

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

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### **1. Financial Statement**

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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 2021 comprising the statement of financial position as at 31 December 2021 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 25 July 2022 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department was issued to the Accounting Officer on 24 August 2022 in terms of Section 11 (2) of the Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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 Paragraph 1.6 of this report the financial statements prepared give a true and fair view of the financial position of the Department of Land Title Settlement as at 31 December 2021 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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My opinion is qualified based on the matters appear in Paragraph 1.6 of this report. 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 evidences I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Responsibilities of the 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 Accounting Officer.

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 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 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 exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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 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.
- 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, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### **1.5 Report on Other Legal Requirements**

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I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are consistent with those of the preceding year.

- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

## 1.6 Comments on Financial Statements

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### 1.6.1 Accounting Deficiencies

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#### (a) Property, Plant and Equipment

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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<p>The value of office equipment had been understated by Rs.786,350 and the value of computers, electronic equipment and furniture had been overstated by Rs.786,350 in the closing balance of statement of non-financial assets (ACA-06) furnished as at 31 December 2020 and in the opening balance of the (ACA-06) statement submitted as at the last date of the year under review and actions had not been taken to rectify the relevant changes by asset accounts.</p>	<p>Since the errors have already been identified, necessary arrangements have been made.</p>	<p>Closing balances of the previous years should be brought forward as opening balances of the year under review.</p>

#### (b) Imprest Balance

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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<p>Although there was no difference in between the advance receipts and settlements as per the statement of advance accounts (ACA-03) submitted as at 31December 2021, the outstanding advance balance as at 31 December of the year under review had been Rs.330,000as per Treasury Computer Printout, (SA-70).</p>	<p>Because it was impossible to identify the imprest of Rs.330,000 issued on 15.10.2021 was the money received from Treasury, it has shown as outstanding advances so, by the year-end balance. Since monthly reconciliations will be done with Treasury computer printouts in 2022, it is kindly informed that it will be considered not to make such errors in the future.</p>	<p>The balance in the Departmental Books should be equal to the balance in the Treasury Books</p>

**2. Financial Review**

**2.1 Management of Expenditure**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Out of the provision of Rs.74,000,000 allocated for three capital expenditure objects, a sum of Rs.38,319,896 had saved. These savings had ranged in between 59 percent and 100 percent. Accordingly, the provision of Rs.38,319,896 which could have been spent for other development works, had not been utilized.	As per the Decision of the Cabinet of Ministers issued by the Ministry of Finance dated 31.08.2021 in view of the COVID epidemic situation in the country, it was asked to furnish savings from capital expenditure objects. Accordingly, the capital expenditure objects were ceased.	Provisions made available, should be fully utilized.

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

Instances of Non-compliance with provisions of the Laws, Rules and Regulations are as follows.

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

**(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

F.R. 104 (3)	Although if there is a delay of more than 07 days in submitting a Full Report of loss or damage, the Preliminary Report should be sent immediately, approximately	08	It is accepted that there have been delays. Necessary instructions have been given to take actions for the submission of these reports within the month of April 2022.	Actions should be taken in terms of F.R. 104 (3).
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months had elapsed to submit the Preliminary Report in respect of the loss of Rs.10,500 occurred in an accident to the van No. NA-6026 on 03 April of the year under review and the Full Report had not been submitted even by 25 March 2022.

**(b) Public  
Administration  
Circulars**

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- (i) Paragraph 3.1 of Circular No. 30/2016 dated 29 December 2016
- After each fuel test, although a re-fuel test should be carried out after a period of 12 months or after 25,000 km or after a major overhaul involving engine, whichever occurs first, actions had not been taken accordingly.
- Fuel tests could not be implemented in respect of entire vehicles as per the circular because of the offices being closed for most of the year and operating under health regulations under the epidemic situation in the island in the years 2020, 2021. It is informed that the necessary arrangements will be made to carry out this work based on the available facilities.
- Fuel tests should be carried out as per the Circular.

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| (ii)  | Circular No. 05/2008 dated 06 February 2008 as amended by Circular No. 05/2018 (1) dated 24 January 2018 | Although the Citizen/client Charter should be prepared and implemented in terms of the Circular, the Department had not acted accordingly.  | It has been noted to prepare and implement Citizen Service Charter. | Citizen/client Charter should be prepared as per the Circular.          |
| (iii) | Circular No. 02/2018 dated 24 January 2018 Format of the Annexure 02                                     | Although the Human Resource Development Plan of the Department should be prepared based on the Format as per Annexure 02 of the Circular, actions had not been taken accordingly. | It has been noted to prepare the Human Resource Development Plan.   | Human Resource Development Plan should be prepared as per the Circular. |

