

## **Head 153 - Report of the Auditor General on Ministry of Land and Parliamentary Reform - Year 2017**

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The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No. 32 of 2017 were presented to Audit by the Ministry of Land and Parliamentary Reform. The financial and physical performance reflected by those accounts and the reconciliation statements were audited in terms of Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka.

### **1.2 Responsibility of the Chief Accounting Officer on the Financial Management and Accountability**

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The Minister of the Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of the Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1) (a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by parliament in accordance with the provisions in Articles 148, 149, 150 and 152 of the constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory provisions, Government Financial Regulations and Administrative Regulations.

### **1.3 Scope of Audit**

The audit of Ministry of Land and Parliamentary Reform - Head 153 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Secretary of the Ministry on 06 September 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports presented to Audit and tests of samples of transactions. The scope and

extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

#### **1.4 Audit Observations**

The audit observations of the Ministry of Land and Parliamentary Reform for the year ended 31 December 2017 revealed in audit appear in Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.9 of this report. It was observed that, the accountability as the Chief Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial control satisfactorily subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulations 127 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

<b>Accountability of the Chief Accounting Officer in terms of Financial Regulation 127</b>	<b>Non-compliance with that provision by the Chief Accounting Officer</b>	<b>Reference to the paragraph included observation in the Report</b>
127(1)(a) All financial works are planned to ensure that the business is transacted with correctness and financial propriety.	1. Non-preparation of Action plan correctly	2.1.1(a)
	2. Non-planning of procurement Activities adequately	2.1.1(b)
	3. Expected targets dropped down	2.1.1(c)
127(1)(b) A system which provides adequate controls over expenditure and the collection of revenues.	1. Management weaknesses	2.5
	2. Non-compliances	2.9
127(2) Existing items of expenditure, as well as proposals for new or increased expenditure in the departments under his control are closely examined in the Ministry from the points of view of economy and efficiency.	1. Project Non-achieving objectives	2.1.2
	2. Deficiencies in implementing procurement procedure	2.2.1

127(3)	An arrangement is made that all cases of doubt or problems aroused are referred to him so that he may bring his own administrative experience and judgment to bear on them.	<ol style="list-style-type: none"> <li>1. Excess and storages identified by the board of survey</li> <li>2. Assets given to External parties</li> <li>3. Improper use of Assets Belonging to other institutions</li> <li>4. Non-maintenance of Registers and Books</li> </ol>	<p>2.3(a)</p> <p>2.3(b)</p> <p>2.3(c)</p> <p>2.8</p>
127(4)	Appropriation Accounts are duly rendered by each of his Accounting officers and examined at the ministry before he signs them and that important differences in the estimates and the actual expenditure are critically investigated by him.	Commitments exceeding the Annual budget limit	2.4
127(5)	Important variations between departmental estimates and expenditure receive critical examination at the Ministry.	Non-utilization of provisions made	2.6
127(6)	Collection of Revenue or other Government dues for which Accounting Officers are responsible is closely watched and examined by the ministry.	Non-recovery of outstanding loan balances.	2.7

## 2. **Material and Significant Audit Observations**

### 2.1 **Performance**

#### 2.1.1 **Planning**

The following observations are made.

- (a) Even though the expected output should be stated in the action plan in terms of the paragraph 03 of the public finance circular No. 01/2014 dated 17 February 2014, The expected output of Bimsaviya programme which is considered as one of the major activity under the pervue of the Ministry had not been included in the action plan.

(b) Preparing the Ministry Procurement Plan for the year under review, A detail procurement plan had not been prepared for the year under review. Further it was observed that the procurement plan had not been in line with the Annual Estimate.

(c) Details of the progress of the Bimsaviya Programme for 05 years are as follows.

