

Head 231 -Department of Debt Conciliation Board

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Department of Debt Conciliation Board for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 including my comments and observations on the financial statements of the Department of Debt Conciliation Board was issued to the Accounting Officer on 31 May 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018 and the Detailed Annual Management Audit Report in terms of Section 11 (2) of the National Audit Act was issued to the Accounting Officer on 22 May 2019. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Debt Conciliation Board as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements

Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the 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 the summary report of the Auditor General 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 exercise professional judgment and maintain professional scepticism 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 the Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

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

- (a) Since there was no need for the preparation of financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were consistent with the preceding year.
- (b) Since there was no requirement for the Department of Debt Conciliation Board to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on Financial Statements

1.6.1 Statements of Financial Performance

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The total receipts of the Advances to Public Officers Account in the year under review amounted to Rs.1,615,077 according to the Format ACA 5 attached to the financial statements while it had not been included under non-revenue receipts in the statement of financial performance. Thus, the non-revenue receipts for the year under review had been understated by the same amount.	In terms of paragraph 3.6 of State Accounts Circular No.267/2018 of 21 November 2018, statement of financial performance should be prepared based on the details in formats from ACA-1 to ACA-6 and the Notes No.(i) to (viii).	The total receipts of the Advances to Public Officers Account in the year under review has not been included in the statement of financial performance by mistake. The officer in charge of subject was made aware of this matter and I assure that such kind of errors will not be occurred in future.
(b) The total revenue of Rs. 300,588 collected under one Revenue Head during the year had not been included under Format ACA-3. As such, other revenue amounting to Rs.300,588 had been understated under non-revenue receipts in the	In terms of paragraph 7 (ii) of State Accounts Circular No.267/2018 of 21 November 2018, revenue collected by other Departments on behalf of Revenue accounting Officers should be included in the Format ACA-3	Out of the total revenue of Rs. 300,588 collected under Revenue Head 20-03-99-00 during the year, a sum of Rs.231,475.50 has been sent to the Deputy Secretary to the Treasury. As our Department was a "B" Grade Department, the

statement of financial performance for the year under review.

considering as an imprest released by the General Treasury.

revenue collected is being credited to the Deputy Secretary to the Treasury under Revenue Head 20-03-99-00 without being considered it as an imprest received from the Treasury. The balance of revenue amounting to Rs. 69,112.50 has been paid as allowances to the staff. This revenue has not been included under Format ACA 03 due to the ignorance of the officer in charge of subject and I assure that such kind of errors will not be occurred in future.

(c) Payment of Advances

Even though the payment of advances during the year under review as per the Format ACA -5 had been Rs.1,253, 083, it had been shown as Rs.943,691 in the statement of financial performance. Thus, the total expenditure in the statement of financial performance had been understated by Rs.309,392.

In terms of paragraph 3.6 of State Accounts Circular No.267/2018 of 21 November 2018, statement of financial performance should be prepared based on the details in formats from ACA-1 to ACA-6 and the Notes No.(i) to (viii).

The payment of advances in the statement of financial performance had been stated as Rs.943,691 being only the payment of advances made by cash. The payment of advances amounting to Rs.309,392 made by cross entries had not been stated in the statement of financial performance. The transactions entered into by cross entries have not been included due to the ignorance of the officer in charge of subject and I assure that such kind of errors will not be occurred in future.

(d) According to the Vote Ledger of Department and Treasury Computer printouts as at the end of the year under review, the expenditure pertaining to the Objects such as salaries, wages and other employee benefits amounted to

In terms of paragraph 3.6 of State Accounts Circular No.267/2018 of 21 November 2018, statement of financial performance should be prepared based on the details in formats from ACA-1 to ACA-6 and

As this error occurred due to the ignorance of the officer in charge of subject, I assure that such kind of errors will not be occurred in future.

Rs.7,233,215. Nevertheless, the Notes No.(i) to (viii). the said expenditure had been shown as Rs.6,638,638 in the statement of financial performance, thus the recurrent expenditure in the statement of financial performance had been understated by Rs.594,577.

