

Head 231 - Department of Debt Conciliation Board

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head 231- Department of Debt Conciliation Board for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 28 May 2024 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 25 June 2024 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 2023 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.

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

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

1.6 Comments of the Financial Statements

1.6.1 Non-compliance of financial statements with the provisions of the circular.

Although the financial statements should have been prepared according to the State Accounts Guidelines No. 05/2023 dated 30 November 2023, the following instance deviated from those requirements.

Audit Observation	Comment of the Accounting Officer	Recommendation
According to the instructions mentioned in Section 7.9 of the State Accounts Guidelines, although the difference after deducting the value of the deposit accounts from the value of the advance accounts of the reporting institution should be presented as "Net Assets to the Treasury" under the Net Assets/Equity in the financial statement, due to the failure to state the deposit account balance, the amount of net assets to the Treasury was understated by Rs. 5,275, showing a total of Rs. 2,488,903.	Due to the omission of the deposit account balance, the net assets have been understated. It has been noted that the correct value should be Rs. 2,483,628.	The financial statements should be prepared in accordance with the State Accounts Guidelines.

1.6.2 Accounting Deficiencies

(a) Deposits

The following deficiencies was observed during the accounting of deposits and balances related to financial statements

Audit Observation	Comment of the Accounting Officer	Recommendation
Although the deposit account balance as per Treasury printouts SA 30 was Rs. 5,275, the current liabilities had been understated by Rs. 5,275 in the statement of financial position as at 31 December 2023, due to the failure to include a deposit account balance under current liabilities.	Although a balance of Rs. 5,275 had been recorded in the deposit account in ACA 4 during the preparation of the statement of financial position, it was omitted to include in the financial statement. It was noted that measures have been taken to avoid such errors in the preparation of the 2024 financial statement.	The deposit balance in the statement of financial position should be stated in accordance with Treasury printouts SA 30.

(b) Property, Plant and Equipment

The following deficiencies was observed during the accounting of Property, Plant and Equipment

Audit Observation**Comment of the Accounting Officer****Recommendation**

A printer had been obtained from the Prison Division of the Ministry of Justice on 19 January 2023. However, instead of recording it as Rs. 75,000 under transfers in the statement of non-financial assets, it was incorrectly stated under additions in the opening balance for the year.

All balances of non-financial assets provided by the Ministry of Justice in 2023 were included as opening balances in accordance with verbal instructions from the Department of State Accounts. It was noted that, such receipts will be stated under transfers in the future.

Transfers during the year should be stated under transfers in the statement of non-financial assets.

2. Financial Review**2.1 Expenditure Management****Audit Observation****Comment of the Accounting Officer****Recommendation**

(a) Out of the total net provision of Rs. 67,400,000 made for 11 recurrent Objects, a sum of Rs.15,183,681 remained unutilized, and the remaining amounts ranged from 6 per cent to 100 per cent.

It was noted that due to the decentralization of the Kurunegala, Gampaha, and Galle branch offices, travelling expenses and combined allowance payments were limited as officers' visits to the head office for duties and supervision decreased. Additionally, the savings of provisions were attributed to the non-establishment of branch offices planned for 2023.

Estimates should be prepared with due consideration, focusing on accuracy, efficiency, and thriftiness.

(b) The entire provision of Rs. 300,000 made for a single capital Object remained unutilized.

It was noted that, during the preparation of the 2023 budget, a forecast was made to the effect that value increase should be carried out, and provision of Rs. 300,000 was stated under 231-1-1-2003. However, since no vehicle rehabilitations or modifications were carried out during the year 2023, the entire provision remained unutilized.

Estimates should be prepared with due consideration, focusing on accuracy, efficiency, and thriftiness.

2.2 Incurring Commitments and Liabilities

Audit Observation	Comment of the Accounting Officer	Recommendation
Although the value of the commitment in Object 1403 was Rs. 84,270, it was recorded as Rs. 12,475, thus understating it by Rs. 71,795, under note (iv) in the financial statement.	Under Object 1403, commitments for electricity and water bills were recognized only for the billing period of December 2023. If the billing period covered fewer days, it was recognized as a bill for the subsequent billing period.	Details regarding commitments should be accurately recorded in the financial statement.

2.3 Non-compliance with Laws, Rules and Regulations

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

Reference to laws, rules and regulations	Observation Value Rs.	Non-compliance	Comment of the Accounting Officer	Recommendation
Statutory Provisions Section 8(3) of the Debt Conciliation (Amendment) Act No. 04 of 2019	-	Although the board should be comprised of members who have not less than ten years' professional experience as an attorney-at-law or who hold or have held a post of Class I officer in the Sri Lanka Administrative Service or in an All Island Service, a member had been appointed to the Galle branch on 22 August 2022, who did not meet these criteria,	It was noted that since all appointments to the board are made by the Minister of Justice, it is not possible to provide answers regarding this matter.	Action should be taken in accordance with the referred Act.

and the member's appointment was extended until 08 February 2024.

