

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 2019 comprising the statement of financial position as at 31 December 2019 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 was issued to the Accounting Officer on 09 June 2020 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 31 July 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 in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the Department of Debt Conciliation Board as at 31 December 2019 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

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

The Chief Accounting Officer and 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

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

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

- (a) As a result of difference totalled to Rs.7,343,418 in relation with 12 cases was observed when including the balance mentioned in the audited financial statements of the preceding year in the financial statements of the year under review, financial statements submitted for the year under review had not corresponded to the previous year.
- (b) Recommendations I made in the preceding year regarding the observation mentioned in Paragraph 1.6.2 of this report had not been implemented in the financial statements for the year under review.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

The following observations are made.

Audit Observation	Recommendation	Comments of the Accountng Officer
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(a) Since it had not been reported to the Treasury in respect of the Deposit receipts amounting to Rs.34,921 during the period from January to July in the year under review and the deposit payments of Rs. 29,303 during that period, there was a minus balance of Rs.5,617 in the deposit account as per the Treasury Books at the end of the year .	The balance in the deposit account as at 31 December 2019 submitted as per ACA-4 Format and the balance in the deposit account as per the Treasury computer printouts as at the date should be equal in accordance with Paragraph 6 of State Accounts Circular No. 271/2019 dated 03 December 2019.	The officers' share of 30 per cent or Rs.34,921 out of the collected copier charges with respect to the period from January to July as receipts in the Deposit Account and payments of Rs.29,303 as expenditures had not been recorded. Therefore, the deposit account balance as at 31 December 2019 was minus value of Rs.5,617 .

- (b) Although the total receipts of the Advances to Public Officers' 'B' Account under Object No. 23101 for the year under review was Rs.849,609 , since it was stated in the statement of financial performance as Rs.449,978, the advance receipts amounted to Rs.399,631 had been understated.
- All advances received in cash and cross entries during the year should be included in the statement of financial performance.
- As a result of only the sum of Rs.499,978 charged in cash as receipts of the year under review has been shown in the statement of financial performance, a sum of Rs.399,631 (Receipts from cross-entries) has been understated.
- (c) Out of a total of other receipts amounted to Rs.767,618 during the year under review, a sum of Rs.708,877 had been accounted for deducting Rs.58,741 from the copying fee receipts paid to the officers, the other receipts in the statement of financial performance had been understated by Rs. 58,741.
- The revenue collected by other Departments on behalf of the Revenue Accounting Officers should be entered into ACA-03 Format considering that collected revenue as imprest received from the Treasury in accordance with Paragraph 7 (ii) of State Accounts Circular No. 271/2019 dated 03 December 2019 .
- The other receipts of the Department during the year under review was Rs.767,618, out of the receipt of copying fee (Rs.195,804), 30 per cent of Rs.58,741 is paid to the officers of the Department. Because of that money is retained in the General Deposit Account and pay to the officers, other receipts recorded under deposits in the statement of financial performance has been stated as Rs.708,877 .
- (d) In showing the total cost the budget estimate of Rs. 100,000 for local travel expenses and total expenditure for salaries, wages and other employee benefits in the financial performance statement and the total expenditure of Rs.55,330 was also included.
- When accounting for recurrent expenditure under ACA-F Format in terms of Paragraph 6 of Public Accounts Circular No. 271/2019 dated 03 December 2019, the expenditure under Note No. 05 and Note 06 of ACA-2 (ii) should be stated separately.
- As a result of inclusion of the budget estimate for salaries, wages and other employee benefits, and the estimate for travelling expenses by default on expenses in the statement of financial performance, the estimate by Rs.100,000 and the expenditure by Rs.55,330 have been overstated. Other goods

As a result, salaries, wages and other employee benefits estimate by Rs. 100,000 and the expenditure by Rs.55,330 had been overstated and other goods and services expenses by Rs.55,330 and budget estimate relating to that by Rs.100,000 had been understated.

and services estimate by Rs.100,000 and the expenditure by Rs.55,330 have been understated.

1.6.2 Statement of Financial Status

Audit Observation

Recommendation

Comments of the Accounting Officer

As the information about a car owned by the Department was not included in the statement of non-financial assets during the preceding year as well as the year under review, the property plant and equipment balance and property plant and equipment reserve balance had been understated in the statement of financial position.

All the non-financial assets of the Department should be accounted for.

Since the motor vehicle number 300-5479 was not in a condition to be used, necessary arrangements are being made to auction the motor vehicle.

1.6.3 Cash Flow Statement

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Because of Non-revenue receipts amounting to Rs.767,618 was shown in the cash flow statement as Rs. 382,261 during the year under review, the cash flow generated from operational activities had been understated by Rs. 385,357 .</p>	<p>Actions should be taken in accordance with Paragraph 7 (ii) of State Accounts Circular No. 271/2019 dated 03 December 2019.</p>	<p>As a result of not recording of non-revenue receipts amounting to Rs.246,226 received from pension contributions collected during the year, Rs. 58,741 received from copying fees and Rs.84,940 received as loan deductible interest in the cash flow statement by mistake, non-revenue receipts were understated by Rs.389,907. Further, because of the advance settlement of Rs.4550 of public officers was recorded by mistake, the non-revenue receipts were erroneously stated as Rs.382,261.</p>
<p>(b) Recovery of advances of Rs. 449,978 and advance payment of Rs. 1,499,436 had not been included under cash flows generated from investment activities in cash flow statement during the year under review.</p>	<p>Recovery of advances and payments of advances should be included in the ACA-C Format as per Paragraph 6 of State Accounts Circular No. 271/2019 dated 03 December 2019.</p>	<p>The figures of recovery of advances amounted to Rs. 449,978 under cash flows generated from investment activities and advance payments amounting to Rs.1,499,436 under the cash outflow on investment activities were not included due to a mistake in preparation of financial statements.</p>

1.6.4 Imprest Adjustment Account

Audit Observation

The Department had not prepared an imprest adjustment account as per Paragraph 7(vi) of State Accounts Circular No. 271/2019 dated 03 December 2019.

