

Land Reform Commission - 2021

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Land Reform Commission for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 and Finance Act, No. 38 of 1971. My comments and observations which I consider should be presented in Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Commission. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

My opinion is disclaimed based on the matters described in Paragraph 1.5 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 this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my disclaimer of opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards 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.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Commission 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 of the Commission.

1.4 Scope of Audit (Auditor’s Responsibility for the Audit of the Financial Statements)

My responsibility is to conduct an audit of the Commission’s financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor’s report. However because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the Relevant Standard	Comments of the Management	Recommendation
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(a) In terms of paragraph 48 of Sri Lanka Public Sector Accounting Standard 1, revenue and expenses shall not be offset unless required or permitted by the Standards. Nevertheless, a sum of Rs.2,717,462 recovered from the purchaser in selling lands owned by the Commission had been offset against the expenditure on lawyer fees amounting to Rs.24,137,438 incurred during the year.	The methodology followed by the Land Reforms Commission so far is to debit the expenditure on lawyer fees to the Lawyer Fees Account and to credit the revenue from reimbursement of lawyer fees received to the Commission from land plot recipients, to the relevant Lawyer Fees Account. According to your guidance, action will be taken to rectify in the preparation of financial statements relating to the financial year – 2022.	Revenue and expenses shall not be offset.
(b) As pointed out by paragraph 99 of Sri Lanka Public Sector Accounting Standard 1, all items of revenue recognized in a period shall be included in the statement of comprehensive income unless SLPSAS requires otherwise. Nevertheless, the value of Rs.158,546,289 representing 40 per cent of the income from selling lands of the year under review, had been credited to the capital reserve directly without recording in the statement of comprehensive income.	In the preparation of financial statements of the Land Reform Commission of the year 2022, action will be taken to indicate the total income from selling and acquiring of lands in the Comprehensive Income Account and to transfer the amount of 40 per cent of the income from selling and acquiring of lands transferred as a reserve of that, to the Reserve Account.	All items of revenue should be included in the statement of comprehensive income.
(c) In terms of paragraph 9 of Sri Lanka Public Sector Accounting Standard 2, short term investments which have a short maturity of, say, three months	Action will be taken to prepare financial statements for the year 2022 considering all cash and cash equivalent assets to be matured in 03 months or	Investment to be matured in 03 months or less should be

or less should be recognized as cash and cash equivalents in the cash flow statement. However, short term investments of Rs.209,963,420 to be matured in a period of three months or less, including the value of short term deposits and Treasury Bills totalling Rs.1,334,716,557 remained as at 31 December of the year under review, had not been included in the balance of the cash and cash equivalents remained as at the end of the year under review. As such, the investment value of short term bank deposits and Treasury Bills had been overstated whilst the value of cash and cash equivalents had been understated by the same amount.

less, as cash and cash equivalent assets.

recognized as cash and cash equivalents in the cash flow statement.

(d) In terms of paragraphs 100 and 105 of Sri Lanka Public Sector Accounting Standard 8, a brief description of contingent liabilities and assets should be disclosed in the financial statements as at 31 December of the year under review. Nevertheless, action had not been taken accordingly with regard to contingent liabilities valued at Rs.750 million and contingent assets valued at Rs.1,491 million, estimated and shown in accounting policies as at the end of the year under review.

In the preparation of financial statements for the year 2022, action will be taken to present a brief description on contingent assets and liabilities pertaining to notes to accounts.

A brief description on contingent liabilities and contingent assets should be disclosed in the financial statements in terms of the referred Standard.

1.5.2 Accounting Policies

Audit Observation

Even though it had been specified in the Accounting Policy No. 1.6.2 that the financial statements are prepared on accrual basis, an income totalling Rs.440,135,525 collected under 19 other types of income such as compensation for land acquisition, land use charges, income from selling lands, trees and soil except for the investment income, land lease rentals, surcharges levied thereon and lease income from quarries, had been

Comments of the Management

As the financial statements should be prepared on accrual basis, land lease rentals, investment income, and lease income from quarries to be received, have been accounted. Categories of income such as compensation for land acquisition and interest thereon, administrative fees, application fees, income from auctions, income from coconuts, Commission fees, inheritance income, income from

Recommendation

The financial statements should be prepared on accrual basis in terms of Accounting Policies.

brought to account on cash basis.

issuance of letters, issuance of printed copies, project fees, registration fees, income from selling timber, land use charges, income from selling soil and income from Lindula Circuit Bangalow, which are difficult to identify as definite receivables, have been brought to account on cash basis. The amount recoverable in vesting lands based on the valuation relating to selling of lands, is being determined and action will be taken to account on accrual basis in future.

1.5.3 Accounting Deficiencies

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) The Commission had not maintained a register containing all the details about the extent of land acres acquired from the date of establishment of the Commission in the year 1972 and the location of each land, the person from whom the acquisition was made, details of the transfer of possession and relevant Gazette Notifications and all information on the disposal of lands, and the Commission was unable to elaborate them by the subsidiary documents. Accordingly, existence and accuracy of the valuation of the acquired lands worth Rs. 676,169,345 shown in the financial statements could not be satisfied in audit.	This problem has arisen due to failure in preparing a formal and updated land register by the Commission since the instance of acquiring of lands in the year 1972. According to the financial statements of the preceding years, the value of lands of the year 1975 amounts to Rs.890,959,772 and after disposal of lands carried out in preceding years, the value of lands of the year 2006 is shown as Rs.676,169,346. Since then, the said value remains unchanged up to now. As the land register is being prepared, this problem will be settled in future.	A register including details on lands acquired by the Commission should be maintained and action should be taken to update the values of lands and to include them in the financial statements.
(b) In terms of Land Reform Law No.01 of 1972, the balance totaling Rs.215,914,519 existed in the Suspense Account relating to compensations (Stage-I and II) to be paid for the lands acquired from plantation companies and persons, had not been settled even by the end of the year under review and a brief description on the nature of the liability had not been disclosed by notes to accounts as well.	In the preparation of financial statements for the year 2022, action will be taken to submit a brief note on accounts of compensation and interest thereon payable under Stage I and Stage II.	Action should be taken to identify and settle the balance of the Suspense Account. Moreover, the nature of the liability should be disclosed through the financial statements.

