

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Land Settlement Department 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 including my comments and observations on the financial statements of the Land Settlement Department was issued to the Accounting Officer on 30 June 2020 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the Department in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 30 June 2020. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements prepared in accordance with the State Account Circular, No. 271/2019 dated 03 December 2019, give a true and fair view of the financial position of the Land Settlement Department as at 31 December 2019, and its financial performance and cash flows 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 Accounting Officer for the Financial Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No. 19 of 2018 and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Land Settlement 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department exists, and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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 scepticism 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

1.5 Report on Other Legal Requirements

I express the following matters in accordance with Section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendations made by me with respect to the financial statements of the preceding year, had been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
A sum of Rs. 1,215,000 had been shown in the statement of financial performance under the acquisition of capital assets during the year. However, the same had been shown as Rs. 37,615,00 in the Treasury print out as the purchases made in the year. As such, a difference of Rs. 36,400,000 was observed.	According to Section 3.1 of the State Account s Circular, No. 271/2019, dated 03 December 2019, the figures shown in the financial statements should tally with that of the statement of the final accounts of the Treasury.	The value of constructions paid annually for the said building the constructions of which had been commenced in the year 2016, had been shown as work in progress, and the building had been handed over after being completed in the year 2019 thus recording in the Cigas software as work done. Hence, it was shown as an acquisition made in the year.

1.6.2 Failure to Maintain Registers and Books

Audit Observation	Recommendation	Comments of the Accounting Officer
Vehicle Log Book Log Books relating to 21 of the 41 vehicles owned by the Department had not been updated in terms of Financial Regulation 1645(a).	Log Books should be updated in terms of Financial Regulations.	It is informed that action will be taken as soon as possible to update the Log Books for 21 vehicles.

1.6.3 Non-compliances with Laws, Rules, and Regulations.

Instances of non-compliances with provisions of the Laws, Rules, and Regulations, are as follows.

	Audit Observation	Recommendation	Comment of the Accounting Officer
	Reference to Laws, Rules and Regulations.	Non-compliance	
(a)	Circular, No. 05/2008 of the Ministry of Public Administration and Management, dated 06 February 2008.	The Department should have prepared a methodology to supervise and evaluate the formulation and implantation of the Citizens' Charter. However, it had not been so done.	The Circular should be followed. Action will be taken to furnish in due course in accordance with the compliance report of the performance report.
(b)	Section 3.1 of the Public Administration Circular, No. 30/2016, dated 29 December 2016.	The consumption of fuel must be re-checked after a period of 12 months from each fuel test or after running a distance of 25,000 km or after carrying out a major repair to the engine, whichever occurs first. However, it had not been so done with respect to 21 vehicles.	Fuel consumption test should be done in terms of the Circular. It is informed that action would be taken to check fuel consumption of all the vehicles owned by the Department before the end of this year.
(c)	Section IV of the Internal Circular, No. 1/2019, dated 30 July 2019.	All the field officers should obtain approval on their future programs for each month prior to 25 th day of the preceding month. However, 12 field officers of a certain regional office where the physical inspection was carried out, had not presented future programs for a total of 36 months for approval.	The future programme for each month should be presented for approval prior to the 25 th day of the preceding month as per the Circular. All the field officers were advised to present the future programs on time.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) As two recurrent Objects had been overprovisioned, savings amounting to Rs. 90,901 and Rs. 10,262 existed representing 12 per cent and 15 per cent.	Estimates should be prepared accurately in terms of Financial Regulation 50.	Those savings occurred due to reasons such as, suspension of payments for travel expenses relating to supervising activities, and the contractor had overspent on electricity and water bills of the official quarters of the Commissioner General.
(b) It had been stated that 15 per cent and 10 per cent should be saved from the capital expenses. However, of the total provision made for the Department on capital expenses amounting to Rs. 5,500,000, a sum of Rs. 1,104,355 had been saved representing only 20 per cent.	Action should be taken in accordance with the National Budget Circular, No. 5/2019, dated 24 September 2019.	The said situation arose as such decisions had not been taken at the beginning of the year.

