

## **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 2020 comprising the statement of financial position as at 31 December 2020 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 11 May 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Department was issued to the Accounting Officer on 14 June 2020 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 2020 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 evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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The Accounting Officer is responsible for 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 .

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 and 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 express a 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 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.
- It is not intended to express an opinion on the effectiveness of internal control of the Department to plan appropriate audit procedures in a timely manner.
- Evaluate the structure of financial statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- The transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements as a whole.

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) Recommendations made by me regarding the financial statements of the preceding year had been implemented .

## 1.6 Comments on Financial Statements

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### 1.6.1 Cash Flow Statement

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#### (a) Non-revenue Receipts

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
A sum of Rs. 30,319 had been understated under cash flow generated from operational activities in the cash flow statement.	The Other Receipts amounting to Rs.30,318.51 has been understated in the cash flow generated from operational activities by a mistake.	The accurate value should be stated in the cash flow statement.

#### (b) Personal Emoluments and Operating Expenses

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Since the payment of personal emoluments and operating expenses, amounted to Rs.19,476,169 was mentioned as Rs.19,453,489 in the cash flow statement, the cash flow from operating activities had been understated by Rs. 22,680.	Although the cash flow statement should be recorded under personal emoluments and operating expenses, the cash flow was understated by Rs. 22,680 due to not recorded by a mistake.	Accurate values should be stated in the cash flow statement.

## 2. Financial Review

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### 2.1 Entered into Liabilities and Commitments

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
----- Details of liabilities amounting to Rs. 58,468 included in financial statements had not been properly reported to the Treasury.	----- It is informed that, the arrangements will be made not to happen these errors which had caused by a mistake, in future.	----- Details of all the liabilities should be properly reported to the Treasury.

### 2.2 Certifications to be made by the Accounting Officer

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Even though the Accounting Officer had to make the certifications on the matters mentioned below in terms of the provisions of Section 38 of the National Audit Act No. 19 of 2018, actions had not been taken accordingly.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
----- Although the Chief Accounting Officer and the Accounting Officer should ensure that there is an effective system for the proper functioning of the internal audit activities in terms of the Section 38 (f) of the Act, that requirement had not been met as per the observation made in Paragraph 5.1 of the report.	----- An Internal Audit Unit has not been established in this Department and internal audits are being conducted in by the Internal Audit Unit of the Ministry of Justice.	----- Actions should be taken in accordance with the provisions of Section 38 (e) of the National Audit Act No. 19 of 2018 .

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

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The instances of non-compliance with the provisions of the Laws, Rules and Regulations observed during the audit test checks are analyzed below .

Observation	Comments of the Accounting Officer	Recommendation
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<b>Reference to Laws, Rules and Regulations</b> -----		
<b>(a) Financial Regulation 135 (4) ) of Democratic Socialist Republic of Sri Lanka</b>	The delegation of financial powers had not been properly carried out in an updated manner .	Necessary actions are being taken to revise the schedule of delegation of financial authority for the year 2021 indicating the provisions to cover non-attendance for duties.
<b>(b) Asset Management Circular No. 01/2017 dated 28 June 2017 of the Ministry of Finance and Mass Media</b>	Information on non-financial assets had not been submitted to the Comptroller General's Office.	Non-financial assets purchased from 2018 to date have not been submitted to the Comptroller General's Office. The officer in charge of the subject has been informed to take necessary action for that.

### 2.4 Issuance and Settlement of Advances

Audit Observation	Comments of the Accounting Officer	Recommendation
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Although the ad hoc sub imprests should be settled as soon as the task is completed, 03 advances totalled to Rs. 40,000 had	The advance of Rs. 20,000.00 given on 09.10.2020 has been settled on 18.12.2020 and as a result of the situation in the	The ad hoc sub-imprests should be settled as soon as possible.

been settled in delay from 70 days to 338 days.

country due to the Covid Virus, it has been late to take actions to settle the advance because of the suspension of Departmental activities during the month of November 2020 .

### **3. Operating Review**

#### **3.1 Vision and Mission**

##### **Audit Observation**

Sufficient actions had not been taken to set up a relief programme to get release from debts for those who suffer from the borrowing debts on real properties. Similarly, even an adequate programme had not been formulated to make aware the people on this.

##### **Comments of the Accounting Officer**

Four Branch Boards had to be established focusing the cities such as Gampaha, Galle, Kurunegala and Colombo during the year under review with a view to further expanding the service provided by this Department and it has been impossible to carry out the establishment of Branch Boards due to the Covid 19 virus. However, related activities are in progress to establish these Branch Boards by 2021.

##### **Recommendation**

Sufficient arrangements should be made to get relief from debt on real properties as the main objective of the Department.

### 3.2 Planning

#### Audit Observation

The Annual Action Plan had not been prepared in terms of Public Finance Circular No. 01/2014 dated 17 February 2014 .

#### Comments of the Accounting Officer

The preparation of Annual Action Plan in terms of Public Finance Circular No. 01/2014 dated 17 February 2014 for the year under review has been carried out with errors by a mistake. It is informed that the actions will be taken to prepare the Annual Action Plan by rectifying this error hereafter.

#### Recommendation

Actions should be taken in terms of Public Finance Circular No. 01/2014 dated 17 February 2014 .