**(c) Public Finance  
Circulars**

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| Circular No. 1/2020 dated 28 August 2020 | Although the Department shall maintain a Register of Securities consisting of information about the officers who are administratively responsible for the receipt or custody of government money, revenue stamps or goods or the distribution of government money or the issuing of goods, arrangements had not been made accordingly. | Arrangements are being made to open savings accounts for this, in the names of officers. | A Register consisting of Security information should be maintained. |
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### 3. Operating Review

#### 3.1 Planning

##### Audit Observation

Although the provisions made for the Bimsaviya Programme in the year under review as compared to the year 2020 had been increased by 41 per cent from Rs.87,930,359 to Rs.124,000,000 the goals designed for each task have been reduced from 15 percent to 22 percent in the year under review as compared to the year 2020.

##### Comments of the Accounting Officer

COVID epidemic situation in the country and the health rules have caused for this.

##### Recommendation

Annual targets should be set and achieved to enhance the progress of the BimSaviya Programme.

#### 3.2 Non - performance of Function

##### Audit Observation

- (a) The Bimsaviya Program was commenced in the year 2002 and it had been planned to issue all the land title certificates in the island by the end of the year under review. The total cost incurred for this Programme had been Rs.5,635.6 Million by the end of the year under review and although 17 years had elapsed since the Project was commenced, the Project had been implemented in only 66 out of 331 Divisional Secretariats. Further, out of the 3899 Gramasevaka Divisions belonging to the 66 Divisional Secretariats where the Programme commenced, the survey

##### Comments of the Accounting Officer

Arrangements are being made to establish cooperation in between the institutions required to carry out the Bimsaviya Programme efficiently.

##### Recommendation

Actions should be taken to identify the obstacles which affects to the implementation of this programme and correct.

works had been completed only in 1394 Divisions. Accordingly, the progress of this Project was at unsatisfactory level.

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| <p>(b) Although an amount of Rs.8,000,000 has been allocated under the expenditure object 287-2-1-0-2509, for the preservation of more than one hundred years old land ledgers and other documents maintained in connection with implementation of Waste Lands Ordinance of 1897 and Land Settlement Ordinance of 1931, it had failed to utilize any of its provisions for the purpose of scanning the relevant documents.</p> | <p>Document scanning could not be carried out due to the COVID epidemic in the country and the health rules.</p> | <p>Annual targets should be implemented as planned and the provisions should be utilized within the year of allocation.</p> |
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### 3.3 Assets Management

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#### Audit Observation

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#### Comments of the Accounting Officer

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#### Recommendation

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| <p>(a) Even though the dilapidated Double Cab No. 53 0049 which was parked in the Department premises for 02 years had been assessed at Rs.2,000,000 in May 2019, actions had not been taken to dispose of it even as at the end of the year under review.</p> | <p>It has been sent to receive further advice regarding the disposal because of restriction of import of vehicles.</p>            | <p>Arrangements should be made to dispose or repair and operate the respective vehicles.</p>                         |
| <p>(b) Although the official residence of the Land Title Settlement Commissioner General in Battaramulla, valued at Rs.36,400,000 had been entered in the property, plant and equipment in the statement of financial position, the value of the land</p>      | <p>A letter has been sent to the Valuation Department to assess the value of the land where the official residencies located.</p> | <p>The value of the land where the official residencies located should be indicated in the financial statements.</p> |

on which it located had not been furnished in the Statement of Financial Position.

### 3.4 Management Weaknesses

----- <b>Audit Observation</b> -----	----- <b>Comments of the Accounting Officer</b> -----	----- <b>Recommendation</b> -----
<p>(a) Although the actions should be taken as per the instructions of the Attorney General, if the amount due to the government cannot be recovered from the main creditors, guarantors or heirs, actions had not been taken in respect of the total of Rs.205,369 receivable from two deceased officers and one officer who had left the service as at December 31 of the year under review to recover in terms of Paragraph 4.6 of Chapter XXIV of the Establishments Code.</p>	<p>The debt of one employee from two deceased employees is being recovered and the death gratuity has not been paid to the other employee by now and it has been noted to recover the debt at the time of payment of death gratuity. The employee who had left the service has been informed by a letter to pay the debt.</p>	<p>Actions should be taken to recover the debt balances in terms of the Establishments Code.</p>
<p>(b) Even though a provision of Rs.124,000,000 had been made available by planning to issue 60,000 Title Certificates in the year 2021, the number of Title Certificates issued during the year was 13,907 and the actual expenditure incurred was Rs.94,406,000. Accordingly, although the estimated cost to issue a certificate was Rs.2,067, the actual cost was Rs.6,788.</p>	<p>It is accepted that the gazette of title decisions has been reduced numerically due to the effect of inability to carry out the field work, failure in checking the proof etc. due to the closure of offices during the previous COVID epidemic period. Necessary activities are being carried out to further increase the progress together with the Registrar General Department in this regard.</p>	<p>A formal programme should be prepared to achieve the planned goals and to act accordingly.</p>

