 (b)	Non-mentioning of assets worth Rs. 173,300 under additions of the year in the statement of the non-financial assets.	1.6.1 (b)(ii)

1.6 Comments on the Financial Statement

1.6.1 Accounting Deficiencies

(a) Recurrent Expenditure

The following deficiencies were observed at the accounting of recurrent expenditure related to the financial statements.

Audit observation	Comments of the Accounting Officer	Recommendation
(i) According to the Treasury printout SA 10, although salaries and wages have been stated as Rs.21,423,491, it had been mentioned in the statement of financial performance and ACA – 2 (ii) specimen as Rs. 21,642,644 thereby overstating Rs.219,153.	It had been informed that a sum of Rs. 219,153 of domestic traveling had been added by mistake to the salaries and wages and other employees benefits.	Expenditure should be shown in the financial statements following correct classification of the same.
(ii) According to the treasury printouts SA 10, although the value of other goods and services have been stated as Rs.15,456,221, it had been mentioned in ACA-2 (ii) and statement of financial performance as Rs. 15,237,069 by understating Rs. 219,152	It had been informed that at the preparation of the statement of financial performance, domestic travel expenditure amounting to Rs. 219,153 had been added by mistake to the salaries and wages and other employee benefits .	Expenditure should be shown in the financial statements following correct classification of the same.

(b) Property, Plant and Equipment

The following deficiencies were revealed at the accounting of property, plant and equipment.

Audit Observation	Comments of the Accounting Officers	Recommendation
(i) According to the SA 82, although the office equipment balance has been stated as Rs. 517,818 as at 31 December 2021, it had been brought forward as Rs. 677,581 as at 1 January 2022 by overstating Rs. 159,763. Further, computer equipment and furniture had been brought forward understating by Rs. 138,000 and 21,763 respectively.	It had been informed that the cost value of office equipment, computer equipment and furniture which were at the disposal of the Department as at 31 December 2021 had been mistakenly mentioned as 677,581, 3,534,788, 5,060,899.	Opening balances should be correctly reported.
(ii) The non-financial assets worth Rs.173,300 purchased in the preceding year had not been accounted in the year under review.	Since the relevant goods are not brought under fixed assets, it had been informed that they were accounted under stationeries and office requirements (1201) and other (1409).	Acquisition of assets should be correctly accounted.

2. Financial Review

2.1 Entering Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
Although liabilities amounting to Rs. 967,042 were not reported as per the Treasury statements, liabilities amounting to Rs.967, 042 had been mentioned in the statement of liabilities of the notes to the account (iv).	Since the liabilities amounting to Rs. 967,042 mentioned in note (iv) of the financial statement are the bills related to 2022, but received in 2023 after the end of the accounting year 2022, such values cannot be reported to the General Treasury. However, as mentioned in the audit query, it had been informed that action would be taken to report to the treasury with assessed values for such bills in future (through cigas).	Particulars relating to liabilities should be correctly reported to the Treasury.

2.2 The certification to be given by the Chief Accounting Officer/ Accounting Officer

As per the provisions in section 38 of the National Audit Act No 19 of 2018, although the Accounting Officer should give certification on the following matters; such action had not been taken.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) The Chief Accounting Officer and Accounting Officer should ensure that an effective internal control system is maintained for the financial control of the Department, and to make changes required to effectively maintain the systems following reviews being conducted from time to time on the effectiveness of the system, and although such reviews should be made in writing and copy thereof be made available to the Auditor General, no statement to the effect that such a review has been conducted, was submitted to the audit.	It had been informed that an effective internal control system would be prepared and following which reviews from time to time on the effectiveness of that system would be conducted in future.	Action should be taken as per the provisions in section 38 of the Audit Act No 19 of 2018.
(ii) The Chief Accounting Officer and the Accounting Officer should ensure that annual and other financial statements are prepared within required time periods and although the Chief Accounting Officer should be responsible for presenting in Parliament the annual reports related to the audited entities, such requirement had not been carried out due to the audit observation mentioned in the paragraph 3.2 (a) of the report.	The annual performance reports of this Department for 2020 and 2021 have been presented in Parliament on 19.04.2022. It had been informed that the annual performance reports are being prepared and that action would be taken to present them prior to the scheduled date.	Action should be taken as per the provisions in section 38 of the Audit Act No 19 of 2018.