- (c) A lease rental income of Rs.13,307,625 relating to 9 institutions and 03 persons included in the register on land lease rental maintained by the Revenue Division of the Commission, had been omitted from accounts. The Tax Ledger maintained currently by the Revenue Division is prepared based on the lease period and balanced accordingly. However, it was not balanced for the accounting period. Further, action has already been taken to balance the Tax Ledger for the accounting period as at 31.12.2022 and to include the lease income receivable accordingly to the reports of final accounts. Lease rental income should be brought to account accurately.
- (d) Out of the arrears of lease rental of Rs.61,957,870 receivable from 19 quarry lessees at the beginning of the year under review, the lease amount received in the year under review, amounted to Rs.3,735,200 and arrears of lease had not been written off. As such, the lease income from quarries receivable by the end of the year under review should be Rs.58,222,670. However, it had been reported by financial statements as Rs.13,237,050 erroneously. Even though the lease income from quarries receivable, had decreased by Rs.44,985,620, reasons therefor had not been pointed out. A Tax Ledger on quarries has not been maintained properly by the Project Division and the preparation of the Ledger was delayed due to many problems arisen in this connection. Specially, the change in the fee charged in leasing out quarries, from time to time since the inception, has mainly attributed therefor. However, preparation of an accurate Tax Ledger by carrying out a proper study on matters mentioned above and preparing files thereon, has been assigned to the Revenue Division and they were equipped with all facilities necessary therefor and the said register is being prepared. Accordingly, action will be taken to rectify errors occurred, in updating the ledger. The income receivable should be accounted accurately and action should be taken to make rectifications through accounts of the year 2022.
- (e) A sum totalling Rs.136,773,278 recoverable from 12 quarry lessees which had been leased out by the Commission before the year under review but not recorded through accounts, should be included in the income of the year. However, only a sum of Rs.116,694,834 had been indicated in the financial statements as the total income of the year under review. As such, the income from quarry lease had been understated by Rs.20,078,444. No quarries have been leased out to 12 new lessees in the year under review and it has been confirmed that the lessees mentioned in the said register have operated their projects since prior years. However, the files of these lessees have been mislaid and those files have been updated by now. Moreover, the District Office has notified to recover the sums receivable from those lessees while arrangements have been made to take legal action against the lessees who have defaulted payments. Nevertheless, action will be taken to rectify this omission of lease income after preparing the Tax Ledger. Income of the year should be accurately brought to account and rectifications should be made through accounts in the year 2022.

- (f) Arrears of lease balances amounting to Rs.101,255,194 recoverable from 12 lessees had not been revealed by financial statements presented as at 31 December of the year under review. As the lease income receivable relating to these 12 lessees, have been revealed after 31.12.2021, the lessees already included in the ledger have been briefed as well. Accordingly, it will be included in the lease receivable as at 31.12.2022. Arrears of lease balances recoverable should be accurately brought to account and rectifications should be made through accounts in the year 2022.
- (g) There was a difference of Rs.2,827,941 between the balance maintained by the Revenue Division of the Commission relating to 09 lessees of land and the balances included in the financial statements presented as at the end of the year under review. In the preparation of the Register of Lease Income receivable as at 31.12.2021, instances are observed where the annual lease rental was computed based on temporary revision. Subsequently, by the time of submitting the Tax Ledgers to the Audit Division, the assessment of the Chief Valuer had been received and as such, adjustments have been made accordingly. The balance given to the financial statements and the balance of the Tax Ledger have differed on these adjustments as well. Balances included in the financial statements should tally with the values of relevant supporting documents.
- (h) A land lease of Rs.1,851,852 unidentified as receivable in the previous years from Amrita Apparel (Private) Limited of the District of Kalutara, had been received in the year under review and it has been recorded as an income of the year under review instead of adjusting to the profit of prior years. Thus, the lease income from lands had been overstated by the said value. According to the Tax Ledger, the opening balance as at 01.01.2021 is Rs.4,142,819. The cheque for Rs.2,000,000 had been received in December 2020 from Amrita Apparel (Private) Limited. The lease relating to this cheque is Rs.1,851,851. A sum of Rs.2,290,967 has been shown in the reports of final accounts as the balance as at 01.01.2021 after deducting this lease (4,142,819 – 1,851,851). However, the receipt relating to this cheque had been issued with the date 11.01.2021. (As the cheque was dated), all lease rentals relating to this institution has been received at present. Income of the year under review should be accounted accurately.

