

## **Head 287 – Department of Land Title Settlement**

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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 Department of Land Title Settlement 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 of Land Title Settlement 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 of Land Title Settlement 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 qualified opinion.

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

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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**

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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**

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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 Title Settlement 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

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### 1.6.1 Cash Flow Statement

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The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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(a) Although the Non-revenue Receipts for the year under review as per the monthly account summaries was Rs. 480,085,286, as a result of stating it as a sum of Rs. 464,499,639 in the cash flow statement, a sum of Rs. 15,585,647 had been understated.	Non-revenue receipts should be appeared in the cash flow statement as per the Circular.	Disagree. The Non-revenue Receipts received in cash for the year under review is Rs. 462,329,338 .
(b) Deposit Receipts amounted to Rs.3,803,791 and Deposit payments amounted to Rs.3,824,268 were not shown under the operating activities in the cash flow statement as per monthly account summaries. As a result, the net cash flow generated from operating activities had been overstated by a sum of Rs. 20,477 .	Deposits should be stated under the operating activities in the cash flow statement in terms of the Circular.	Since that should be included in cash flow generated from financial activities under deposit accounts and the changes in other liabilities, the cash flow was revised including the amount of Rs.3,659,060 which was the difference of the receipts of cash amounting to Rs.136,297, and the payments of cash amounting to Rs.3,795,537 .
(c) The advance payments for Public Officers as per the monthly account summaries amounted to Rs. 21,313,532	The cash flow statement should be prepared as per the Circular.	The advance payments and advance recoveries are included in personal emoluments and operating

and the recoveries of advances amounted to Rs.23,447,712 had not been recognized under investment activities in the cash flow statement.

expenses. However, the cash flow statement was amended by including a sum of Rs. 318,658 as cash recoveries under the sub-loans and a sum of Rs.14,753,184 under the other investments.

**1.6.2 Reconciliation Statement of Advances to Public Officers' Account**

The following observations are made.

<b>Audit Observation</b>	<b>Audit Observation</b>	<b>Comments given by the Accounting Officer</b>
<p>Although a balance of Rs.121,237 recoverable from a retired officer, had not been recovered by the end of the year under review despite being nearly two years as per the Reconciliation Statement of the Advances to Public Officers' Account as at 31 December 2018.</p>	<p>Immediate actions should be made to recover the outstanding loan balances of the retired officers.</p>	<p>Although it has been taken in to notes that the recovery of the balance of this loan at the time of payment of retirement gratuity of this officer who had retired on 29 march 2017, since not handing over the retirement documents those need to get retired to the personal file, the relevant files have not been sent to the Department of Pensions .</p>

**1.6.3 Not-maintaining of Documents and Books**

It was observed during the audit test checks carried out, the following documents were not maintained by the Department and certain documents were not maintained properly in an updated manner.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
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<p><b>(a) Register of Electrical Equipment</b></p> <p>-----</p>		
<p>A Register for Electrical Equipment had not been maintained in terms of Financial Regulations 454 (2) .</p>	<p>All electrical components and appliances in the building should be inspected and its' safety should be ensured.</p>	<p>Actions will be taken to prepare in future.</p>
<p><b>(b) Register of Losses</b></p> <p>-----</p>		
<p>The Register of Losses had not been updated in accordance with the Financial Regulations 110.</p>	<p>The shortcomings disclosed as per the Regulations should be recorded in the Register of Losses.</p>	<p>Actions will be taken to maintain the Register of Losses in an updated manner in future.</p>
<p><b>(c) Record of Liabilities</b></p> <p>-----</p>		
<p>A Record of Liabilities had not been maintained in terms of Financial Regulations 214 .</p>	<p>A Record of Liabilities should be maintained in terms of the Regulations.</p>	<p>Since the Record of Liabilities is already being maintained under the CIGAS Programme, it is pointed out that no need to maintain a separate document.</p>

**(d) Register of Receipts**

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A Register of Receipts had not been maintained in accordance with Financial Regulations 341 .

