

Head 231 - Department of Debt Conciliation Board - 2024

1. Financial Statements

1.1 Qualified Opinion

Head 231 - The audit of the financial statements of the Department of Debt Conciliation Board for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 29 May 2025 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 09 September 2025 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 fair view in all the material aspects of the financial position of the Department of Debt Conciliation Board as at 31 December 2024 and its financial performance and cash flow in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements.

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 evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Emphasis of Matter - Basis of Preparation of Financial Statements

I draw attention to Note 1 of the financial statements, which describes the basis of preparation of these financial statements. The financial statements had been prepared for the requirement of the Department of Debt Conciliation Board, the Treasury and the Parliament in accordance with Financial Regulations 150 and 151 of the Government and State Accounts Guideline No. 06/2024 dated 16 December 2024, as amended on 21 February 2025. Therefore, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Department of Debt Conciliation Board, the Treasury and the Parliament of Sri Lanka. My opinion in this regard is not modified.

1.4 Responsibilities of the Chief Accounting Officer and Accounting Officer on Financial Statements

The Accounting Officer is responsible to prepare financial statements that give a true and fair view in all material aspects and to determine such internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error in accordance with Government Finance Regulations 150 and 151 and State Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025.

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.

1.5 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.
- 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 is made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Balances of the Advance Accounts

The following deficiencies were observed in accounting for balances of the advance accounts as at the end of the year.

Audit Observation	Comments of the Accounting officer	Recommendation
(i) Although the cash payments from the advance accounts during the year were Rs. 997,000 as per the Treasury printed SA-52, it was Rs. 474,536, which is Rs. 522,464 less, and although the payments through cross entry were Rs. 474,536 as per the Treasury printed SA-52, it was Rs. 997,000, which is Rs. 522,464 more, as per the Financial Statements Form ACA-5.	Although the amount received from the Advance "B" accounts was Rs. 997,000, it was mistakenly recorded as Rs. 474,536, which is the value of the receipts through cross-entry. It was informed that the value of the receipts, which should have been Rs. 474,536, had been mistakenly recorded as Rs. 997,000, which is the value of the cash receipts, through cross-entry.	The advance account balance should be recorded in Form ACA-5 as per Treasury printed SA-52.
(ii) According to the Treasury printed SA-52, although the cash credits to the advance account during the year were Rs. 985,210, as Rs. 218,000, which was Rs. 767,210 less, and though the receipts of Rs 218,000 through cross entry as per the Treasury printed SA-52, as an amount of Rs. 985,210, more by Rs. 767,210 has been stated in the ACA-5 format of financial statements.	It was informed that the amount of cash credit that should have been Rs. 985,210 was incorrectly recorded as Rs. 218,000, which was the value of the cross entry, and the amount of cash credit that should have been received as Rs. 985,210 was erroneously recorded instead of Rs. 218,000, which was the value of the cross entry.	The advance account balance should be recorded in Form ACA-5 as per Treasury printed SA-52.

(b) Imprest Balance

The following deficiencies were revealed in accounting for imprest balances.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) Although the imprest receipts from other sources were Rs. 1,177,100 as per Treasury printed SA-71, it has not been disclosed in the ACA-3 form of the financial statements.	As shown by the audit, the imprest receipts from other sources were Rs. 1,177,100.	The imprest balance should be recorded in Form ACA-3 as per Treasury printed SA-71.
(ii) Although the imprest settlement through expenditure as per the Treasury printed SA-71 was Rs. 68,240,878, and it was stated as Rs. 67,112,925, by a deficiency of Rs. 1,127,953 in the ACA-3 form in the financial statements.	As shown by the audit, receipts from other sources amount to Rs. 1,177,100 and cash received from the treasury amount to Rs. 67,757,000, bringing the total to Rs. 68,934,100, and the expenditure on advance payments should be revised to Rs. 68,240,878 and settlement by cash to Rs. 644,075.	The imprest balance should be recorded in Form ACA-3 as per Treasury printed SA-71.

2. Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018.

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

3. Financial Review

3.1 Management of Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) An amount of Rs. 11,718,665 was remained from provision of the Rs. 62,610,000 for 13 recurrent expenditure codes and 03 capital expenditure codes, which ranged from 10 percent to 71 percent.	It has been informed that the budget for 2026 would be prepared based on actual information.	Estimates should be prepared with due care, focusing on effectiveness and efficiency.