1.5.4 Lack of Documentary Evidence for Audit

Audit Observation -----	Comments of the Management -----	Recommendation -----
Information such as ledger accounts, letters of confirmation of balances etc. had not been made available to Audit for confirmation of accuracy in lease from quarries and lands and trade and other receivable balances valued at Rs.2,886,619,681 and balances of trade and other payables indicated in the financial statements.	<p>Tax Ledgers of 18 Districts maintained by the Revenue Division relating to leasing out of lands have been submitted by e-mail to the Government Audit Division by 05.09.2022. As a proper Quarry Ledger is not being maintained at present, Quarry ledger accounts are being prepared.</p> <p>Letters of confirmation of balances have been sent on 24.01.2022 to the Hadabima Authority, Sri Lanka State Plantations Corporation, Janatha Estates Development Board, Ministry of Lands, National Paper Company Limited who are debtors and to the institutions of Mahaweli Authority, Attorney General's Department etc. who are creditors.</p>	Documentary evidence mentioned herein, should be made available to Audit.

1.6 Accounts receivable and payable

1.6.1 Receivables

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) Action had not been taken even by the end of the year under review to recover sums of Rs.2,127,271,837 and Rs.8,354,409 older than 30 and 10 years respectively receivable from 07 Government institutions included in trade and other receivable balances totalling Rs.2,987,753,606 remained as at 31 December of the year under review.	<p>Even though it was notified to pay the amounts recoverable to this Commission, the said amounts had not been paid by any institution to the Commission. The institutions of Hadabima Authority, Sri Lanka Plantations Corporation, Janatha Estates Development Board and the Ministry of Lands have informed us during the several preceding years that the values receivable to the Commission in the financial statements of the Land Reform Commission, are not indicated as values payable according to their financial statements.</p> <p>As institutions such as multi-purpose co-operative societies limited, Elections, Land Reform, Co-operative Societies Ltd., National</p>	Action should be taken to recover old balances receivable from Government institutions.

Paper Company Limited are inoperative at present, the money receivable to the Land Reform Commission is not in the position of recovery. It has been planned to take a decision after holding discussions with the line Ministry and other relevant Government institutions relating to this settlement.

- (b) A sum of Rs.2,311,017 recoverable from persons who obtained 08 plots of land on lease, located in the two Districts of Kalutara and Gampaha, remained in arrears over a period of 22 years. Nevertheless, action had not been taken to recover relevant lease rentals.
- The deed for Lot No.07 of the Barodelwatthain Kalutara has been granted to recipient, K.A.Vasanth. The name of M.D.S.Priyantha is not mentioned in the plan. A person by the name K.A.Palitha is residing on the Millewawatte. Even though relevant parties have been notified to make payments relating thereto, the difficulty of making payments has been informed. The deed has been granted to P.Thilakasiri and D.R.Hemalatha who are residing on Ilimbawatte. No information whatsoever could be found of M.S.D.Senadheera in the files. Furthermore, no information of P.L.Sarathchandra of Kahatagahawatte land in the Gampaha District as well could not be found and moreover, a sum of Rs.112,322 has been recovered from M.D.MaryBenta of Paluwatte land.
- In case the lessee breaches the terms or conditions of the agreement, vesting should be cancelled in terms of Section 24(2) of the Land Reform Law and legal action should be taken to recover arrears from other lessees.

1.6.2 Payables

Audit Observations -----	Comments of the Management -----	Recommendation -----
(a) Advances of Rs.11,215,815 obtained from 269 persons included in the balance of the Land Lease Advance Account totalling Rs.14,080,850 which remained as at 31 December of the year under review, had been retained over a period of 16 years. However, the Commission had not taken action to legally lease out the relevant lands or to settle advances.	It has been identified that 1,156 acres of the relevant land in extent of 11,942 acres belonging to 219 lands vested during the period from 2002- 2004 have been richly cultivated and the drafted Cabinet Paper has been forwarded on 20.04.2022 to the Ministry of Lands to seek approval. Before submitting to the Cabinet of Ministers, discussions were held by calling the relevant lessees to the Ministry of Tourism and Lands. Further action is due to be taken accordingly once the Cabinet approval is received in this connection.	Action should be taken to legally lease out the relevant lands or to settle advances while drawing special attention on cultivated lands.

- (b) Balances totalling Rs.10,377,992 brought forward over a period of 10 years were included in the land sales advance balance of Rs.11,392,992 remained as at 31 December of the year under review. However, the Commission had not taken action to settle them.
- Land sale advance money brought to account, have been mostly transactions carried out during the period 2002-2004 and a Memorandum has already been submitted to the Cabinet regarding the said land transactions and action will be taken to settle the aforesaid advance transactions once Cabinet approval is received.
- Action should be taken to settle sales advance balances.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
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(a) Financial Regulations of the Democratic, Socialist, Republic of Sri Lanka			
(i) F.R. 371 (5)	Although an ad hoc sub-impres should be settled within 10 days from the completion of the work for which the impres was granted, a delay ranging from 55 days to 263 days had been caused to settle the sub-impres worth Rs. 709,275 given in 19 instances.	The officers who obtained the relevant advances have been informed that the advances should be settled within 07 days from their issuance in order to prevent these types of issues in the future. In case of failure to settle the advances thus obtained within 07 days, action will be taken to recover the dues from the salary of the officer of the relevant month or the following month.	Action should be taken to settle the advances properly.
(ii) F.R.751	Even though the receipt and issuance of all the stores should be entered in the relevant documents, 05 digital telephones and 40 normal telephones purchased at a cost of Rs. 245,700 during the year under review for the installation	The receipt and issuance of these 45 telephones have now been properly documented. Further, these telephones have been included in the Board of Survey reports.	The receipt and issuance of stores should be properly entered in the documents as per the provisions of the F.R.751.

of a telephone system for the Commission had not been entered in the inventory and the register of the officers who used or took charge of these items of equipment had not been maintained.

