

## **Head 286 – Department Land Commissioner General**

---

### **1. Financial Statements**

---

#### **1.1 Qualified Opinion**

---

The audit of the financial statements of the Department Land Commissioner General 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 Department Land Commissioner General was issued to the 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 Department was issued to the 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 Department Land Commissioner General 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**

---

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 qualified opinion.

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

---

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**

-----

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 (d) of the National Audit Act No. 19 of 2018 .

- (a) As there was no need to the Department of Land Commissioner General to prepare financial statements for the previous year, it was impossible declare the financial statements for the year under review were consistent with those of the previous year.
- (b) As there was no need for the Department to prepare financial statements for the previous year, the recommendations for the financial statements of the preceding year had not been presented.

## 1.6 Comments on Financial Statements

---

### 1.6.1 Statement of Financial Performance

---

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
-----	-----	-----
Even though the Non-revenue Receipts as per Treasury Computer Prints was Rs. 14,832,776 , since it was stated in the statement of financial performance as Rs. 364,494 the Non-revenue Receipts in the statement of financial performance had been understated by a sum of Rs. 14,468,282 .	Non-revenue Receipts should be stated in the financial statements in terms of Public Accounts Circular No. 267/2018 of 21 November 2018	It is stated that since the income is collected by the Department on behalf of the other Revenue Accounting Officers, it is not included in the statement of financial performance of the Department.

### 1.6.2 Cash Flow Statement

-----

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
-----	-----	-----
Even though the Non-revenue Receipts for the year under review as per the monthly accounts summaries was Rs. 281,129,291, since it was taken in to cash flow statement as Rs. 266,846,667, it had been understated by a sum of Rs. 14,282,624.	Non-revenue Receipts should be stated in the cash flow statement as per monthly account summaries.	Non-revenue Receipts under the cash flow generated from operating activities was Rs. 266,846,667 and the revenue receipts amounted to Rs. 5,066,556 had been stated under the cash flows generated by investment activities.

### 1.6.3 Reconciliation Statement of Advances to Public Officers' Account

-----

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
-----	-----	-----
The balances of the Distress and Festival Advance Loans of the 03 officers who had left the service totalled to Rs. 157,894 had ranged from 02 to 03 years and actions had not been taken to recover those loans.	Actions should be taken to settle the balances in terms of Section 4.6 of Paragraph XXIV of the Establishment Code.	The notice for the vacated of their posts has been issued to the officers and although the letters have been sent informing to take immediate action to settle the loan, the answers have not been received. It is informed that the information about these officers has been inquired from the Divisional Secretary.

### 1.6.4 Not maintaining Documents and Registers

-----

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
-----	-----	-----
<b>(a) Register of Receiving of Cheques and Money Orders</b>		
-----		

A Register of Cheques had not been prepared to record the receiving of the Cheques in terms of Financial Regulation 451.

A Register of Cheques should be maintained in accordance with Regulations.

It is informed that the Register for Receiving of Cheques, Money Orders etc. will be properly prepared in future.

**(b) Register for Electrical Equipment**  
-----

A register for all electrical components and equipment belonging to the Department had not been prepared and maintained in terms of Financial Regulation (2)454. .

A Register of Electrical Components and Equipment should be maintained in accordance with the Regulations.

It if informed that a Register for Electronic Equipment will be maintained properly in future.

**(c) Register of Liabilities**  
-----

A Register of Liabilities had not been prepared so that the liabilities could be regularly checked in terms of Financial Regulation 214.

A Register for Liabilities should be maintained in terms of the Regulations.

It is informed that the Register of Liabilities is being maintained under the CIGAS Programme.

**1.6.5 Non-compliance with Laws, Rules, and Regulations**  
-----

<b>Reference to Laws, Rules and Regulation</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
--	-----------------------	-----------------------	---

**(a) Financial Regulation of Democratic Socialist Republic of Sri Lanka**  
-----

Financial Regulation 104(4).

Even though a Full Report should be submitted within three

Reports should be submitted in time as per the Financial Regulations.

It is informed that the Full Reports for damages will be submitted immediately in

months from the date of the damage occurred in terms of Financial Regulation 104(4), the Full Reports had not been submitted in respect of 02 vehicles which had met with accidents.

terms of Financial Regulation 104 (4).

**(b)**Public Administration Circular No. 30/2016 of 29 December 2016 Paragraph 3.1

Even though the fuel re-test should be carried out after the first of these points such as at least 12 months after each fuel test or after running a distance of 25,000 km or after the major repairs on the engine, the fuel tests had not been carried out with regard to 23 vehicles.

