

## **Head 122 – Ministry of Land and Parliamentary Reforms**

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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 Ministry of Land and Parliamentary Reforms 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 containing my comments and observations on the financial statements of the Ministry of Land and Parliamentary Reforms was issued to the Chief Accounting Officer on 31 May 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 31 May 2019 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 give a true and fair view of the Ministry of Land and Parliamentary Reforms as at 31 December 2018 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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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 on Financial Statements**

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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 Chief Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Ministry 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 Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry 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 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 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 Ministry to plan appropriate audit procedures in a timely manner.
- Evaluate Structure of Financial Statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- That 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 Chief 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 (d) of the National Audit Act No. 19 of 2018.

As there was no need to prepare financial statements for the previous year, it was impossible to compare the financial statements with the previous year. Further, therefore the recommendations for the financial statements of the preceding year is not furnished with this report.

## 1.6 Comments on Financial Statements

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### 1.6.1 Financial Statements not complied with Circulars

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Although the financial statements had to be prepared in accordance with the State Accounts Circular No. 267/2018 dated 21 November 2018, exclusions to those requirements are as follows.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
Although the other revenues should be considered as imprests received from the Treasury in their statement of financial performance in terms of the Circular, the other income collected by the Ministry amounted to Rs. 19,635,935 had not been recorded.	The other revenues should be accurately shown in the financial statements in terms of the circular.	The amount of Rs. 19,635,935 has been accounted for under the ACA-3 format under the Cash Adjustment Account in accordance with Sub-section (ii) of Guidelines for the preparation of Financial Statements as per State Accounts Circular No. 267/2018 and Circular dated 21 November 2018.

### 1.6.2 Financial Performance Statement

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
When the deposit receipts and payments taken in to financial statements it had to be based on the figures in Treasury Computer Prints when making financial statements in accordance with the Circular mentioned in 1.6.1 above. Even though the balances of deposit receipts as per Treasury Prints as at 31 December 2018 were Rs. 633,792 since that balance was stated as Rs. 36,373,077 as per monthly account summaries in the statement financial performance, a difference of Rs. 35,739,285 was observed.	The financial statements should be prepared based on the figures in the Treasury Computer Prints as per the Circular.	Bringing the balance forward under the same Head by the Department of State Accounts in the year 2018 has led to the problems shown in the observation. Although the Department of State Accounts has been informed of this on several occasions, no corrections have been made. However the values of debits and credits made during the year under Head 122, were accurately recorded in the Head 153 .

Similarly, even though the Deposit Payment Balance as per the Treasury Prints on that date was Rs. 104,665,235, since it was stated as Rs. 36,243,705 in the statement financial performance, as per the monthly account summaries, a difference of Rs. 68,421,530 was observed.

**1.6.3 Financial**

**Statement**

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
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Even though a balance of Rs 3,522,265 was shown under a deposit account as per the Treasury Prints as at 31 December 2018, a balance of Rs. 1,496,601 had been shown under four Deposit Object Codes as at that date as per the financial statements.	Corrections should be made by carrying out reconciliations.	the balance of the Ministry in the year 2017 under Head 153 bringing forward of Under the Head 122 of the Ministry of Lands and Parliamentary Reforms in the year 2018 was the reason for the problem shown in the observation. Even though the Department of State Accounts was made aware about this, it has not been corrected.

**1.6.4 Reconciliation Statement of Advances to Public Officers Account**

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
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Even though the debit balance of the above account is Rs. 55,150,394 as per the Books of the Department, the debit balance as per the Treasury Books was Rs. 55,104,411. Accordingly, there was a difference of Rs. 45,983 was observed and it had been stated in the accounts that	It should identify the reasons for the differences among the values shown in the Books and settle.	The instructions have been given to find the difference and settle.

the reason for that difference was unidentified installment credits for the three years from 2016 to 2018 . Actions had not been taken to identify and settle those debts.

**1.6.5 Not maintaining Documents and Books**  
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The following observation is made.

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments given by the Chief Accounting Officer</b> -----
Although a Record of Liabilities should be maintained in terms of Financial Regulation 214, the liabilities amounting to Rs. 23,856,351 stated in the financial statements had not been included in a Record Liabilities .	A Record should be maintained so that the liabilities can be checked regularly.	The liabilities shown in the observation are the liabilities related to the provisions made to other Departments.

**1.6.6 Non-compliance with Laws, Rules and Regulations**  
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Instances of non-compliance with the Laws, Rules and Regulations observed during the audit test checks are analyzed below.

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments given by the Chief Accounting Officer</b> -----
Carrying out investigations on 09 vehicle accidents occurred in the years 2015-2018 and determining of officials responsible for the losses and submission of final reports thereon had not been made in terms of Financial Regulation 104 (4) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka,	The reports should be submitted conducting investigations in due time accordingly.	Conduct the Final Examination under Section 104 (4) of the Financial Regulation and the recommendation of the Investigation Board has been forwarded for further action.