2.2 Issue of Advances to Public Officers

Audit Observation	Recommendation	Comments of the Accounting Officer
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Outstanding loan balances totaling Rs. 499,305 had remained recoverable from officers who had been retired, interdicted, or vacated the post as at 31 December 2019. Those outstanding loan balances had continued to exist over periods of 01-05 years, but no action had been taken for the recovery.	Action should be taken for the prompt recovery of loan balances due from the officers.	The sum of Rs. 318,415 recoverable from retired officers, shall be recovered from their pension gratuity, and a sum of Rs. 93,730 out of the loan balance of Rs. 176,390 due from officers who had been interdicted, would be recovered from the pension gratuity after completion of the disciplinary inquiries whilst the sum of Rs. 82,660 shall be recovered in due course from the officer who had been reinstated. Action will be taken to write off the balance pertaining to the officer who had vacated the post.

3. Operating Review

3.1 Planning

The following deficiencies were observed with the Action Plan prepared in accordance with provisions of the Circulars.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Human Resource Development Plan and the Internal Audit Plan had not been included in the Action Plan prepared by the Department contrary to the Public Finance Circular, No. 1/2014 dated 17 February 2004.	The Action Plan should be prepared in accordance with the Circular.	As per the report of compliance included in the Performance Report, a training programme had been prepared for the year 2020 representing officers of all the areas. The post of Internal Auditor remained vacant in the year 2019.
(b) It was observed that setting goals for implementing the <i>BimSaviya</i> programme during a period of 05 years from 2015 to 2019 had continuously been declined.	When setting goals, the Department should consider the progress of the preceding year, provision received, number of employees, capacity of the institution, and the targets of the Department of Survey in providing boundary maps.	Action is being taken to set goals from the ensuing year by taking into account the number of plots remaining from the previous years, number of plots to be provided by the Department of Survey for the targeted year, and the number of employees.

3.2 Failure to Achieve the Expected Output

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) As for the implementation of <i>BimSaviya</i> programme by the regional offices, it was observed that the progress in the number of plots to be published in the Gazette under Section 14 relating to 28 regional offices, had declined in the range of 15-81 per cent in the year under review as compared with the year 2018.	A systematic approach should be introduced for the prompt implementation of <i>BimSaviya</i> programme by the regional offices.	As compared with the year 2018, there was a reduction in receiving the cadastral maps in the year 2019. Plots had not been received in line with the survey requests made. As such, decisions had been taken based on the number of plots that had not been utilized in the preceding year.

- (b) When the titles had been settled from the year 2015 up to the year under review, settlements had been reached only for 46,656 out of 485,351 files that had been set aside, and that represented 10 per cent. Due to failure in preparing a specific procedure relating to the files set aside in such a manner, the settlement process had become delayed.
- A procedure should be prepared promptly to process the files that had been set aside, and action should be taken accordingly.
- The possibility to reach decisions again on the files that had been set aside, should be examined, and the progress thereof should be informed to the Head Office monthly – the Letter, No. 04/06/16-01 dated 30 June 2020 apprised all the regional offices.
- (c) Of the main key activities to be executed in the year under review under the Land Settlement Ordinance, the progress of 05 activities such as, examining the surveying and parceling out process, requesting for **trace**, forwarding the settlement order to the Ministry for approval, and publishing the settlement orders in the Gazette, had remained under 50 per cent as compared with the target.
- Action should be taken to achieve the targets as planned.
- It is necessary to fulfill 22 steps in settling the lands. When a certain step is delayed or incomplete, proceeding with the settlement process becomes difficult.
- (d) The *BimSaviya* programme had initially been scheduled to be commenced in the year 2002 and completed by the year 2021. Nevertheless, even after 17 years by the end of the year under review, only 1359 of the total number of 3621 GramaNiladhari divisions belonging to the 58 Divisional Secretariats in which the said programme had been implemented, were surveyed and that represented 38 per cent.
- Action should be taken to achieve the targets as planned.
- In order for a Grama Niladhari division to be completed, all the zonal maps should be received. However, surveying the number of divisions expected for the year is not completed based on the number of surveyors attached to the division of the Divisional Secretariat. As it is this year in which the surveying takes place for the survey requests made by the Department in the preceding years, conclusion of surveys has become delayed.