The fuel tests should be carried out as per the Circular.

The fuel test has not been carried out due to inadequate provisions and it is informed that those tests will be carried out in future.

## 2. Financial Review

### 2.1 Revenue Management

The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
(a) As a result of poor performance of follow up actions on collection of lease of lands in inter-provincial agrarian colony areas under Revenue Code 20.02.01.03, actions had not been taken to recover the arrears revenue amounted to Rs. 35,647,605 by the end of the year under review.	Actions should be taken to recover the lease revenue within the relevant year.	Providing of approval for the payment of lease in installments for the period from the date of selection of the lessee to the issuance of a lease agreement and delay in making decisions for the requests made to reduce the lease. Further, collecting arrears of lease through the legal actions in respect of defaulting lease payments are being a barrier when transferring possession without issuing a lease agreement.
(b) Besides the inter-provincial agrarian colony areas, the collection of lease revenue in other areas is being carried out by the Department of Provincial Land Commissioner and the administration of state lands in those areas and entire powers of supervision of administration of officers had been assigned to the Land Commissioner General in terms of circular provisions. However, as a result of poor supervision on lease collection, a revenue of	Supervision activities should be carried out in respect of revenue collection and the arrears revenue in terms of Section 91 of the State Land Ordinance and the provisions of the Presidential Office on Public Land Management No. SP/RP/ 02/10 dated 03 February 2010.	It is pointed out that the collection issues have arisen since the delays occurred due to leasing process is a joint process of several institutions such as Survey Department and Divisional Secretariats and the concessions granted to the arrears lessee in the industrial areas. Similarly, it is informed that it has been decided to obtain information in future on lease revenue collected by the Provincial Councils once in every 03 months.

Rs. 2,656.59 million had not been recovered by the end of the year under review.

## 2.2 Expenditure Management

-----  
The following observation is made.

### Audit Observation

-----  
Out of the net provision made available for the 05 capital expenditure objects amounted to Rs. 46,500,000, a sum of Rs. 23,821,261 had been saved. It had ranged from 45 per cent to 100 per cent from net provisions.

### Recommendation

-----  
Estimates should be prepared accurately in terms of the Financial Regulations 50 .

### Comments given by the Accounting Officer

-----  
Although the work has been done as planned, it was shown as liabilities since it was impossible to pay due to not receiving imprests .

## 2.3 Entered in to Liabilities

-----  
The following observation is made.

### Audit Observation

-----  
Although it should not be entered in to an expenditure or commitment exceeding of the provision made available in terms of 94 (1) of the Financial Regulation , it had been entered in to commitments amounted to Rs. 872,714 exceeding the provision of 03 expenditure objects.

### Recommendation

-----  
Arrangements should be made to spend within the Estimated Budget as per the Financial Regulations.

### Comments given by the Accounting Officer

-----  
Since it had to be settled the liabilities which were impossible to pay in the year 2017 from the provisions of the year 2018, on the non-receipt imprests in the year 2017, it is mentioned that the liabilities were occurred due to the necessity of performing of the works relevant to the year.



## 2.4 Deposit Balances

-----  
The following observation is made.

### Audit Observation

-----  
The contract retention money relating to the construction of Mihikatha Medura amounted to Rs. 66.21 million had been detained in the General Deposit Account for more than 07 years.

### Recommendation

-----  
Actions should be taken in accordance with Financial Regulations 571.

### Comments given by the Accounting Officer

-----  
Measures have been taken to obtain the necessary estimates to repair of the building from the money retained by the Central Engineering consultancy Bureau in connection with the construction of the Mihikatha Medura and it is expected to fulfill these shortcomings in future.

## 3. Operating review

### 3.1 Mission

-----  
The following observation is made.

### Audit Observation

-----  
Due to actions were not taken to identify the extent of lands owned by the Department and the extent of land excluded accurately and prepare and update a register to achieve the Mission of "Maintaining proper management which supports the title of undisputed land guiding to utilize state lands competently while assuring the sustainability of the development within a national policy and with proper co-

### Recommendation

-----  
Necessary actions should be taken to achieve the objectives expected from the Mission.

### Comments given by the Accounting Officer

-----  
It is informed that the extent of land under the management of the Land Commissioner's Department has not been clearly identified due to the total extent of land has not been surveyed in Sri Lanka and the information relating to encroaches are maintained by the Divisional Secretaries.

ordination”, it was impossible to identify the unauthorized occupants and to take legal actions with regard to them.

### 3.2 Not Obtaining Expected Benefits

-----  
The following observation is made.