Year	Provision Rs. million	Expenditure Rs. million	Targeted number of title certificates	Number of plots of land surveyed	Number of recommende d and approved	Number of plots of land for which the decision was published/ gazetted	Number of title deeds obtained by persons
2013	800	668	135,000	110,630	71,315	58,690	28,402
2014	400	445	122,090	122,239	53,448	66,759	24,242
2015	546	413	206,580	83,957	51,475	53,484	29,043
2016	500	362.6	45,000	133,727	60,830	59,880	21,872
2017	400	256.6	48,000	105,395	59,672	56,377	20,151

It was observed that the expected targets which should be reached in years 2016 and 2017 relative to the years 2013, 2014 and 2015 had been dropped by thrice, Also the records of the relevant years of the plots of lands which the decision was published had not been kept.

### **2.1.2 Projects which was not Obtained Progress**

A provision of Rs. 395,000,000 had been made in year 2017 under the Action plan of Land Bank with the objective of the implementation of the E-Land Registry programme, Implementation of the E-slims programme, Creation of data base for land acquisition division and improving and implementing the computer system of the Department of Survey, Department of Land Title Settlement and Department of Land use and Policy Planning under the E land Hub. Out of that provision only a sum of Rs. 116,459,504 or 29 per cent had been spent and provision of Rs. 278,540,496 had been saved.

The following observations are made in this regard.

(i) Even though under the programme of E-Land Registry, it was planned to scanned and computerized extracts in 22 offices and only 15 offices had been computerized the documents. Even though 06 offices were in the level of implementation of the project in year 2016, Due to not uploading the data system in manner the software of those 06 offices had not been updated by the end of the year under review.

- (ii) Even though the provisions for creation of a data system for land acquisition division and creation of a computer system for Department of Land Title Settlement under the E-land Hub had been included in the above provisions, Those activities had not been done.
  - (iii) Even though it was planned to create a computer system of the Department of Land Use and Policy Planning, By spending Rs. 3 million only a computer software had been developed.
- (b) The Kantale Sugar factory which was closed down since 1994 was vested by the Ministry of Land in year 2015. The partnership agreement of vesting of this factory for an investment company was signed on 11 August 2016. In terms of the provision of the agreement properties which were lying in the factory premises can be used with the consent of the investment company and the opinion of Attorney General for the disposal of the assets were inquired. Even though Attorney General had given the approval for disposal of the irons and other assets by following procurement procedure, the investment company expressed the view that the buildings and machineries belongs to the company in terms of the partnership agreement. Therefore disposal process was temporary suspended because of the investors legal advisor informed to the ministry that an emergency interim relief had been given by the International Singapore Arbitration Centre. Therefore the activities of the restructuring of the factory and the purpose had not been achieved.

## **2.2 Obtaining supplies and services through the procurement process**

### **2.2.1 Deficiencies in implementing the procurement process**

The following observations are made.

- (a) Even though in the prepared Procurement Plan in respect of the provisions amounting to Rs. 600,000 for rehabilitation of buildings and amounting to Rs. 350,000 for rehabilitation of 02 official quarters had been provided, Activities had not been done.
- (b) The following observations are made in respect of the rented a building for Compensation Review Board.
  - (i) Quotations were called directly from three bidders for obtaining a building for rent, Contrary in terms of the procurement guidelines 2.4.1.
  - (ii) Even though the minor procurement board had decided to call quotations by paper advertisements and without considering that decision, A lease agreement had been made based on monthly rent of Rs. 120,000 for 02 years period with other bidder who was directly quoted.

## **2.3 Asset Management**

The following deficiencies were revealed during the course of audit test checks in respect of the assets of the Ministry.

**(a) Conduct Annual Board of Survey**

Actions in terms of the Financial Regulations 757 (2) had not been taken on the 35 shortages and 44 surplus identified in the Board of Survey.

**(b) Assets given to External Parties**

Ministry had informally released 02 motor vehicles valued at Rs. 11.40 million since a period of 09 years and 07 motor vehicles valued at Rs. 48.55 million since a period of 04 years to the Department of Land Commissioner General.