A Register of Receipts should be maintained in accordance with Format G.A.N 20 of Regulations.

Answer is not given.

**(e) Vehicle Log Books**

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The Vehicle Log Books had not been maintained in an updated manner in accordance with Financial Regulations 1645 (a).

The Vehicle Log Books should be maintained in an updated manner.

Several entries could not be able to enter in to the Log Books by mistakes and will take actions to correct it as soon as possible.

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

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The instances of non-compliance with the provisions in the Laws, Rules and Regulations are as follows.

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

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(a) Financial Although the Full The Full Report As a result of

Regulations of the Democratic Socialist Republic of Sri Lanka 104 (4) Report has to be submitted within three months from the date of the loss occurred, the Full Reports in respect of the two vehicles met with accidents in May 2018 and February 2018 had not been submitted even by 31 May 2019 . should be submitted within three months from the date of the loss. lack of proper attention, the investigation activities that should be carried out in respect of this accident has not been completed within due time. A programme has been formulated to act in accordance with the Financial Regulation 104 (4) .

(b) Paragraph 3.1 of the Public Administration Circular No. 30/2016 dated 29 December 2016 Although a fuel test should be carried out, after the first of these things happened such as from a period of 12 months after each fuel test or after running of 25,000km or after a major repair of the engine, the said fuel tests had not been so done for 35 vehicles . Fuel tests should be carried out as per Circular provisions. Although the fuel test was done in one vehicle and mistakenly not recorded in the Log Book and the fuel testing will be carried out in due course in respect of the all vehicles that were unable to do fuel tests and the vehicles which had exceeded the period of fuel tests.

(c) Paragraph 02 of the Public Finance Circular No. 04 /2015 dated 14 July 2015 Although insurance coverage is required to be made available through obtaining quotations from the government owned organizations operating in the market and registered in Sri Lanka Insurance Board, without calling such Actions should be taken in terms of the Circular. Agreed. Actions will be taken to obtain insurance coverage through obtaining quotations from the government owned organizations which are

quotations, it had been fully insured the 14 vehicles belonging to the Department at National Insurance Trust Fund and the other 25 at Sri Lanka Insurance Corporation Limited.

registered in Sri Lanka Insurance Board in terms of Public Finance Circular No. 04/2015 for all the vehicles belonging to this Department .

## 2. Financial Review

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### 2.1 Expenditure Management

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
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<p>Out of the provisions made available for 05 Recurrent Expenditure Objects amounted to Rs. 1,688,338 , a 30 per cent or a sum of Rs. 5,685,000 had been saved .</p>	<p>Estimates should be prepared accurately in accordance with Financial Regulations 50.</p>	<p>The provisions were saved due to limitation of local travel expenses, preparation of estimates for two additional officers for uniform allowance and not running 03 cabs during the year properly.</p>

## 3. Operating Review

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### 3.1 Planning

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- (a) The Department had prepared the Action Plan for the year under review in terms of the Public Finance Circular No. 2014/ 01 dated 17 February 2014. The following deficiency was observed whilst preparation of that Action Plan.



<b>Audit Observation</b>	<b>Recommendations</b>	<b>Comments given by the Accounting Officer</b>
<p>When setting targets in the year 2018 for the implementation of the Bimsaviya Programme the factors such as the resources and capacity of the Department should be taken into consideration. However, due to the preparation of plans without paying attention in respect of those details the performance had been increased ranging from 114 per cent to 152 per cent exceeding the targeted level.</p>	<p>The essential factors such as the progress of the previous year and the capacity of the institution should be considered when setting out the goals.</p>	<p>The Department sets its goals based on the goals provided by the Department of Survey. Since the number of target of the Department of Survey for the year 2018 was 96,000 land plots, the targets of the Department were planned as compared to that.</p>