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| (b) | Section 13.3 of Chapter II of the Establishment Code of the Democratic Socialist Republic of Sri Lanka. | An acting appointment should be made as a temporary measure only and until a substantive appointment is made. Nevertheless, despite the lapse of a period from 05 to 12 months from making appointments on contract basis to the posts of Director General, Director (Land) and Director (Control and Secretary) of the Commission, action had not been taken to appoint officers to the relevant posts on permanent basis. | These appointments have been made on the decisions of the Land Reform Commission. Those officers have fulfilled the qualifications for those posts and a letter dated 14.11.2022 has been sent to the Public Enterprises Department seeking necessary approval for make internal recruitment on permanent basis. | Permanent officers should be appointed for the vacancies. |
| (c) | Section (b) of Management Services Circular No. 28 dated 10 April 2006 | Although the approval of the Department of Management Services is required for the creation of the post anew as per the Circular, an officer had been recruited for the post of Circuit Bungalow Keeper at the end of the year under review disregarding the above provision. | This employee has been recruited on contract basis for the Nuwaraeliya circuit bungalow as per a decision taken at the 741 committee meeting held on 09.12.2020, and it is mentioned that this person can be removed from this post if the new post is not approved. | Recruitments should be made based on the service requirement once approval of the Department of Management Services is obtained. |
| (d) | Recommendations of the Committee on Public Enterprises held on 17 November 2021. | Even though preparation of an acceptable Register on acquired lands, tabling of annual reports in Parliament, taking further action following the conduct of a proper internal investigation regarding the excess staff recruited in 2018 without approval of the Department of Management Services, taking further action on the | Preparation of the Land Register is done under 03 stages and the first stage has been completed and the second and the third stages are being done. A draft of Cabinet Paper informing to table in Parliament the annual reports and the audited financial statements in their present form has been referred on 17.10.2022 to the Ministry of Tourism and Lands. A report on the excess staff recruited in 2018 has been referred through | The relevant issues should be settled and reported as per the orders of the Committee on Public Accounts. |

lands vested during the period of 2002 and 2004 without obtaining a proper approval, taking action to value the lands belonging to the Commission, reporting within 06 months after settling the issues revealed by audit reports, should have been carried out, it had not been so done.

the Ministry to the Department of Management Services on 24.05.2022. A Scheme of Recruitment has been prepared and it is due to be referred to the Department of Management Services in future. A report on 40 disposed lands during the period of 2002 - 2004 has been prepared and referred to the Committee on Public Enterprises and information regarding remaining lands is being collected at the field level. A Cabinet paper has been prepared in this regard and the same has been referred to the Ministry and further action would be taken as per the instructions given. It has been planned to revalue the assets following the preparation of the Land Register. The issues revealed through audits reports, are being settled.

2. Financial Review

2.1 Financial Results

The Operational result of the year under review was a surplus of Rs.151,738,564 as compared with the corresponding surplus of Rs.419,612,386 in the preceding year. Accordingly, a decrease of Rs. 267,873,822 was observed in the surplus. The increase in the administration cost,expenditure of supply and other operational expenditure by Rs.302,490,906, Rs.15,554,581, Rs.15,342,692 respectively and the decrease of financial income by Rs.49,996,061 had mainly attributed to this decrease.

2.2 Trend Analysis of Major Income and Expenditure Items

The following observations are made.

- (a) As the income from lands sales, lands use income and income from quarries in the year under review increased in 33,76 and 97 per cent as compared to the preceding year, the income from land renting and fixed deposits had decreased by 15 per cent and 33 per cent.
- (b) The expenditure on gratuity, repairing of vehicles, transport allowances, fuel allowance, vehicle renting and legal costs in the year under review had increased in a range from 84 per cent to 5074 per cent as compared to preceding year.

2.3 Ratio Analysis

The following observations are made.

- (a) The current ratio in the year under review stood at 29 : 1 and this ratio stood at 38 : 1 in the year 2020. Accordingly, although the current ratio had been maintained at a lower rate as

compared to the preceding year, it was observed that the money had been invested in current assets over working capital requirement.

- (b) Although the gearing ratio that stood at 8 per cent in the year 2020 had increased up to 11 per cent by the year under review, it was observed that the Commission had maintained an equity capital that is above the requirement for settling the total liabilities.

3. Operational Review

3.1 Uneconomic Transactions

Audit Observation -----	Comments of the Management -----	Recommendation -----
Although 10 cabs had been taken on lease at a cost of Rs.19,793,965 including fuel expenses during the year under review on the requirement of preparing a Land Register for the Land Reform Commission, such Land Register had not been completed even by the end of the year under review.	Since the land information received from District Offices had to be properly identified through field visits and as the number of official vehicles at the disposal of the Institution was not sufficient, action was taken to use the vehicles on lease basis to carry out those duties. In addition to that, those vehicles obtained on lease basis had to be used to cover the duties of the organic fertilizer project maintained by the Commission. Further, activities related to the preparation of the Land Register could not be completed in the year under review owing to the Covid pandemic.	The relevant activities should be immediately completed using resources efficiently and effectively.