2.3 Noncompliance with Laws, Rules and Regulations

The following are the instances of noncompliance with laws, rules and regulations observed at the audit test checks.

	Reference to laws, rules and regulations	Observation and Value Rs.	Noncompliance	Comments of the Accounting Officer	Recommendation
	Statutory provisions				
(i)	Gazette (Extraordinary) notification No 1530/13 of 01 January 2008 as amended by the Stamp Duty (Special Provisions) Act No 12 of 2006		Action had not been taken on 27 occasions as per the Act to levy stamp duty on payments exceeding Rs.25,000, the total of which amounted to Rs. 2,008,371	This Department has been registered for stamp duties as at 01 January 2023 and accordingly, It had been informed that stamp duties are properly levied on payments exceeding Rs. 25,000.	Action should be taken as per the Act
(ii)	Sections 2 and 3(2) of the Debt Conciliation Ordinance.		Debt Conciliation Board shall consist of a chairman and 04 other members and although the quorum thereof should consist of 03 members, there have been instances where determinations of cases have been conducted without the quorum.	The main board of the Debt Conciliation Board consisted of 04 members including the Chairman on the relevant dates, and however, only two members had participated in the hearing, since both parties have been summonsed and also they had booked lawyers after making payments, the round of meeting scheduled for the day had been conducted and a future date fixed for the hearing. It had been informed that hearing or settlement of applications did not take place on that occasion. It had been informed that hearing or settlement of applications did not take place on that occasion.	That action should be taken as per section 2 and 3 (2) of the Debt Conciliation Ordinance No 39 of 1941
(iii)	Financial Regulations of the Democratic				

Socialist Republic of Sri Lanka
Financial regulation 371(5) of the Democratic Socialist Republic of Sri Lanka.

200,000

Action had not been taken as per Circulars when settling ad hoc sub-impressts amounting to Rs.200,000 given on two occasions.

It had been informed After issuing the ad hoc sub-impressts, by then, it had been informed that the said impressts would be settled within 10 days after the completion of the task.

That the action should be taken as per the financial regulations.

3. Operational Review

3.1 Vision and Mission

Audit Observation

As mentioned in the Act, Sufficient number of activities had not been identified for providing a debt relief programme to the people burdened with debt transactions in respect of immovable properties. And also, about 05 awareness programmes targeting Northern Province had been carried out in January to build awareness on the people burdened with debt, and no awareness programme had been carried out in any other area of the country.

Comments of the Accounting officer

Posters containing the functions of this Department have been distributed, by the courtesy of the Ministry of Justice, amongst Divisional Secretariats in the districts belonging to the branch offices of Galle, Kurunegala and Gampaha. Accordingly, the relevant awareness building is being properly carried out. An introduction was made of the Department through a media briefing conducted on 23.03.2023 by the Ministry of Justice and it had been informed that it was published in the printed and electronic media.

Recommendation

Action should be taken to identify the activities in terms of the main objective of establishing the institution.

3.2 Annual Performance Report

Annual performance report should have been prepared as per the specimen mentioned in the guideline 14 issued by the Department of Public Finance in terms of chapter 10.2 of the Public Finance Circular No 2/2020 dated 28 August 2020. The following observations are made in that regard.

Audit Observation

(a) Although annual performance report should have been tabled in Parliament before elapsing 150 days after the end of the financial year in terms of chapter 12.01 of the public Finance Circular No 2/2020 dated 28 August 2020, annual performance reports

Comments of the Accounting Officer

It had been informed that annual performance reports relating to the years 2020 and 2021 were tabled in Parliament on 19.04 2023.

Recommendation

Annual performance reports should be tabled in Parliament on the scheduled date.

relating to the years 2020 and 2021, had been tabled in Parliament on the 19 of April 2023.

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| (b) | Annual performance report together with the annual accounts in the year under review had not been submitted to the audit as per the specimen mentioned in the guideline 14 issued by the Department of Public Finance in terms of chapter 10.02 of the Public Finance Circular No 2/2020 dated 28 August 2020. | It had been informed that action would be taken to table in Parliament the annual performance report 2022 as early as possible. | Action should be taken in terms of circulars to submit to the audit the annual performance report together with the annual accounts. |
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3.3 Security to be kept by Public Officers

The following observations are made.