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| <p>(e) Out of the revenue collected under Revenue Head 20-03-99-00 during the year under review, a sum of Rs.231,475 has been remitted to the Deputy Secretary to the Treasury and a sum of Rs. 69,113 had been paid as allowances to the staff. As such, the total expenditure amounting to Rs.300,588 has not been included in the statement of financial performance, thus the total expenditure had been understated in accounts by the same amount.</p> | <p>In terms of paragraph 3.6 of State Accounts Circular No.267/2018 of 21 November 2018, statement of financial performance should be prepared based on the details in formats from ACA-1 to ACA-6 and the Notes No.(i) to (viii).</p> | <p>The expenditure on payment of deposits totalling Rs.300,588 has not been included in the statement of financial performance due to a mistake made by the officer in charge of subject and I assure that such kind of errors will not be occurred in future.</p> |
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1.6.2 Statements of Financial Position

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>Details of a motor vehicle owned by the Department had not been included under Code of Assets No.6112101 in the format ACA-6 attached to the financial statements. As such, the balance of property, plant and equipment and the reserve balance of property,</p>	<p>In terms of paragraph 3.6 of State Accounts Circular No.267/2018 of 21 November 2018, statement of financial performance should be prepared based on the details in formats from ACA-1 to ACA-6 and the Notes No.(i) to (viii).</p>	<p>As the relevant motor vehicle under Code of Assets No.6112101 which owned by the Department is an asset given to our Department by the Ministry of Justice and Prison Reforms, the details of that motor vehicle have not been stated under property, plant and</p>

plant and equipment had been understated in the statement of financial position.

equipment. As such, the relevant officers in charge of subject had been informed to take necessary action to state the details of that motor vehicle under property, plant and equipment.

1.6.3 Cash Flow Statement

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>According to format ACA-5, the difference between debits and credits through cash in the Advances to Public Officers Account during the year amounted to Rs.594,557. Nevertheless, the difference between Deposit Accounts and other liabilities in the cash flow statement for the year under review had been shown as Rs.943,691. Thus, the total cash flow spent on the financial activities had been overstated by Rs.349,134 in the cash flow statement.</p>	<p>In terms of paragraph 3.6 of State Accounts Circular No.267/2018 of 21 November 2018, statement of financial performance should be prepared based on the details in formats from ACA-1 to ACA-6 and the Notes No.(i) to (viii).</p>	<p>Only the debits through cash in the Advances to Public Officers Account during the year have been stated in the cash flow statement. As this error occurred due to the ignorance of the officer in charge of subject, I assure that such kind of errors will not be occurred in future.</p>

1.6.4 Exceeding Limits

The following observations are made on excesses and shortfalls on the limits authorized by Parliament for the purposes of public advances.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Even though the minimum limit of receipts authorized for Advances to Public Officers B Account Item No.</p>	<p>In terms of paragraph 2.1 of the Circular No.118 dated 11 October 2004 of the Director General of National Budget</p>	<p>The actual receipts in the Advance B Account of this Department amounted to Rs.349,134 and as such, the</p>

23101 amounted to which includes the shortfall on the limit of Rs.400,000, the actual instructions pertaining to the minimum receipts was receipts during the year had Advances to Public Officers Rs.50,866. Accordingly, we been Rs.349,134. As such, B Account, debits and credits were informed by the letter shortfall on the limit of arising out of the settlement No.BD/PE2/76101/03/2002 of receipts amounted to of loans between Ministries and Departments should not 25 February 2019 that the Rs.50,866. be taken into account for the purpose of determining the maximum limit and the minimum limit of receipts.

Department of National Budget has sought the recommendation of the Minister of Finance and Media to revise the limit of minimum receipts of the Department as Rs.349,134. I will take action to prevent such kind of errors in future.

2. Financial Review

2.1 Management of Expenditure

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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Out of the total provision of Rs.27.04 million made for 03 capital Objects and 09 recurrent Objects, the savings amounting to Rs.13.53 million ranged between 21 per cent to 74 per cent of the net provisions.	In terms of the provisions in Financial Regulation 50, the Estimate of Expenditure should be prepared accurately with due regard to economy and efficiency.	The reasons for savings were as follows. (i) Due to the vacancy existed in the post of Secretary, the improvements to the motor vehicle assigned to the Secretary has not been carried out and the post of driver has remained vacant. (ii) Failure to purchase furniture as expected. (iii) Failure to direct the officers for training programmes due to vacancies existed. (iv) Implementation of the mobile programmes less than the number expected. (v) No approval received in Parliament for the revision of membership allowance of the

Board.

- (vi) Savings of provision for fuel allowances in respect of the post of Secretary and vacancy existed in the post of driver from May 2018 to October 2018.
- (vii) Minimum expenditure for maintenance due to the use of computers and photo copy machines economically.
- (viii) Even though provision was made with a view to shifting the Department to a place with more space, it has not been so done.
- (ix) Less number of officers who obtained the Housing/Property Loans.