3.2 Management Inefficiencies

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) A block of land in extent of 04 acres 02 roods of the land called Glen Alpin Estate located in the Divisional Secretariat Division of Haliela in the district of Badulla has been unlawfully occupied for 31 years from 1978 to 2009 by the Sri Kali Amman Kovil. As such, the Kovil Administration had been informed by the Commission that a decision was taken to recover administrative fees in 2009. However, action had not been taken to compute and inform the Kovil of the relevant fees even by the end of the year under review. Further,	Following the computation of land lease rental from 2009 on the valuation of the Government Chief Valuer, the relevant rental had not been paid by the Kovil Administration Council although it had been informed to do so and a request had been made to reduce the rental by 50 per cent due to the Covid pandemic. Accordingly, since the development activities of the land had not so far been initiated, the Administration Council of the Sri Kali Amman Kovil had been informed on 05.10.2022 to hand over the practical possession of the land to the District Director. However, no action had been taken to do so, and instead had come	Administration fees and lease rentals should be recovered together with the outstanding amounts.

action had been taken in 2009 to transfer by selling a 02 acre part of the land wherein the Kovil is located and also to give on lease basis 4.2 acre part of the land, however, the Commission had not taken action to recover the land lease rental of Rs.6,043,499 which was owing to be recovered from 2009 to the end of the year under review.

(b) A block of land of the land called Kotagalawatta containing in extent of 75 acres, located in the Mawanella Divisional Secretariat Division, Kegalle District had been given on lease for 30 years to the Preethipura Children's Orphanage and although the relevant period of rental had terminated in 2009, the Commission had allowed to use the relevant land from 2009 without signing a valid agreement. Further, the receivable outstanding lease income had been reduced to Rs.6,581,479 without recovering the leasing arrears that amounted to Rs.15,272,260 as at the end of the year under review from that lessee.

(c) In addition to a an area of 10 acres from the Mahahenthenna estate in Gall district being provided for the social welfare association of self-employees in upper Elpitiya area to be sued for a housing development scheme under the Enterprise Sri Lanka loan scheme, the Commission had given an advance of Rs. 1,000,000 in the year 2019 through an agreement for infrastructure development of the said land to be repaid within 06 months at an annual interest rate of 10 per cent. The housing scheme project had not been implemented even by the end of the year under

to the Head Office of the Land Reform Commission on 31.10.2022 to discuss in this regard. As had been decided at that discussion, a proposal relating to the payment of such lease rental had been referred on 05.11.2022 and those proposals are due to be referred to the Commission and a decision is to be taken thereafter.

At the discussion held on 08.11. 2022 by convening to the Head Office, due to non-payment of rentals although it was agreed to pay the outstanding rental from 2009 and according to a decision taken by the Commission regarding future steps, it was decided to inform the Board of Directors and the officers of the Governing Body of the Preethipura Children's Orphanage to give on lease at the rate of 2 per cent from 2009 and to recover the arrears of lease within 10 years and to include the outstanding amount when the lease agreement is given and to develop the land within 03 years. Accordingly, the Director of the Preethipura Children's Orphanage was informed on 06.10.2022 about the decision No 11885 of the Commission and also the arrears of lease rentals amounting to Rs. 6,581,479 as at 10.12.2022.

Having entered into a legal agreement with the relevant parties under request of the social welfare association of self-employees, Amuna Mawatha of upper Elpitiya in terms of Section 44 (a) of the Land Reform Act, the Commission had decided to release the proposed amount. Accordingly, a sum of Rs. 1,000,000 had been provided for development activities of the land on 2019.03.26 after entering into an agreement. Nevertheless, the relevant project had not been implemented. Hence, a letter of demand had been sent on 2021.11.11 in order to take legal action against that association. Due to failure in making the payment, the Case No. 8080/M had been filed at the

Lands should be given on a valid agreement and action should be taken to recover the outstanding, accordance with Financial Regulation 113.

Action should be taken to utilize the land for objectives of the Act after being reacquired, and recover the sum of Rs. 1,000,000 given on credit basis.

- review, and the Commission had not taken action to recover the advance and the interest.
- (d) An area of 04 acres from the land known as Kirimuttiwatta in Batticaloa district had been given on lease to a private company for a period of 30 years in the year 2011. Following the difficulties in implementing the project, the Commission had been requested by the Company through letters in 02 instances during the year 2016 that the possession of the land be recovered. However, the Commission had not taken action either to acquire the land or recover the outstanding amount of Rs. 2,139,879.
- (e) The Plot No. 01 in extent of 02 acres 03 roods and 37.13 perches shown in the Plan No. 2011/133 and belonging to the AkurambodaWatta in the Divisional Secretariat of Pallepola in Matale district had been given on lease to the Divisional Secretariat, Pallepola in the year 2007 for a period of 30 years in order to be used to establish a playground. The Commission had not taken action to recover the outstanding lease rent of Rs. 2,242,000 as at 31 December of the year under review.
- (f) An extent of 02 roods and 9.94 perches from the Kalawilawatta land in Kalutara district had been given on lease to a private company on 19 September 2001 through the lease agreement No. 8502 for construction of a holiday resort. According to the lease agreement, the lessee should pay the lease rent on or before 11 July of each year. Nevertheless, the said company had
- district court of Kaduwela. The case was scheduled to be heard at the court for summons reports on 2022.11.24.
- As the manufacturing process had not continued from 2016.02.22 to 2018.08.11, it had been decided at the 712th session of the meeting of the Commission held on 2018.08.02 not to recover the outstanding lease rents.
- As mentioned in Commission Paper No. 11683 dated 2022.01.11, the decision of giving the land on lease had been revoked, and approval was given in terms of Section 04(c)1 of Circular No. 2021/01 relating to the disposal of lands that, as for releasing lands to local authorities, the land be sold at Rs. 100 per perch considering that the playground was located outside the area of assessment. After recovering the monies in that connection, preparation of deed was requested on 2022.10.17. Furthermore, the Commission also decided that the dues receivable to the Commission shall not be recovered, and it is informed that adjustments will be made in account statements as at 2022.12.31.
- In order to evict Sandalu International Company illegally possessing the Plot No. 10 in Plan No. 390, an eviction notice had been sent on 2022. 05.31. The Case No. 30571 had been filed at the Magistrate's Court, Kalutara to evict the encroacher of Plot No. 11 of the same plan. This case was scheduled to be heard on 2022.12.02.
- Action should be taken to take over the land and recover the dues.
- Lands should be released only under the relevant provisions, and action should be taken to recover the dues. In case of dues being written off, it should be done in accordance with Financial Regulation 113.
- Action should be taken to revoke the agreement in terms of the conditions of the agreement and recover the outstanding lease rents.