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| (b) | <p>Although Rs. 2,330,000 had been allocated for the expenditure item 231-1-1-0-1003-11 through the supplementary estimates, the amount so allocated had entirely remained by the end of the year under review, and the total balance of the provisions for that expenditure item had been Rs. 4,921,627. As per letter No. DCB/AC/03/06/2024 dated 26th March 2024 addressed to the Director General of National Budget by the Secretary of the Debt Conciliation Board supplementary requests had been made from the National Budget Department without properly identifying the requirement with the existing provisions for the payment of cost of living allowance of Rs. 10,000.</p> | <p>The additional cost of living allowance received by the Department for the year 2024 is Rs. 2,330,300, and this additional amount of provision is a provision received by the Department through a general circular without the request of the Department. (P.A.C. No. 03/2024). The Ministry has generally requested provisions to provide cost of living allowances along with the number of employees when calculating the additional provision requirement for the departments under the Ministry. Later, at the end of the third quarter, the Department has submitted a letter to the Ministry informing it that it can be able to manage through existing provisions without taking additional provisions to cover the cost of living.</p> | <p>The requirement should be accurately identified and demanding of provisions should be made.</p> |
| (c) | <p>The savings in the expenditure item 231-1-1-0-1101-11 were 67 percent, and even though the savings were attributed to the reduction in travel expenditure due to the decentralization of functions upon the establishment of branch offices, but no steps had been taken to establish branch offices in the year 2024. This reason was not acceptable to the audit as the last branch offices had been established in 2022.</p> | <p>This provision was entirely saved as there was no officer receiving the travelling allowance in the presently approved number of employees. Inform that the budget for the year 2026 will be prepared based on factual information.</p> | <p>The correct reasons for the saving in provisions should be presented in the financial statements, and the requirement should be accurately identified and prepared the estimates.</p> |
| (d) | <p>Although the reason given for the savings of Rs. 2,068,000, i.e. 14 percent of the estimated allocation, in the expenditure item 231-1-1-0-1404-11 was the delay in establishing branch boards, the establishment of new branch boards</p> | <p>Since the 2024 budget did not provide funds for the establishment of branch offices, the action plan did not include the establishment of new branch offices. Inform that a budget will be prepared based</p> | <p>The requirement should be accurately identified and prepared the estimates</p> |

had not been included in the action plan for the year 2024. on factual information where preparing the 2026 budget,

- (e) Although the reason given for the savings of Rs. 71,360, i.e. 71 percent of the estimated provision, in the expenditure item 231-1-1-0-1506-11 was the reduction in the number of officers who had taken property loans in the department, the same reason was given as the reason for the savings in this expenditure item in the year 2023 as well. Accordingly, the estimates had been prepared without correctly identifying the requirement. Provisions had been requested for this purpose with the expectation of the property loan of the incoming officers on behalf of the transferred officers. Inform that the budget for the year 2026 will be prepared based on factual information. The requirement should be accurately identified and prepared the estimates
- (f) Although the reason given for the savings of Rs. 135,500, i.e. 34 percent of the estimated allocation, in the expenditure item 231-1-1-0-2401-11 was that training programs had been unexpectedly postponed to the year 2025 by training institutions, staff training had not been included in the action plan for the year 2024. In order to maximize the utilization of available funds, funds have been transferred from expenditure subjects to develop the capacity of officers and used for relevant tasks. The requirement should be accurately identified and prepared the estimates

3.2 Non-compliance with Laws, Rules and Regulations

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

Observation			Comments of the Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations	Value Rs	Non-compliance		
(a) Debt Conciliation (amendment) Act No.04 of 2019				
(i) Section1 (1)	-	Although the Debt Conciliation	Only 05 members have been appointed	Action should be taken in

		Board should consist of 11 members, The board was limited to only 9 members.	to the main board as government funds must be used sparingly. No appointments have been made as duties can be performed through those officers.	accordance with the referenced Act.
(ii)	Section 8(3)	994,500	Although the members of the Board should consist of persons those who with not less than 10 years of professional experience as a lawyer or who hold or have held a Grade I position in the Sri Lanka Administrative Service or an Island-wide Service, Conterirotory to that , one member had been appointed to the Galle Branch Board, and as of December 31 of the year under review, a total of Rs. 994,500 had been paid as membership allowances, travel allowances and combind allowances.	The Hon. Minister of Justice and National Integration has the power to appoint members under Act No. 4 of 2019. Further details about the appointment can be obtained from the Ministry of Justice and National Integration. Action should be taken in accordance with the referenced Act.