### 3.3 Failure to Perform Duties

#### Audit Observation

Even though it was planned to complete 507 out of 1301 registered cases in the year 2020, only 222 cases had been settled.

#### Comments of the Accounting Officer

The inquiries of the Debt Conciliation Board did not proceed because of the situation in the country due to the Covid 19 Virus and this has been a reason for the decline in the number of applications being solved during the year. However, the actions are being taken to establish Branch Boards within the year 2021, it is informed that it is expected to increase the number of applications resolved during the year 2021 .

#### Recommendation

Arrangements should be made to improve the performance of the Department.

### 3.4 Annual Performance Report

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>A draft of the Annual Performance Report had not been submitted for audit in accordance with the Format 14 of Guidelines issued by the Department of Public Finance in terms of Paragraph 10.2 of the Public Finance Circular No. 2/2020 dated 28 August 2020 .</p>	<p>As a result of the delay occurred due to inability to manage the affairs of the Department, the Performance Report for the year 2019 could not be prepared and furnished to Parliament even by now. It is kindly informed that the Performance Report of the year 2019 is being printed.</p>	<p>Actions should be taken in terms of the Paragraph 10.2 Public Finance Circular.</p>

### 3.5 Procurements

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>(a) Four fax machines which were not included in Procurement Plan valued at Rs. 105,840 had been purchased.</p>	<p>The answers have not been provided.</p>	<p>Purchases should be carried out in consistent with the procurement plan as much as possible.</p>
<p>(b) Even though a sum of Rs. 450,000 had been estimated to the purchase of laptops as per the Procurement Plan, Rs. 900,188 had been spent for that.</p>	<p>Even though the provision made in the Procurement Plan was Rs. 450,000 only for the purchase of laptops, a sum of Rs. 900,188 has been spent for that on the requirement exists.</p>	<p>Actions should be taken in accordance with Procurement Plan.</p>



### 3.6 Securities Kept by Public Officers

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Actions had not been taken to obtain securities from 05 officers who are required to keep securities in accordance with the Public Officers' Security Ordinance in terms of Financial Regulations 880.	It is further informed that the actions will be taken to expedite the keeping of securities those officers.	Actions should be taken comply with the Public Officers' Security Ordinance in terms of Financial Regulations.

### 3.7 Management Weaknesses

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Even though provisions had not been made for the establishment of Branch Boards, 5 laptops, 7 printers and 4 fax machines had been purchased at a cost of Rs. 1,174,028 and the equipment had remained in idle due to the fact that the branches were not established even by 31 July 2021.	Even though the establishment of Branch Boards of the Debt Conciliation Board was expected to be functioned in the year 2020, sufficient provision has not been made for the establishment and function of Branch Boards though the provisions were made available for the purchase of furniture and office equipment for the Branch Boards as per the by-laws that became functioned in the year 2020 . Further, the Branch Boards could not be established as expected on the situation in the country due to the Covid 19 virus. The purchase of furniture and office equipment for the Branch Boards has been	Provisions should be used for the planned activities.

made under the existing provision because it is essential to set up Branch Boards as soon as possible for the year 2020 . It is further informed that the Branch Boards are expected to be established by May 2021

#### 4. Achieving the Sustainable Development Goals

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##### **Audit Observation**

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Even though the interested parties have been identified in connection with the role of the organization, to implement the Sustainable Development Goals, awareness programmes for those parties had not been implemented.

##### **Comments of the Accounting Officer**

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It had been stipulated to establish 04 Branch Boards focusing on the cities of Gampaha, Galle, Kurunegala and Colombo during the year under review with a view to further expanding the service provided by this Department and the Branch Boards could not be established due to the Covid 19 virus. However, it is further informed that relevant activities are being carried out to establish these Branch Boards by 2021 .

##### **Recommendation**

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Awareness programmes should be implemented identifying parties interested in implementing the Sustainable Development Goals.

## 5. Good Governance

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### 5.1 Internal Audit

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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An internal audit had not been carried out for the year 2020 in terms of the provisions of Section 40 (1) of the National Audit Act No. 19 of 2018 .	An Internal Audit Unit has not been established in this Department and internal audits are carried out by the Internal Audit Unit of the Ministry of Justice.	Actions should be taken in accordance with the provisions of Section 40 (1) of the National Audit Act No. 19 of 2018 .

## 6. Human Resources Management

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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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(a) As a result of actions were not taken to maintain a realistic level of service and to have a timely review of the number of employees, there were 08 vacancies at the secondary and primary levels as at 31 December 2020 .	Even though a request has been made to the Director General of Combined Services by the letter No. 3/1/6 dated 27.11.2019 to fill the vacancies in this Department the reply has not been received even by now. Request letters of the Department No. 3/1/14 dated 15.03.2021 have been sent to the Director, Multi Purpose Development Task Force to fill the vacancies in the office staff service and the vacancies in the post of driver.	Actions should be taken to fill the essential vacancies .

(b) A Human Resources Development Plan had not been prepared in terms of the provisions of Public Administration Circular No. 02/2018 dated 24 January 2018.

This Human Resources Development Plan has not been prepared from 2018 up to now and the Human Resource Plan for the year 2021 is being prepared.

Actions should be taken as per the circular.