defaulted on paying lease rents since the year 2002 thus violating the conditions of the lease agreement. Nevertheless, the Commission had not taken action to revoke the lease agreement by informing the lessee in writing prior to 06 months and recover the lease rent of Rs. 27,945,900 that remained outstanding by the end of the year under review.

- (g) Action had not been taken by the Commission even by the end of the year under review either to recover the sum of Rs. 17,000,000 paid to a private company in the year 2002 to design, develop and implement a fully-integrated information system for the Commission or install the system.
- Detailed letters dated 2016.08.21, 2018.08.31, 2021.07.27 and 2022.10.17 had been sent to the Department of Public Enterprises of the Treasury through the Line Ministry seeking instructions on further action in that connection. However, no specific solution has so far been given thereon. Instructions had been given to the Secretary to the Line Ministry at the meeting of the COPE held on 2022.10.21 that a formal inquiry be conducted thus taking necessary measures. As such, further action will be taken accordingly.
- The amount paid to design, develop and implement a fully-integrated information system should be recovered.
- (h) Of the sum amounting to Rs. 33,229,487 paid to the licensed surveyors in the years 2019, 2020 and 2021 who had surveyed the lands subject to be reimbursed from the land sellers at the time of regulating and surveying the lands of the Commission, only a sum of Rs. 1,140,337 had been reimbursed during the year under review as those lands had not been released to the land sellers.
- The survey had been done in accordance with a decision taken as per a Commission Paper at the 9980th session of the meeting of the Committee held on 2017.11.23. As of 2022.09.30, the amount recovered with respect to those surveys from the land sellers totalled Rs. 7,804,780 whilst the balance is being recovered.
- The process of releasing the lands to the land sellers should be expedited thus recovering the survey charges.
- (i) According to Section 1.1 of Chapter V of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, if an officer holding an appointment in the Public Service wishes to obtain some other appointment in the Public Service, he should secure his release from the appointment he holds. However, without doing so, a certain officer appointed in the post of Project Director of the Land Reforms
- According to the powers vested in the Minister in terms of Section 47(3) of the Land Reforms Act No. 01 of 1972, lawyer P. A. Hasitha Kumara had been appointed as a project and investigation director thus paying salaries and allowances based on details relating to arrival times and programs. The said officer had been requested through letters dated 2022.10.27 and 2022.11.15 for information on his appointment in MagaNeguma Road Construction
- A confirmation should be obtained from MagaNeguma Road Construction Equipment Company relating to arrival and departure times of the said officer. Action should be taken to recover

Commission from 23 October 2020 to 31 March 2022, had been appointed to the post of Deputy General Manager (Administration) of the MagaNeguma Road Construction Equipment Company on permanent basis subject to a one year period of probation with effect from 01 January 2021. The value of salaries and allowances received from 02 institutions for the same period totalled Rs. 4,347,460. As such, salaries and allowances had been paid by the Commission without considering the arrival times and performance of the officer.

(j) Although an integrated accounting software system had been purchased by the Land Reform Commission on 22 May 2019 for a sum of Rs. 8,500,000, the Commission had not taken action to obtain the information on the land lease receivable from that information system even by 31 December in the year under review.

(k) Information on 09 tablet computers purchased in March in the year under review with a total of Rs. 1,218,834 had not been included in the goods survey report submitted on 31 December in the year under review and the information about the officials, who had issued the goods and who had received them had not been filed.

Equipment Company, but no response has so far been received in that connection. Once such information is received, it is informed that those information will be furnished to the Commission thereby taking a decision, and as soon as that decision is taken, you will be informed thereon.

It had not been possible to obtain the information on the land lease that should be received by 31 December from the accounting software system due to a practical problem that has arisen regarding the issuance of lease invoices of the institution. The problem will be resolved within a month and arrangements will be made to set the system to obtain the information on the receivable land lease using the relevant information system.

Nine (09) tablet computers purchased for the members of the Commission have been issued to the Director Administration on 14.03.2021 and the Administrative Division is maintaining a file containing the details of the issuance of those tablet computers to the members of the Commission. Since the relevant tablet computers have been given to the members of the Commission, it had been mistakenly omitted in the year-end goods survey and action will be taken to rectify it in the year-end goods survey that would be carried out in the year 2022.

the overpaid salaries and allowances and disciplinary action should be taken in terms of provisions of the Establishments Code.

Necessary facilities should be provided to obtain all the information on the agreement from the integrated accounting software system.

Details of the officers, to whom the purchased tablet computers had been issued should be filed and an inventory register should be maintained in an updated manner.