**(c) Improper use of Assets Belonging to other institutions**

A motor vehicle valued at Rs. 5.00 million owned by the Department of Land Commissioner General since a period of one year and a motor vehicle valued at Rs. 5.00 million owned by the Department of survey since a period of 04 years had been used by the Ministry without a formal approval.

**2.4 Commitments and Liabilities**

The following observation is made in this regard.

Even though in terms of the financial regulation 94, expenditure incurred for any service or supply shall not be exceed the provision for the financial year, commitments totaling Rs. 279,794 had been incurred by exceeding the provisions made for 10 objects.

**2.5 Management Weaknesses**

The following Management Weaknesses were observed at the audit test checks.

- (a) Due to not taking actions to pay compensation promptly regarding the acquisitions made under the secondary direction in terms of the 38(a) of the land acquisition Act No. 09 of 1950, An interest had to be paid thereof. Out of the collective provision of the ministry in year 2017 compensation amounting to Rs. 1,993,565,640 and interest amounting to Rs. 402,180,339 had been released. The age analysis of the payment of interest is as follows.

<b>Period of Acquisition</b>	<b>Paid Compensations amount Rs.</b>	<b>Paid Interest amount Rs.</b>	<b>Time spent for payment of Compensation from the date Acquisition (years)</b>
1976-1995	150,643,912	224,982,234	22-41
1996-2005	133,743,250	79,714,580	12-21
2006-2015	1,709,178,478	97,483,525	02-11
	<b>1,993,565,640</b>	<b>402,180,339</b>	

- (b) In terms of the section 38(a) of the Land Acquisition Act No. 9 of 1950, Secondary direction had been gazetted on 09 January 2009 for the acquisition of 2 Acres and 17.75 perches for the construction of the water tank of the Avissawella Water Supply Scheme and the access road. By conducting the title examination to confirm the ownership in terms of the section 9 of the Act had not been done even by the 31 December 2017.
- (c) Even though the notice had been published on 18 April 2006 under the section 2 of the Land Acquisition Act relevant to the acquisition of 2.33 Hectares from Walahanduwatta Katupol Land and the examination of the title confirmation relevant to the Land had not been done even by 31 December 2017.
- (d) Southern Development Authority had been acquired 190 acres from Kohilawaguruwatta land in Divisional Secretariat of Karadeniya in Galle District for a dairy farming project .Because of the non availability of adequate funds for the proposed dairy farming project, Actions had been taken to vested that land to Army on 31 January 2011 for maintain a Agricultural Farm. There fore from year 2007 the land had been idled. Also secondary direction of 38(a) had published over 10 years lapsed, Actions had not been taken to conduct the title examination and to pay the compensations under section 9 of the Act up to 31 December 2017.
- (e) A block of land in the extent of 4 Acres and 21.6 Perches from Dambokka Kumbura Land plot No.26 and 27 was acquired under the secondary direction order No. 38(a) on 19 December 1996 for the development of Nittambuwa town and compensation amounted to Rs. 4,764,000 and interest amounted to Rs. 6,566,663 had been paid in 2016 and it was observed interest had been paid more than compensation. Due to the unavailability of a specific methodology relevant to the achievement of the activities of the acquisition process with out delay from the acquisition officers and the unavailability of the follow up actions caused to payment of interest.

## 2.6 Utilization of provisions made by the Parliament for achievement of the activities.

Information regarding the provisions made for the Ministry, Utilization and savings for 05 years by the end of the year 31 December 2017 and audit observations relating to that given below.