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| (b) | Extra ordinary Gazette No. 1689/18 dated 21 January 2011 | 1,909,000 | Although it is stated that the Chairman and every member of the Board or Board of the Branch shall be paid a combined allowance of Rs. 500 in terms of Section 12 of Public Administration Circular 06/2006 when he is engaged in official duties away from his home, As per the said circular, the time of arrival and departure of the members of the Board is not recorded in accordance with Section 4.4 of Chapter XIV of the Establishments Code, in the payment of composite allowances, an amount of Rs. 1,909,000 had been paid as combined allowances without verifying the length of time they had been engaged in the work. | We received instructions from the Government Audit Division to seek advice from the Ministry of Public Administration and the Treasury regarding the payment of this combined allowance, and since it was not possible to identify a specific division to make inquiries from the Treasury, we requested advice from the Ministry of Public Administration. Thereby, instructions had been received to seek advice from the ministry that issued the relevant internal circular, and accordingly, advises have been requested from the Ministry of Justice and National Integration. | Action should be taken in accordance with the referenced circular and the Establishments Code. |
| (c) | Sections 5.4.11 and 5.4.12 of the Government Procurement | | Although details of such payments should have been notified to the | Since our department has not yet registered for VAT, we will take | Actions should be carried out in accordance with the Procurement |

Guidelines	Commissioner General of Inland Revenue with a copy to the Auditor General on or before the 15th day of the following month after payment to VAT registered suppliers to consisting VAT, details of such payments had not been so sent.	action to do so in the future.	Guidelines.
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4. Operating Review

4.1 Non-achievement of expected Output Level

The following observations are made

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The actual number of cases pending resolution as at 31 December 2024 was 745, representing 36 percent of the total number of cases pending resolution during the year, which was 2,058. Of this, 109 cases were pending in the Main Office, 113 cases in the Colombo Branch, and 293, 154, and 76 cases in the Gampaha, Kurunegala, and Galle Branches respectively. Accordingly, the Gampaha branch had the highest percentage of outstanding cases as at 31 December 2024, compared to the number of cases to be resolved during the year, which was 50 percent	Since our department did not have permanent stenographers last year, even though we recruited trainees from technical colleges, there was a poor daily attendance of those stenographers. The development officers working in our department also carried out that work. The trial and evidence were delayed due to the lack of efficiency. Because stenographing is not a familiar task for those officers. As a result, the resolution and trial of cases were not carried out efficiently. Despite such obstacles, 64 percent progress had been shown.	Urgent steps should be taken to resolve the cases.

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| (b) | According to the age analysis presented by the Department regarding the cases pending as at 31 December 2024, the number of cases pending between 3 and 5 years was 100, the number of cases pending between 5 and 10 years was 113, and the number of cases pending for more than 10 years was 17. Accordingly, the number of cases that had been unresolved for more than 03 years was 230, which was 24 percent of the total number of cases that were pending as at 31 December of the year under review, which was 959. | Recruitment for the post of Stenographer was made on 27th January 2025. Accordingly, actions are being made to increase efficiency in the year 2025 | Urgent steps should be taken to resolve the cases. |
| (c) | There were 6 unresolved cases accepted up to 2009 remaining as at 31 December 2024, including cases that had been unresolved for over 15 years. | As at 22 April 2025, there are 05 pending cases remaining. | Urgent steps should be taken to resolve pending cases. |

4.2 Annual Performance Report

The following observation is made regarding the Annual Performance Report

Audit Observation	Comments of the Accounting Officer	Recommendation
The performance report had not been submitted with the financial statements in accordance with paragraph 10.2 of Public Finance Circular No. 02/2020 dated 28 August 2020 and Section 16(2) of the National Audit Act No. 19 of 2018.	Action is being taken to submit the due dates for next year	Action should be taken in accordance with the referenced circular.

4.3 Procurements

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Bids had been invited from 05 selected institutions for the purchase of 04 desktop machines,	The specifications which we sent to institutions to purchase of 04 desktop machines stated	Encouraging bidders to submit accurate bids.

but only 03 institutions submitted quotations. Although the specification stated that the processor requirement was Intel Core i3 – 12th Gen or i5, the selected supplier had submitted prices for Processor i3 and i5, and it was not possible to clearly identify during the audit whether the processor type mentioned in the bids of the remaining bidders was i3 or i5.

two types: i3 and i5. However, although only one company had listed the i3 and i5 separately, the other two companies had only sent prices for the i3. All these purchase orders had been submitted to the technical committee, which recommended purchasing the i3 at the lowest price. Since three bidders submitted bids for the i3 desktop computer, the Technical Evaluation Committee selected the lowest priced bid that matched the specifications, regardless of the core i5.