### 3.2 Not obtaining the Desired Output Level

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
<p>(a) Even though the target of the survey and dividing for the year under review was 15 villages under the Land Settlement Ordinance, the inspection activities had been completed only in 05 villages.</p>	<p>Actions should be taken to work towards achieving the goals as planned.</p>	<p>Since the continuous delays in the preparation of land maps, the progress of the main steps of the Act has been appear in different in the year 2018 as compared to the year 2017.</p>
<p>(b) The Bimsaviya Programme was initially planned in the year 2002 and was expected to be completed by the end of the year 2021. However, even though 16 years have elapsed by the end of the year under review, out of the total number of 3659 Grama Niladhari Divisions in the 57 Divisional</p>	<p>A proper programme should be prepared to achieve the targets as planned.</p>	<p>Although there were 3659 Grama Niladhari Divisions, the number of the commencement of work in Grama Niladhari Divisions had to be made limited as per the resource deployment</p>

Secretariats in which the program is being implemented, completion of the survey activities had been made only in 1695 or 46 per cent in Grama Niladhari Divisions.

- (c) During the title settlement process, a number of 34,428 files had been set aside in the year 2018 and the total number of files set aside as such as at 31 December 2018 had been 414,543. As a result of the lack of a special arrangement to act with the files that were set aside as this, the fulfilment of Title Settlement process had been delayed.

An expeditious programme should be prepared to act with regard to the files which were set aside and make arrangements accordingly.

capability of the Department of Survey and this Department and also the capacity of the staff .

Agree with the observation. The problematic files may have to set aside whilst the process of investigating and in re-examining these files that have been set aside in the process, if they are still problematic, they may have to keep aside again.

### 3.3 Asset Management

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The following observation is made

#### Audit Observation

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As per the Public Finance Circular No. 02/ 2015 of 10 July 2015 and Assets Management Circular No. 01/ 2018 dated 19 March 2018 of the Ministry of Finance and Mass Media, the vehicles that were not at a condition to be driven must be disposed and the vehicles that can be repaired must be repaired and deployed to be run. Nevertheless, a jeep remained in idle throughout the year without run and had not been taken actions to repair or to be disposed.

#### Recommendation

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Arrangements should be made in accordance with the Circular.

#### Comments given by the Accounting Officer

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Since this car was intended to be repaired and set to be run in the year 2018, the insurance activities related to that was carried out. However, the Secretary of the Ministry has not given permission to repair the vehicle claiming as it is economically disadvantaged.

### 3.4 Losses and Damages

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The following observation is made.

#### Audit Observation

#### Recommendation

#### Comments given by the Accounting Officer

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Actions had not been taken to determine the persons responsible for the losses and recover the losses in accordance with the Financial Regulations 104 and 105 with regard to the 151 goods shortages of 72 computers and accessories, 34 furniture and office equipment and 08 electrical appliances revealed according to the Board of Survey relating to the year 2018 in respect of 03 Divisions of the Head Office or 14 Regional Offices. Further, it was also not mentioned regarding the losses in the statement of write offs from books in terms of Financial Regulation 109 .

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Actions should be taken in terms of the Financial Regulations regarding the shortages revealed in the Boars of Survey.

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The inquiries were made from the relevant Divisions regarding the shortages and excesses revealed in the Boards of Survey and after receiving the reasons, arrangements will be made to provide an explanation.

### 4. Human Resource Management

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The following observation is made.

#### Audit Observation

#### Recommendation

#### Comments given by the Accounting Officer

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The approved cadre of the Department was 2112 and the actual cadre was 825 and 61 per cent out of the approved cadre were in vacant. Even though the cadre had been approved to run 90 Regional

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Arrangements should be made to revise the cadre as adapted to the 43 Regional Offices.

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It was requested from the Ministry of Public Administration to obtain a sufficient number of officers for 43 Offices in view of the current

Offices and currently there are only 43 regional offices in the country and the failure to revise the approved cadre had resulted such a large number of vacancies.

service situation.