### 1.6.7 Transactions in Contentious Nature

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
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Although the monthly salary for a post of a typist of the Staff of the Member of Parliament is stated as Rs .26,338 as per the letter dated 03 May 2016 of the Secretary to the Ministry of Public Administration and Management, a sum of Rs. 86,077 per month for the year 2016, Rs. 85,987 per month for the year 2017 and a sum Rs. 116,477 per month till September 2018 had been paid to that officer. Accordingly, a sum of Rs. 2,483,933 had been overpaid exceeding the salary to be paid to the post of typist by the end of the year under review.	Payment of salaries should be made as per the provisions in updated Circulars.	The payments have been made as per the Circular of 02 March 1989 . Accordingly, the relevant salaries were reimbursed by the Ministry. The salaries of MP staff are higher than each post and if there is shortcomings in this process, it is asked for advices.

## 2. Financial Review

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### 2.1 Expenditure Management

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
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(a) Although it is the responsibility of the Chief Accounting Officer for the preparation of complete and accurate estimates as much as possible in accordance with Section 50 (11) of the Financial Regulations, a provision of Rs. 371,076,460 of 5 Objects had been transferred to other Objects by FR 66 transfers due to the overprovisions made available for expenditure Objects . Out of net	Estimates should be made adequately after a proper study of expenditure.	It was taken in to notes to minimize such situations.

provision, a 24 per cent had been saved even after so transferred. Similarly, a sum of Rs. 3,750,000 had been transferred to one Object from other Object by F.R. 66 and 61 per cent out of that amount or a sum of Rs. 2,301,846 had been saved.

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| (b) | The entire allocation of Rs. 21,600,000 obtained from Supplementary Provisions for the Land and Land Improvement Object had been saved without incurring the provisions. | Only the necessary amount of provisions should be obtained by planning the expenditure. | Even though all the provisions were sent to the Regional Offices, due to the existing imprest problems thereon they have been saved. |
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### 3. Operating Review

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#### 3.1 Planning

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The following observations are made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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(a) Although the intended results of all the activities of the Action Plan should be stated in terms of Paragraph 03 of the Public Finance Circular No. 01/2014 dated 17 February 2014, the expected outcome of the Bimsaviya programme, which falls under one of the main activities of the Ministry, had not been consisted in the Action Plan.	Action Plan should be prepared in accordance with the Circular.	The activities of the Ministry had not been included in the Action Plan in the year 2018 and will be included in future .
(b) The functions of the Department of Land Commissioner General's for the Bimsaviya Programme, the relevant targets, the provisions needed had not	Allocations should be made according to the Action Plan of the Ministry and in order to implement the programme, the	Even though the allocations had been made to the Department of Land Commissioner General's, the money was released at the request of the Department.

been included in the Action Plan prepared by the Ministry for the year 2018 . However, on the request made by that Department a provision amounted to Rs. 16,820,000 had been released.

relevant institution had to be identified in advance.

(c) The manner in which the Ministry functions in relation to the Bimsaviya Programme or activities had not been outlined in the Action Plan 2018 and the progress of the Ministry thereon also had not been reported in this regard. Nevertheless, a sum of Rs. 2,163,965 had been incurred by the Ministry under Bim Saviya Programme.

The relevant activities and goals should be stated with financial provisions in the Action Plan.

Implementation of the Bimsaviya Programme is a main function of the Ministry. Since the computer system of the Ministry is used for this purpose, expenditure has been incurred on repairs of computer network system, allocation of space in Bim Saviya Division and printing of Title Certificates.

### 3.2 Delays in Executing of Projects

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The following observation is made..

#### **Audit Observation**

#### **Recommendation**

#### **Comments given by the Chief Accounting Officer**

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The acquisition process of private land for the government development procedure is a collective result of the Ministry of Lands, Development Implementing Agency, Department of Valuation, Divisional Secretariat, Department of Survey and other institutions related to that in terms of the Proviso 38 (a) of the Land Act No. 09 of 1950. Although it is necessary to identify the proper arrangements and timelines, due to not act to devise such a programme , during the period from the year 2014 to 2018, out of 8029 files submitted for the purpose of so acquired , there were as few as 1368

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Regularizing the acquisition process of the Ministry and because it is the implementing agency, by setting a proper schedule with timelines and carrying out acquisitions and paying compensation without delay.

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Since more than one year elapses to complete the process of acquiring of lands, it is impossible to complete the payment of compensation for all acquisitions during the year in which the acquisition file is opened.



files that could be able to complete. Accordingly, due to delay in payment of compensation for lands acquired during the period from the year 1970 to 2015, a sum of Rs. 452,708,477 had to be paid as compensation interest in the year under review. The several delays in payment of compensation revealed at audit test checks carried out with regard to that are as follows.

- I. Non payment of compensation despite the Inginitiya Project had passed 35 years since 1987 .
- II. Elapsing 10 years period to pay compensation for Horana Town Development Project.
- III. Elapsing 12 years period to pay compensation for the Jawatte Prison Expansion Project in Kalutara.
- IV . Compensate the Jethawana Sacred Area Development Project after 16 years delay since 1999 .