- (b) Although the Technical Evaluation Committee should consist of an expert on the subject matter as per Section 2.8.1(b) of the Government Procurement Guidelines for the procurement of 03 fingerprint machines for branch offices at a cost of Rs. 195,000, The Technical Evaluation Committee appointed on January 31, 2024, had not fulfilled those conditions. Furthermore, after sending the letters calling for bids, i.e. on February 13, 2024, another Technical Evaluation Committee was appointed by the Secretary of the Department and the specifications were prepared without paying attention to the warranty period given for the fingerprint machines while preparing the specifications.
- A technical committee had been appointed by the Ministry for these departments that year. They conduct the evaluation on technical assessments and issued a report. Hereby, the letter dated 2024.01.31 is repealed and the letter dated 2024.02.13 comes into force. The bidding institution has provided a warranty period of 3 years. In the future, work will be taken action to state the warranty period for the specification.
- Appointment of Technical Evaluation Committees in accordance with the Procurement Guidelines.

4.4 Security of Public Officers

The following observation is made

Audit Observation	Comments of the Accounting Officer	Recommendation
15 officers who were required to keep security in accordance with the public Officers' security Ordinance, Section 612, and the Ministry of Justice Circular No. 01/2011 dated 18 January 2011, had not kept security to officers who were administratively responsible or who had been delegated such duties under the Financial Regulation 880, and those who certify vouchers and sign cheques relating to the government account, to perform their duties honestly.	Although the security deposit register for depositing the security in accordance with the relevant circular have been forwarded to the Ministry on September 25, 2024 for necessary actions, they have been forwarded back to our department as such register contain deficiencies. Work is on going to correct the deficiencies in those documents and resubmit them.	Security must be kept in accordance with the public Officers' security Ordinance.

4.5 Management Weaknesses

The following observations are made

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The water bill for the month of June 2024 was Rs. 86,046, and even though such an unusual value, due to the delay in investigating and taking prompt action, an unusual bill value of Rs. 86,046 was also presented for the month of July 2024. Although new water meters were installed in July, payments were made to the Kurunegala Municipal Council for water bills worth Rs. 62,634 for the 4 months from August to November at the Kurunegala branch office. This value was very high compared to the first 6 months of the year under review.	The Kurunegala Municipal Council has issued all bills for the period from June to November 2024 in once in month of November 2024. It was observed that the amount payable for the bill for June 2024 was abnormally high. A query was made to the Kurunegala Municipal Council on 2024.12.19 regarding the delay in bills and the increase in the value of the bill, and a response was received on 2024.12.30. According to the report, it was observed that the water bill had increased due to an internal water leak, not a meter error.	Where the delay in bills, the subject clerk should find and look the matter and take prompt action to take the bills on the due date, and ensure that steps are taken promptly to correct internal deficiencies .

- (b) Although the Kurunegala branch has been assigned the functions of 14 out of the 34 jurisdictions in the country, 160 applications had been submitted for the year 2024 regarding requests for debt settlement. It is thus observed that there is a lack of applications to avail the services of the department due to the lack of awareness among the public about the role of the department. Eventhough 09 awareness programs have been conducted during the year, awareness programs targeting the above areas had not been functioned, and the functioning of awareness programs had not been included in the action plan for the year.
- Although several areas fall under the jurisdiction of Kurunegala, most of them are jurisdictions with government lands. Due to the low number of cases reported for government lands, the number of cases is decreasing. The demanded provisions for awareness programs were not included in the action plan due to we did not receive provision.
- It should be included in the action plan and adequate awareness programs should be functioned.

5. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) In terms of Section 13.3 of Chapter II of the Establishment Code of the Democratic Socialist Republic of Sri Lanka, an acting appointment should be made as a temporary remedy until a permanent appointment is made, but the post of Accountant included in the senior level has been vacant since 17th March 2021 and the Accountant of the Ministry is acting in this post. An amount of Rs. 187,263 had been paid as acting allowances as on 31st December of the year under review.	Applications have been submitted to fill the vacancy of Accountant in our department. The vacancy for the position of Accountant in our department has not been filled due to non recruitment of Accountants.	Steps should be taken to fill the vacancies immediately.

- (b) Although the approved number of employees for the post of Development Officer included in the secondary level was 18, 2 vacancies were prevailed due to the actual number of employees was 16, while for the post of Management Service, the approved number of employees was 15, the actual number of employees was 06 and 09 vacancies were prevailed . Furthermore, although the approved number of employees for the post of Stenographer was 06 and the actual number of employees was not available, so that post was entirely vacant as at 31st December of the year under review.
- These vacancies were filled on 27 January 2025.
- Steps should be taken to fill vacancies by the due date.