- (c) The number of Title Certificates issued by the Land Registry Office during the year 2021 was 22,485 and the number of certificates issued to land owners was only 13,907. As a result of the existing weaknesses in the distribution of Title Certificates, the number of Title Certificates remaining to be distributed among the owners was 21,231 by the end of the year under review.
- In giving decisions to gazette under Section 14, the situation of the COVID epidemic and the presence of contact with 5-6 Regional Offices of the Department of Land Title Settlement under one Land Registrar Office had affected and although there has been a lack of progress in the issuance of Title Certificates due to the issues such as the failure of appearance of land owners to obtain the certificates, failure to find the current residence of the owners etc., arrangements are being made to improve the progress in future.
- Actions should be taken to identify and correct the deficiencies in the distribution of Title Certificates.
- (d) It was recorded that the total number of files set aside due to various unresolved issues related to the issuance of Title Certificates as at 31 December 2021 was 455,271 and because of the information related to the files set aside from the Regional Offices of Weligepola, Ratmalana, Dehiwala and Nallur had not been disclosed by the end of the year under review, those were not included in the above number.
- Although it had been planned to survey all lands and issue certificates covering the entire island in the period 2002-2021, Lack of surveyors for survey work, lack of Assistant Commissioners and vacancies in Investigation Officers have hindered the expansion of this programme and arrangements are being made at present to improve the progress. The progress on the files set aside will be monitored on a monthly basis.
- A programme should be prepared and acted upon to solve the problems in the files set aside.

#### 4. Sustainable Development Goals

##### 4.1 Identifying of Sustainable Development Goals

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Although the Sustainable Development Goals were identified, the method of the respective goals relates to the Sustainable Development Goals established by the United Nations and the targets expected to be achieved by the year 2030 had not been specifically identified. Accordingly, the contribution of the Department to achieve the Sustainable Development Goals had not been specifically identified.	Officers have already been assigned duties to fulfill Sustainable Development Goals.	Arrangements should be made to identify and provide the necessary contribution of the Department to achieve sustainable development goals.

#### 5. Good Governance

##### 5.1 Internal Audit

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Although the Department has established an Internal Audit Unit in terms of F.R. 133 and Section 40 of the National Audit Act No. 19 of 2018, an Audit Plan had not been prepared in respect of the year under review and no audit query had been issued during the year.	The Audit Plan has been approved by now. About 10 audit inquiries have been issued so far in the year 2022.	An Internal Audit Plan should be approved and arrangements should be made accordingly.

**6. Human Resources Management**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) There was a total of 1,251 vacancies existed in the Department including 74 Senior Level vacancies and 1,071 Tertiary and Secondary Level vacancies.	Although the staff of this Department was 815, there is still a need to establish and maintain three District Offices and 47 additional offices under the purview of the Department.	Actions should be taken to recruit required employees or to revise the approved number of employees to the Regional Offices which have been opened in the Department and to commence offices for that in the Districts of North and East where the offices have not been opened.
(b) although the Department had identified that the existing of vacancies in 01 Commissioner post, 03 District Commissioners, 68 Deputy/Assistant Commissioner posts, 74 Senior Level Posts of Legal Officer and Accountant, as an obstacle to achieving the planned goals and objectives of the Department, actions had not been taken to fill up the respective vacancies or to revise the approved posts on the basis of service requirement.	Although the staff of this Department was 815, there is still a need to establish and maintain three District Offices and 47 additional offices under the purview of the Department.	Actions should be taken to recruit essential officers for the fulfillment of Departmental objectives or to revise the approved cadre as per service requirement.
(c) Officers had been appointed on contract basis instead of being appointed permanently as 18officers for the post of Deputy/Assistant Commissioner at the Senior Level and an Administrative Officer at the Tertiary Level.	Although the staff of this Department was 815, there is still a need to establish and maintain three District Offices and 47 additional offices under the purview of the Department.	Employees should be permanently appointed to the posts included in the approved cadre.

- (d) Actions had not been taken to fill up 1,175 vacancies in 7 posts at Secondary and Primary Level or revise the approved cadre by reconsidering the service requirement.
- Although the staff of this Department was 815, there is still a need to establish and maintain three District Offices and 47 additional offices under the purview of the Department.
- Arrangements should be made to fill up the vacancies or revise the approved cadre as per the requirement of the service.