Audit Observation	Comments of the Accounting Officers	Recommendation
Four officers entitled to give security, had not been kept security in terms of Financial regulation 880 and the Public officers' (Security) Ordinance and the Circular No 01/2011 dated 18 January 2011 of the Ministry of Justice.	It had been informed that action would be taken to expedite the activities related to public officers entitled to give security.	Security should be given as per financial regulation 880 and Public officers' (Security) Ordinance.

3.4 Losses and Damages

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The preliminary report regarding a loss related to an accident taken place on 11 January 2022, had been presented on 21 February 2023 under financial regulation 104 (3) and the final report on the loss had been presented on 10 March 2023 under financial regulation 104 (4). And also, the loss amounting to Rs. 101,800 caused to the motor vehicle had not been included in the statement of losses and waivers in the financial statement.	It had been informed that the said investigation was completed in the month of February 2023 after receiving the police report on 15 December 2022, and the damages related to that accident were not shown in the register of losses and damages due to non-completion of the F.R 104 investigation in the year 2022.	Action should be taken as per financial regulation 104 (3) and (4) and the losses and damages should be shown in the financial statement.

- (b) Recommendation of the Government Technical Officer had not been obtained for repairing vehicles. It had been informed that the recommendation of a Government Technical Officer would be obtained from now. That the recommendation of a Government Technical officer would be required for repairing vehicles.

3.5 Management Deficiencies

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the Action Plan of the year 2022 and the information provided to the audit, changes were observed in the number of trials brought forward as at 01 January 2022.	Files related to the trials of the main branch and all other branches were manually counted in the month of January 2023. Accordingly, it had been informed that the initial number of trials was correct as per the information submitted to the audit	Records should be maintained properly.
(b) According to the Departmental reports, there was a difference between the number of trials that should have been existing as at 31 December 2022 and the number of trials physically existing at the Department, and accordingly, a shortage of 836 files at the main branch and 03 files at the Gampaha branch was observed while 59 files were in excess at the Galle branch.	The difference of 836 trials at the main branch is the due to the distribution of files of the main branch amongst the two branches namely, Kurunegala and Colombo which were initiated on 18.01.2022 and 28.11.2022 respectively, and a difference in the number of files was noticed when the files of all branches were manually counted in the month of February 2023, and it had been informed that the difference between the branches of Galle and Gampaha was due to the difference of the number of files when manually counted the files of all branches in the month of February 2023.	Action should be taken to properly maintain a data base.

4. Achieving Sustainable Development Goals

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
As per the National level Sustainable Development Strategies Management Plan in terms of the Ministry of Sustainable Development and Wildlife Circular No MSD/08/65 dated 27 April 2018, two senior	It had been informed that as per the National level Sustainable Development Strategies Management Plan in terms of the Ministry of Sustainable Development and Wildlife Circular No MSD/08/65 dated 27 April	Action should be taken to make the relevant appointments on the scheduled Dates.

officers had been named and referred on 17 April 2023 to the Ministry of Sustainable Development and Wildlife for coordinating to achieve sustainable development goals at institutional, provincial and national level.

2018, two senior officers had been named and referred on 17 April 2023 to the Ministry of Sustainable Development and Wildlife for coordinating to achieve sustainable development goals at institutional, provincial and national level

5. Human Resource Management

The following observation are made

Audit Observation	Comments of the Accounting officer	Recommendation
(a) There was 01 vacancy at senior level and 01 at primary level while there were 05 officers in excess at the secondary level.	It has been informed that the post of Accountant at senior level has fallen vacant while there is a surplus of 14 Development Officers and one post of Driver has fallen vacant too.	Action should be taken to fill the vacancies of the staff expeditiously and obtain the approval of the Management Services Department for the excess cadre.
(b) As per Section 13.3 of the chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, although an acting appointment should be made as a temporary measure only and until substantive appointment is made, no substantive appointment had been made even by 22 March 2023 to the post of Accountant that had fallen vacant from 17 March 2021.	Although a post of Accountant had been approved through the letter of the Director General of the Department of Management Services No DMS/1506/IV dated 17.03.2021, it had been informed that an officer could not be appointed to the substantive post until now due to non-recruitment of officer for the post of Accountant after 2021.	Action should be taken to fill the vacancies immediately.