- (l) Although it had been stated in the fixed assets register that there had been 59 laptop computers as at 31 December in the year under review, including 53 laptops which had been purchased by the Commission at a cost of Rs.11,777,501 during the year under review, it had been reported that the Commission had 27 laptop computers according to the goods survey report submitted by that date. Accordingly, there had been a difference of 30 laptop computers.
- (m) Although a building belonging to a private company located in Battaramulla area had been acquired on rental basis for a period of one year from 01 December 2016 to 30 November 2017 for conducting the Head Office of the Commission, the Head Office of the Commission had been maintained in the same building without extension of the agreement and an amount of Rs.29,937,867 had been paid more than the assessed value of the Government.
- (n) Although more than 48 years had passed by the end of the year under review for 260 publications submitted during the period of 1972-1974 under the vesting of lands of the persons, who own more than 50 acres of lands, to the Government in terms of provisions of the Land Reforms Act No. 1 of 1972, the statutory determination could not be provided.
- The 30 computers have not been included in our information system as the machine is unable to read the codes as the codes related to the laptop computers had been damaged and detached. However, physically there were 59 computers. This situation will be rectified in the future.
- It had been obtained on lease basis as per a decision of the Cabinet of Ministers, and the period of the relevant lease agreement had ended on 30.11.2017. Payments had been made with an increase of 5 percent as per the decision of the Commission due to the failure of finding another place. Since the procurement process to obtain a building on rental basis takes considerable time, a Cabinet Paper had been drafted and submitted to the Ministry on 16.11.2022 to obtain Cabinet approval for acquiring the same building for another year under a formal lease agreement.
- The declarants related to the 260 files that have not been given the statutory determination have been notified to attend Land Ceiling Division before 30.06.2022 by informing them through a newspaper notification that had been published in the three languages on 11.04.2022 and through the government gazette bearing No. 2282 dated 27.05.2022 as per the instructions given by the Committee on Public Enterprises on 17.11.2021. Forward action is being carried out in relation to 38 people, who had responded to that and the number that can be published in the gazette was 05 and the number less than the maximum was 01 and the number directed to view claims was 01. It was problematic to proceed in relation to the number of letters returned and 215 files, for which responses had not been
- All the computers must be submitted for the goods survey.
- Government expenditure should be made efficiently, effectively and economically and expenses should be managed in accordance with the decision of the Cabinet.
- Arrangements should be made to give the statutory determination related to the lands taken over by the Government in terms of the Land Reforms Act.

received. Recommendations for 51 issues related to legal obligations have already been made to the Commission. I will provide the declarants with the information about the lands identified in the field as being in the possession of the Commission and work to release a certain part of the legal obligations.

- (0) The Commission had taken action according to the decision taken for the Commission Paper bearing No. 8393 dated 30.04.2013, to provide 10 acres from HegalleWatta land in Kalutara district to a person on lease basis for a tea cultivation project. Since the year 2011, the lessee concerned had not paid any lease related to this land, and had not taken any action to enter into a valid agreement. The Commission had not taken steps to recover the amount of Rs. 2,560,000 to be recovered according to the details of the financial position submitted on 31 December in the year under review, or to take over the land.
- Although the lease amount for 10 acres of HegalleWatta land in Kalutara district has been fixed, it was clear that the portion of land cultivated and enjoyed by the concerned lessee as per the plan No. 3396 surveyed as per the survey order issued on 19.06.2018 was 04 acres. Accordingly, since it is not possible to charge the above mentioned lease amount, it has been submitted to the Commission bearing No. 11836 dated 26.04.2022 and it has been decided to give the 04 acres of land for the lease tenure of 30 years subject to the revision made for every 05 years starting from the year that the land in extent of 04 acres had been enjoyed. Accordingly, it has been forwarded to the Government Valuation Department on 06.05.2022 to obtain the assessment of the Chief Assessor of the Government. Accordingly, the assessment of the Government was received on 26.10.2022 and the lease notice was forwarded to the lessee on 14.11.2022.
- Action should be taken to lease out the lands and to collect lease arrears on a formal lease agreement.
- (p) Action had been taken in the year 2014 to provide 08 acres of Lechchami B Estate located in Akmeemana Divisional Secretary's Division of Galle District to "Sahana Lama SanwardenaPadanama" for a period of 30 years, with a review of lease carried out in every 5 years on the basis of the assessed value for the year 2005 with effect from 2005 in terms of Section 22 (1) (b) of the Land Reforms Act and it had been reported to the audit that the possession of the land had been unilaterally vested in the
- It was not possible to find the information related to the delay in granting the approval of the Commission for the relevant leasing until the year 2014 using the file, and since the lessee, Venerable KegalleUduwewelaPannaramaThero, had passed away on 18.05.2020, action had not been taken to provide a lease agreement. Since the lessee has passed away and various problems had been arising in the plot of land, it has been decided to take over the possession of the relevant piece of land to the Commission and the practical possession of the land has been unilaterally taken over on
- The vested land should be utilized for the purposes of the Land Reforms Commission Act and steps should also be taken to recover the lease arrears.

Commission in the year 2021, 28.07.2021, saying that there had been a problematic situation regarding the relevant land. Furthermore, the Commission had not taken steps to recover the amount of Rs.6,509,200 outstanding as at 31 December in the year under review.