2.2 Operation of Bank Accounts

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Action in terms of Financial Regulation 396(d) had not been taken on 06 cheques valued at Rs.14,350 which remained uncashed for more than 06 months in a Bank Account as at 31 December 2018.	----- Action in terms of Financial Regulation 396(d) should be taken on the cheques remain uncashed for more than 06 months.	----- Confirmation of the bank that the cheque will not be paid, has been obtained in terms of Financial Regulation 396(d) on the cheques remain uncashed for more than 06 months and further, I inform that necessary action has been taken in this connection.

3. Operating Review

3.1 Performance

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
The percentage of court cases settled pertaining to the performance of the Department during the period of 08 preceding years, from the year 2011 to 2018 had ranged from 29 per cent to 51 per cent out of the total number of court cases. Further, the number of applications newly received annually during the said period had ranged from 388 to 514. The number of court cases registered during the year 2018 stood at 381 representing 18 Districts. Accordingly, the total number of cases to be settled island wide as at 31 December 2018 stood at 785 and it was observed that about 25 per cent of the said number of cases had been older than 03 years.	As the main objective of the establishment of the Department is to assist parties to arrive at a settlement on the repayment of loans on Mortgage Bonds, Deeds of Conditional Transfer and Deeds of transfer executed solely for a loan transaction in respect of immovable property. As such, special attention is needed in respect of the achievement of those objectives.	Due to the participation in public awareness programmes including the President's Official Mission (<i>JanapathiNilaMehewara</i>) held during several preceding years, the number of applications received annually has increased. Further, the percentage of cases settled has also increased with the increase in the number of cases heard by the Board daily. Arrangements were being made to establish 05 offices of Branches affiliated to this Department covering the Districts, Gampaha, Kaluthara, Kurunegala, Matara and Kandy. Initial steps were being taken to establish the Branch in Gampaha and action was being taken to open the Gampaha Branch in July 2019. Even though the settlement of court cases older than 03 years had delayed due to the absence of litigants and the delay in obtaining relevant evidence, action is being taken by the Department of Debt Conciliation Board to settle those court cases.

3.2 Planning

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
The Action Plan prepared for the year 2018 to perform the key functions of the Department and achieve the expected results in terms of the Public Finance Circular No.01/2014 of 17 February 2014, did not include the organizational Structure,	The Action Plan for the year 2018 should be prepared in terms of the Public Finance Circular No.01/2014 of 17 February 2014.	Action has been taken to prepare the Action Plan for the year 2019 in terms of the relevant Circular.

approved cadre and actual cadre, Activity Plan, Time Line, anticipated output/outcome, Imprest Requirement Plan etc.. . As such, it was observed that the Action Plan has not been prepared in terms of the said Circular.

3.3 Asset Management

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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Even though the Department had submitted the Annual Board of Survey Report of the year 2018 on 15 March 2019, no action had been taken on reporting the shortfalls and excesses. Further, a classification of the goods to be disposed had also not been done as per Form General 47.	Annual Board of Survey of the year 2018 should be conducted in terms of Public Finance Circular No.05/2016 of 31 March 2016 and the reports thereon should have been presented to the Auditor General before 17 March 2019 in terms of paragraph 3.1.6 of the said Circular.	Action could not be taken in respect of the Board of Survey Report of the year 2018 while instructions had been given to take action on the Board of Survey of the year 2019 in accordance with the circular.

4. Human Resource Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The post of Secretary in the Senior Level had remained vacant for over five years and acting appointments had been made for the said post from time to time. At present, action is being taken to amend the Scheme of Recruitment for the post of Secretary.	Action should be taken to fill the vacancies.	The post of Secretary in the Department had remained vacant for over 05 years and acting appointments had been made for the said post from time to time. Applications have already been invited for the post of Secretary and recruitment process is being carried out by the Ministry of Justice and Prison Reforms.
(b) The three approved posts of	-do -	The three posts of Stenographer

Stenographer in the Secondary Level had been vacant since before the year 2013 and two stenographers attached by the Ministry of Justice were employed from June 2014. As there were no eligible stenographers even to sit for the competitive examination held after being approved the Scheme of Recruitment, the vacancy remains as yet.

in the Department had been vacant and two stenographers attached by the Ministry of Justice were employed. The Scheme of Recruitment for Stenographers has already been amended and submitted to the Ministry of Justice and Prison Reforms for approval.