#### Audit Observation

-----  
Designing of a State Land Management System using information technology is being carried out from the year 2013 and a sum of Rs. 115.71 million had been incurred for that in the year 2018. However, the details of all leased lands have not been entered in to the system by now, required information on recovery of lease could not be obtained from this system.

#### Recommendation

-----  
Data entry should be available to obtain information on all leased state lands.

#### Comments given by the Accounting Officer

-----  
Since the collecting of information relevant to leasing of the state lands from the year 1931 and as it is needed to go to the field to enter the secondary data , it has been planned to include the old information in the next 05 years.

### 3.3 Assets management

-----  
The following observations are made.

#### Audit Observation

- 
- (a) A motor vehicle valued at Rs. 7.5 million had been handed over by the Department for the use of the Ministry of Lands and Parliamentary Reforms for more than 02 years without transfer the ownership.
  - (b) Even though a vehicle belonging to the Department of Survey valued at Rs. 7.12 million for more than a period

#### Recommendation

- 
- Actions should be taken to obtain the vehicle immediately.
  - Actions should be taken to take over the legal ownership of the vehicles.

#### Comments given by the Accounting Officer

- 
- Steps are being taken to hand over to that Ministry legally.
  - The approval for the handing over all of these vehicles to the Department has been

of 04 years, 02 vehicles belonging to the Ministry of Lands and Parliamentary Reforms valued at Rs. 11.4 million for over a period of 10 years and 07 vehicles valued at Rs. 48.54 million for a period over 04 years had been used by the Department, actions had not been taken to take over the legal ownership of these vehicles.

given by the Department of Survey and the Ministry of Parliamentary Reforms.

### 3.4 Management Weaknesses

-----

The following observations are made.

#### Audit Observation

-----

#### Recommendation

-----

#### Comments given by the Accounting Officer

-----

(a) As a result of the construction of the official residence of the Commissioner General of Lands on the land belonging to the Ministry of Agriculture incurring a sum Rs. 36.40 million without the prior approval of the Land Reclamation and Development Corporation and the Environment Authority, it has been remained without use for more than 02 years.

Actions should be taken to clear the ownership of the land and use the building .

It is informed that the steps will be taken to make arrange the land to be used by the Department of Buildings and to obtain the clear ownership of the land acquire clear ownership of the land.

(b) Even though a state land of 29.88 perches in extent in Thimbirigasyaya Divisional Secretariat had been given to the Independent Television Network on a long term

The lease that should be paid has to be informed to the lessee as soon as the possession of the land is handed over and actions should be

Since several entities are involved in the leasing process that takes considerable time and discussions with the lessee in respect of delays in

lease basis , nearly three years since the date of the grant of the possession had elapsed to inform the lease payable and any lease had not been collected for 10 years period from the day the possession was granted. Accordingly, the outstanding lease by the end of the year under review was Rs. 14,725,384 and However, as a lack of a lease agreement issued to protect the legality of the land lease The lessee could not be prosecuted for non-payment of leases.

taken to recover the arrears over entering in to a legal agreement with the lessee without delay..

payment of lease were carried out and it is informed that the actions will be taken to recover the lease in future.

(c)A state land 1.163 hectares in extent (416 perches) in Thimbrigasyaya Divisional Secretariat had been given to a sports club for a period of 30 years from the year 1956 on a long term lease basis and the land was occupied for another 17 years period subsequently without a lease agreement and payment of lease. Although there was a arrears of lease by the end of the year under review amounted to Rs. 34,061,250, since there was not issued a lease agreement, to protect the legality it has not been possibility of taking legal action against the lessee in case of default of payment of lease.

The period of lease should be extended immediately after the end of the lease period by maintaining a proper documents on leased lands and actions should be taken to collect the lease entering in to a legal agreement.

It is the duty of the lessee to request the extension of the lease period and it is informed that the Divisional Secretary has submitted the relevant lease recommendations to extend the lease period of the agreement with delays and also informed that the it was agreed to pay the full arrears before the end of the year 2019 after negotiating with the leased institution.

**4. Human Resources Management**

-----  
The following observation is made.

**Audit Observation**

-----  
There were 329 vacancies in the posts of the Department and 06 Commissioner of Land posts, 115 Colony Officers and 06 Development Assistant posts were remained . As a result of not taking actions to fill that vacancy, it has been a barrier to achieve the objectives of the institution.

**Recommendation**

-----  
The human resources required to achieve the objectives and goals of the Department should be fulfilled.

**Comments given by the Accounting Officer**

-----  
Actions will be taken to fill the vacancies in future.