3.3 Management of Assets

The following observations are made.

	Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a)	The Double Cab parked at the Department premises without being driven for a period of 02 years, had been assessed for a value of Rs. 2,000,000 in May 2019, but no action had been taken for disposal.	In terms of Public Finance Circular, No. 02/2015 dated 10 July 2015 and Circular, No. 01/2018 of the Ministry of Finance and Mass Media dated 19 March 2018 relating to the management of assets, action should be taken for the disposal of vehicles not in running condition.	It is informed that action will be taken in due course to obtain approval of the Secretary to the Ministry of Lands to proceed with disposal in terms of the Circular.
(b)	Twenty six computers and accessories had remained idle without being used at a regional office for a period of 03-07 years. Computers and accessories installed at the Computer Division, had remained idle without being used for official purposes for a period of 03 years.	Action should be taken either to productively utilize such equipment for institutional requirements, or hand over them to other regional offices in need of such items.	As the Department of Land Registration had not fully implemented their online system for the registration of deeds, the computers provided for the office had not been made use of. Action will be taken in due course to hand over them to other offices that are in need of those items.
(c)	The constructions of the official quarters shown in the statement of non-financial assets under the value of Rs. 36,400,000 that had been provided with the account, had been completed in the year 2018. But, the ownership of the land had not been taken over.	Prompt action should be taken to take over the ownership of the land.	Documents requesting the ownership of the land had been presented to the Governor of the Western Province through the Divisional Secretary of Kaduwela.

3.4 Losses and Damages

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken as per Financial Regulation 109 to write off the sum of Rs. 22,250 incurred on the repairs of a Double Cab that had met with an accident in the year 2011; instead, that value had continuously been disclosed in the financial statements.	Action should be taken to write off the said balance which continued to exist over a period of 08 years.	With the consent of the Head of the Department, action will be taken in the year 2020 to write off the value of the damage caused to the vehicle that could not be recovered.
(b) Action had not been taken in terms of Financial Regulations on the shortage of 53 items comprising 22 computers & accessories, 24 furniture & office equipment, and 07 electrical appliances, that had been identified at 02 divisions in the Head Office and 04 regional offices during the Board of Survey relating to the year 2019.	Action should be taken in accordance with the Financial Regulations on the shortages identified in the Board of Survey.	Information will be made available after further examination.

4. Human Resources Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Under the objective of establishing regional offices with immediate effect in Northern and Eastern provinces, 17 persons had been recruited to the post of Development Officer in the year 2013 and attached temporarily to the Divisional Secretariats in the said provinces. However, no action had been taken even by the end of the year under review to establish regional	Based on the requirements of the Department, they should either be attached to the regional offices already established, or the regional offices should be promptly established in the Northern and Eastern provinces.	It has been informed that action be taken to release those officers to other Government institutions where vacancies exist.

offices. The officers were administered by the Department, but it was observed that the duties performed by them were not relevant to the scope of the Department.

- (b) The approved cadre of the Department was 2238 whereas the actual cadre was 826. As such, 63 per cent of the approved cadre remained vacant indicating 1412 vacancies. A cadre sufficient for maintaining 90 regional offices had been approved, but 43 regional offices are being maintained at present. As such, due to failure in revising the approved cadre, a large number of vacancies existed.
- Cadre should be revised to be in line with the 43 regional offices.
- It is expected to increase the number of regional offices thereby filling all the vacancies.