year	Type of Expenditure	Net Provision Rs. million	Utilization Rs. million	Savings Rs. million	Savings as a percentage of net provisions
2013	Recurrent	152.43	151.78	0.65	0.43
	Capital	2,517.75	1,976.80	540.95	21.49
	<b>Total</b>	<b>2,670.18</b>	<b>2,128.58</b>	<b>541.60</b>	<b>20.28</b>
2014	Recurrent	236.65	233.56	3.09	1.30
	Capital	2,443.50	2,374.84	68.66	2.81
	<b>Total</b>	<b>2,680.15</b>	<b>2,608.40</b>	<b>71.75</b>	<b>2.78</b>
2015	Recurrent	282.52	270.31	12.21	4.32
	Capital	3,109.27	2,619.95	489.32	15.74
	<b>Total</b>	<b>3,391.79</b>	<b>2,890.26</b>	<b>501.53</b>	<b>14.79</b>
2016	Recurrent	307.11	290.85	16.26	5.29
	Capital	3,175.32	2,001.87	1,173.45	36.96
	<b>Total</b>	<b>3,482.43</b>	<b>2,292.72</b>	<b>1,189.71</b>	<b>34.16</b>
2017	Recurrent	308.97	304.96	4.01	1.30
	Capital	3,161.05	1,768.46	1,392.59	44.05
	<b>Total</b>	<b>3,470.02</b>	<b>2,073.42</b>	<b>1,396.60</b>	<b>40.25</b>

### Non Utilization of the provided provisions

The following observations are made.

- (a) Before making expenditure estimates the steps such as identifying the projects/sub projects as cost centers and clearly recognize the activities under each cost centre. Identifying resources requirements and analyze the costs of the required resources, ascertain the output or result and justify and make sure the optimum requirement of the estimate cost had not been followed in terms of the paragraph 4.1 of the National Budget Circular No. 02/2016 dated 02 August 2016 and therefore out of the provision of Rs. 400,000,000 made for Bimsaviya programme, Only expenditure of Rs. 256,664,753 or 64 per cent had been spent and a sum of Rs. 143,335,247 had been saved.
- (b) The entire net provision amounting to Rs. 500,000 made for construction of buildings had been saved.



- (c) Due to excess provisions amounting to Rs. 1,319.8 million had been made for 09 expenditure objects, Out of the provisions of expenditure objects only total of Rs. 1,750.6 million had been utilized and savings after the utilization of provisions had been in a range of 17 per cent to 71 per cent of the net provisions.

## 2.7 Advance to public officers Account

### Limits Authorized by Parliament

The limits authorized by parliament for the Advance to public officers Account Item No. 15301 of the Ministry and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. million	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million
17.00	14.97	7.50	9.11	43.22	43.21

The following observations are made in this connection.

### Non recovery of Outstanding Loan Balances

The total loan balances remained outstanding by the end of the year under review except the loan balances of officers who had been transferred, amounted to Rs. 98,728. Even though those outstanding loan balances had been existing over periods ranging from years 02 to years 12, Ministry had been failed to recover those outstanding balances.

## 2.8 Non-maintenance of Registers and Books

It was observed at the audit test checks that the Ministry had not been maintained a register of liabilities and the Register of fixed assets had not been maintained in updated manner.

	Type of Record	Financial Regulation
(a)	Register of liabilities	Financial Regulation 214
(b)	Register of fixed assets	Treasury circular No. 842 dated 19 December 1978

## 2.9 Non-compliances

### 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 given below.

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>
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<b><u>Financial Regulation of the Democratic Socialist Republic of Sri Lanka</u></b>	
(a) Financial Regulations 104 (4)	Reports of 11 vehicle accidents which should be Submitted to Auditor General had not been submitted even by 31 March 2018.
(b) <b><u>Other circulars</u></b>	
Presidential circular No. CA/1/17/1 dated 14 May 2010	Two vehicles had been used by the Minister Staff over exceeding the approved quantity.

## 2.10 Human Resources Management

For accomplish of the activities of the Ministry details of the position of the approved, actual and vacancies position of cadre as at 31 December 2017 is given below. Ministry had been spent Rs. 251.65 million for salaries and wages for the year under review. There for expenditure per person was Rs. 526,462.

<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
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(i) Senior Level	25	22	03
(ii) Tertiary Level	04	03	01
(iii) Secondary Level	447	408	39
(iv) Primary Level	52	45	07
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<b>Total</b>	<b>528</b>	<b>478</b>	<b>50</b>
	=====	=====	=====