- (q) Even though 14 employees had been recruited by the Commission to perform the duties of Project and Investigation Director, Project Coordinator, Investigation Officer, Legal Advisor and Lawyer based on service agreements, no measures had been taken by the Commission to enter into the relevant service agreements even by the end of the year under review. Accordingly, an amount of Rs. 14,853,725 had been paid by 31 December of the year under review without fulfilling a specifically assigned duty.
- According to the powers vested in the Minister in relation to the Commission by the Act No. 01 of 1972, the services of the 14 employees mentioned in the inquiry had been obtained in accordance with the powers to appoint a male/female person to investigate and report on the duties of the Commission in terms of the Section 47(3) of the said Act and they should be provided with related facilities in terms of the Section 47(3) of the Act. Accordingly, the relevant positions had been reported to the Commission by the Commission Paper No. 11273 and the approval had been given to make the payments mentioned in the inquiry as per the decision of the Commission dated 31.12.2020. Accordingly, according to the powers vested in the Minister regarding the Land Reforms Commission, the duties assigned to the relevant appointees by the Minister will be investigated and the relevant reports will be forwarded to the Minister. However, various duties had been assigned to them by the Chairman of the Commission from time to time as the relevant appointments had been made by the Commission.
- In obtaining various services, arrangements should be made to enter into service agreements with the relevant parties and to complete the relevant service within the stipulated time and to maintain and evaluate records regarding the performance.
- (r) Even though the posts of Chairman and Executive Director are not entitled for accommodation and entertainment allowances, contrary to this, an amount of Rs.1,200,000 had been paid by the Council as housing and entertainment allowances during the year under review.
- Due to the submission of audit queries related to the payment of these allowances, a Commission Paper No. 11646 had been submitted in this regard on 07.12.2021, and according to the commission's decision, it had been decided to suspend the payment of the related allowances in terms of the audit inquiry and take the recommendations of the Department of Public Enterprises and proceed further. It has been informed that officials in the positions of Chairman and
- Only the payment of allowances with formal approval shall be made and non-sanctioned allowances paid shall be recovered.

Executive Director of the Land Reform Commission are not entitled to quarters facilities and cannot agree on the payment of housing and entertainment allowances. The Commission had been advised to appeal again to the Department of Public Enterprises. Accordingly, inquiries had been made again to the Department of Public Enterprises on 06.04.2022 regarding the payment of these allowances.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation -----	Comment of the Management -----	Recommendation -----
Despite it is possible to download software (such as ZOOM) that can be used for conducting meetings for free from the Internet, without doing so, the "Board Pac" software, which had been purchased for conducting meetings at a cost of Rs. 1,160,000 on 21 October, had not been used for that purpose. Therefore, the amount the said had been incurred had become an idle cost.	Even though online software like "Zoom" can be freely downloaded for general meeting purposes, "BoardPac" software has the capability to perform additional unique functions using the software. i.e. it is possible to perform functions such as upload board papers, check and revise those papers, apply digital signatures, prepare agendas, receive and exchange meeting notes. Further, this software possesses a high privacy and security as compared to software like Zoom which are downloaded for free from the internet. Therefore, it is observed that the amount spent for this software is not an idle cost.	The money of the commission should be spent for more beneficial purposes after cost benefit analysis, and this software should not be remained idle.

3.4 Human Resource Management

Audit Observation -----	Comment of the Management -----	Recommendation -----
(a) Approval had been received to recruit 214 employees to the commission on contract basis to extend the service annually as per the cabinet decision No. AMPA/18/1126/829/002 dated 27 June 2018. Accordingly, 180 recruited employees had been working by the end of the year under review. Further, the approval of the Department of Management Services had not been obtained for the respective recruitments.	Under the sub no.02 in the letter No. 3/1/45 and dated 28.12.2021 in this regard addressed to the Chairman by the Secretary of the Ministry, it had been informed to get approval for these officials following the formal procedure of the Department of Management Services in terms of F.R. 71. Accordingly, discussions had been held with the said department and it had been decided to submit a cabinet paper to get the approval for attaching the recruited staff to the	The approval of the Department of Management Services should be obtained for the respective recruitments.

permanent staff as per the last discussion held on 03.11.2022.

- (b) Even though there are 02 middle management level officers, 07 management assistant positions and one primary level position included in the cadre approved by the Department of Management Services had been remained vacant, measures had not been taken by the commission to revise the approved cadre or fill the vacancies as per the requirement.
- As per the cadre requirement of the Land Reforms Commission, cadre and the related recruitment procedure had been revised and drafted. After getting approval for the same, measures are being taken to attach the employees recruited by the cabinet decision for the vacancies and to the new positions.
- The Commission shall proceed to revise the approved cadre or to fill vacancies according to the service exigency.

4.1 Corporate Plan

Audit Observation -----	Comment of the Management -----	Recommendation -----
Even though a copy of the corporate plan related to the year under review with the approval of the Board of Directors should be given to the Auditor General 15 days before the commencement of the next financial year as per the section 5.1.3 of the Public Enterprise Circular No. PED12 dated 02 June 2003, the Commission had not acted accordingly.	Measures had been taken to provide the corporate plan 2018-2022 as attachments related to audit inquiry PAL/A/LRC/COPE - 2022 dated 13.10.2022 to the National Audit Office. However, corporate plan 2023-2027 is being prepared by obtaining the resource contribution of the Sri Lanka Development Administration. Arrangements will be made to provide it to the Auditor General in due time.	The corporate plan should be prepared on a cyclical basis and a copy of the same should be submitted to the Auditor General.

4.2 Annual Action Plan

Audit Observation -----	Comment of the Management -----	Recommendation -----
Even though the quarterly performance reports should be submitted to the line ministry, Department of Public Enterprises and the Treasury within 30 days of the end of the quarter as stated in section 4.2.6 of Public Enterprise Circular No. PED 12 dated 02 June 2003, quarterly performance reports for the year under review had not been submitted as per the circular.	Difficulties had arisen in submitting the Commission's quarterly progress to the Department of Public Enterprises and the Treasury in view of the obstacles caused in carrying out duties due to the situation of the Covid-19 epidemic that spread in the country in the year 2020. However, quarterly performance had been submitted for progress review meetings held by the line ministry, the Ministry of Lands from time to time.	Quarterly performance reports should be prepared and submitted on time.