3. Operating Review

3.1 Failure to achieve the expected level of output

The following observations are made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	As at 31 December 2023, there were 1,157 applications still to be resolved, including 162 at the head office, 159 at the Colombo branch, 383 at the Gampaha branch, and 212 and 241 at the Galle and Kurunegala branches, respectively.	It was noted that the department's performance was 44 per cent in the year 2022 and it was 49 per cent in 2023.	Prompt action should be taken to resolve the cases.
(b)	As of 31 December 2023, there were 12 unresolved case files undertaken up to the year 2009, of which 7 files had been granted time for inquiries. Accordingly, it is observed that there are case files that have remained unresolved for over 14 years.	It was informed that the main board and the chairpersons of the branch boards had been formally notified about this matter and asked for suggestions and opinions on expediting the resolution of these case files.	Prompt action should be taken to resolve the cases.

3.2 Annual Performance Report

According to Section 10.2 of the Public Finance Circular No. 2/2020 dated 28 August 2020, the annual performance report should have been prepared in accordance with the format specified in Guideline No. 14 issued by the Public Finance Department. The following observation is made in this regard.

Audit Observation	Comment of the Accounting Officer	Recommendation
Although the annual performance reports should be submitted to Parliament within 150 days after the end of the financial year according to Section 12.1 of State Finance Circular No. 2/2020 dated 28 August 2020, the annual performance report for the year 2022 had been tabled in Parliament on 21 September 2023.	It was noted that the provisions for printing a large number of copies of the annual performance report were insufficient. Therefore, the printing of the report was carried out as per the letter from the Secretary to the Leader of the House bearing No. LHP/PA/01-2022/Reports dated 10.06.2022.	Action should be taken in accordance with the referred circular.

3.3 Assets Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
In the payment of bills for tires purchased for two motor vehicles amounting to Rs. 188,000 and for vehicle repairs amounting to Rs. 224,000, relevant payments were made without obtaining the recommendation of a mechanical engineer that the work had been properly carried out.	It was notified that the issue was corrected after the payments were approved by the mechanical engineer on being presented them for approval.	Recommendations from a mechanical engineer should be obtained before making payments for repairs.

3.4 Security of Public Officers

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
According to Financial Regulation 880, government officials who are administratively responsible or have been delegated authority to carry out these duties, including those who certify vouchers or sign cheques on Government Account, should execute their	It had been informed that the applications for the officials' security were forwarded to the Secretary of the Ministry of Justice for further action.	Securities should be given in accordance with referred Regulation 880 and the Public Officers (Security) Ordinance.

duties with integrity. However, 12 officials who are required to give securities as per the above regulation and Public Officers (Security) Ordinance (Cap. 612), and the Ministry of Justice Circular No. 01/2011 dated 18 January 2011, had not provided their securities.

3.5 Management Weaknesses

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>In August 2022, the case files at the head office were manually computed, and in November 2023, all branch offices, including the head office, had manually computed their case files. It was found that, there was an increase of 248 case files in 2022 and 221 case files in 2023 compared to the documented information. Accordingly, as a result of the manual computation in 2023, the number of case files at the head office had increased by 83, while the Colombo and Gampaha branches saw increases of 48 and 84 case files, respectively. It was observed that due to discrepancies between the documented information and the physical records during these periodic computations, there was no proper internal control system in place for the maintenance of the files.</p>	<p>It has been informed that the UNDP is in the process of taking necessary steps to provide a structure for a new data system.</p>	<p>Necessary steps should be taken to introduce an appropriate data system.</p>

4. Human Resource Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) In accordance with Section 13.3 of Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, the appointment to act in a position should be made as a provisional measure until a substantial appointment is made. However, the position of Chief Accountant, which falls under the senior level, has been vacant since 17 March 2021, and the Chief Accountant of the Ministry is currently act in the duties of this position.	Although I have submitted a request through my letter of even No. 3/1/24 dated 01.09.2023 to fill this vacancy, it has been informed that there are currently no officers in Grade III/I of the Accountant Service available for transfer.	Steps should be taken to promptly fill the vacancies.
(b) Although the approved cadre for the position of Development Officer included in the secondary level is 18, the actual number of employees is 19, resulting in an excess of 01 employee. Similarly, for the position of Management Services Officer, the approved cadre is 15, but the actual number of employees is 06, leaving 9 vacancies. Furthermore, although the approved cadre for the position of Stenographer is 6, the actual number of employees is 03, leaving 03 vacancies.	Three Development Officers have been provided on temporarily attachment from the Ministry of Justice, resulting in 2 vacancies for Development Officer positions and there are 9 vacancies for the Management Services Officer positions. For the Stenographer position, since three officers are currently serving on temporary attachment, there remain 6 vacancies unchanged. It has been informed that actions are currently being taken to make the necessary recruitments.	Steps should be taken to promptly fill the vacancies and to obtain approval from the Department of Management Services for the excess number of employees