Recommendation

Actions should be taken in accordance with Paragraph 7 (vi) of State Accounts Circular No. 271/2019 dated 03 December 2019.

Comments of the Accounting Officer

Actions will be taken to avoid such errors in future.

2. Financial Review

2.1 Exceeding of Limits

Audit Observation

Although the minimum receipt limit imposed by the Parliament for the Advances to Public Officers 'B' Account under Object No. 23101 was Rs. 500,000, as the actual receipts were Rs.449,978, the minimum receipts limit of Rs.50,022 had not been reached.

Recommendation

Limits imposed by Parliament on government advance activities should be adhered to.

Comments of the Accounting Officer

We were informed by the letter BD/AA/231/23101/09/2019 dated 31 December 2019 has been submitted for the recommendation of the Minister of Mass Media to revise the minimum income limit to Rs.449,000 from the Department of National Budget .

3. Operating Review

3.1 Performance

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) The percentage of cases settled during the last five years from 2015 to 2019 had ranged from 33 per cent to 37 per cent of the total number of cases.</p> <p>Number of new applications received by the Department annually during those 05 years and the number of applications submitted for review had ranged from 394 to 464.</p> <p>The total number of cases registered for the year 2019 in 14 Districts in the island was 409 and the number of cases registered in Gampaha, Kurunegala and Colombo Districts were 102, 69 and 65 respectively.</p>	<p>Since the main purpose of establishing 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, a particular attention should be paid on achieving of those objectives.</p>	<p>Purchases of minimum furniture and office equipment required to establish the Gampaha Branch Board were carried out in the year 2019. However, due to the inability to procure a suitable building for that, the Gampaha Branch Board could not be established during the year 2019.</p> <p>The Members of the Debt Relief Board were appointed by the Ministry of Justice, Justice, Human Rights and Law Reforms on 16 January 2020 to establish Branch Boards in Colombo, Gampaha, Galle and Kurunegala.</p>
<p>(b) The total number of cases to be resolved as at 31 December 2019 was 821 and of which about 26 per cent were more than three years old. The matters such as the absence of the parties and the delays in obtaining relevant evidence had affected for the delays in these cases .</p>	<p>Attention should be drawn to resolve the cases without delay.</p>	<p>It is expected that the propensity of stakeholders to appear before the Debt Relief Board will be increased by establishing branches of Board and it is expected to inquire into more applications in the Debt Relief Board.</p> <p>There were a large number of applications remained with the expectation Order of the Supreme Court on a legal matter among the cases older than 03 years</p>

and the order of the Supreme Court was received on 14 July 2020. Accordingly, necessary steps are being taken to finalize those applications.

4. Human Resource Management

4.1 Staff Vacancies

Audit Observation

There were 08 vacancies in the approved staff as at 31 December 2019 . All the three approved Stenographer posts belonging to the secondary level were vacant even before the year 2013. There were also 03 vacancies in the Management Assistant Service.

Recommendation

Arrangements should be made to fill the vacancies for the essential posts.

Comments of the Accountng Officer

Necessary steps are being taken to inform the Public Service Commission to revise the Scheme of Recruitment for the post of Stenographer. Requests have been made to the Director General of Combined Services on 27.11.2019 regarding the vacancies in the service of Management Services Officers.

4.2 Human Resource Development Plan

Audit Observation

A Human Resource Development Plan had not been prepared based on Annexure 02 of the Circular on Human Resource Development in Government Institutions in terms of Public Administration Circular No. 02/2018 of 24 January 2018, and an signing of annual performance agreement had also not been carried out for the entire staff from the year 2018 based on Annexure 01 of the Circular.

Recommendation

Actions should be taken in accordance with Public Administration Circular No. 02/2018 dated 24 January 2018.

Comments of the Accountng Officer

The Human Resource Development Plan for the Department has not been prepared for the year 2018 and it is informed that the actions are being taken to prepare the Human Resource Development Plan of the Department as per the circular for the year 2020 .

4.3 Implementation of the Citizen / Client Charter

Audit Observation	Recommendation	Comments of the Accountng Officer
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<p>The Citizen Client Charter had not been properly prepared and implemented to set the necessary background to provide the services by the institution to the public more efficiently and effectively and a mechanism as well had not been prepared with regard to that for the supervision and evaluation.</p>	<p>A Citizen Service Beneficiary Charter should be prepared in terms of Public Administration Circular No.05/2008 dated 06 February 2008.</p>	<p>Necessary steps are being taken to prepare the Citizen / Client Charter for the year 2020 and to act accordingly.</p>