

Head 327 - Land Use Policy Planning Department

1 Financial Statements

1.1 Opinion

Head 327 - The audit of the financial statements of the Land Use Policy Planning Department for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 Use Policy Planning Department was issued to the Accounting Officer on 10 May 2023 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018 and the Detailed Annual Management Audit Report in terms of Section 11 (2) of the National Audit Act was issued to the Accounting Officer on 07 June 2023. 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, the accompanying financial statements give a true and fair view of the financial position of the Land Use Policy Planning Department as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, under those standards is further described in the Auditor's Responsibility for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of the Accounting Officer for the Financial Statements

The Accounting Officer is 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 the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the department 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 summary 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 and its materiality depends on the influence on economic decisions taken by users 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:

- 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 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

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

2. Financial Review

2.1 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Observation		Comments of the Accounting Officer	Recommendation
	Value Rs.	Non-compliance		
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 1645 (a)	No	Even though the vehicle logbooks have to be kept up to date, the logbooks regarding the vehicles owned by the department had been held with shortcomings. According to the audit sampling test, information such as Basic details of vehicles, the amount of fuel burning, details of Annual Revenue Licenses, transferring ownership, accidents, switching drivers, monthly summaries of travel had not been included in the details page of the logbooks maintained for vehicle No. PK-7050, No. PE – 1685 and No. JV – 1497.	Measures will be taken to avoid these shortcomings in the future.	Measures should be taken according to the financial regulations.
(b) Para 3.2 of the State Account Guidelines no. 2022/05 dated 13 December 2022 of Director General of State Accounts.	1,501,080 (Advance Receipts) 1,490,567 (Advance Payments)	In comparison to the Finance Performance Statement and Treasury prints SA - 52 for the year end by 31 December 2022, receipts and payments of the advance accounts were Rs. 17,775,377 and Rs. 12,065,063 respectively in the financial performance statement, while the receipts and payments of the advance accounts were Rs. 19,276,457 and Rs. 13,555,630 respectively in the Treasury	Since it is not necessary to include cross-entries in the financial performance statement, it was not so included.	Measures should be taken according to the State Account Guidelines.

Printable Receipts. Accordingly, advance Receipts and advance payments were understated by Rs. 1,501,080 and Rs. 1,490,567 respectively due to the advance receipts and payments are not included in the financial performance statement through cross-entries.

(c)	Paragraph 4 of Asset Management Circular No. 03/2018 of the Ministry of Finance and Mass Media dated 10 October 2018	7,700,000	Even though measures should be taken to resolve the issues related to taking ownership of vehicles used by the department before 31 March 2019, 02 vehicles worth of Rs.7,700,000 had not been registered in favour of the department by the end of the year under review also due to the changes of the relevant ministry from time to time and the fact that the ownership of the vehicles obtained by the Comptroller General under the lease basis and given to the Secretary of the Ministry of Lands had not been transferred to the Secretary of the Ministry of Lands by the Bank of Ceylon at the end of the lease.	Measures will be taken to get the ownership.	Ownership of vehicles should be transferred to the department.
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2.2 Management of Bank Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though the payments had been made as at 31 December of the year under review, arrangements had been made by the Accounts department to hand over the 113 cheques worth Rs.6,380,684 marked as ‘not presented to the bank’ to the concerned persons or institutions during the period from 03 January to 28 February 2023. Accordingly, it was observed during the audit that they remained in the Accounts department for between 02 and 24 working days.	The cheques remained in the Accounts division due to the delay in presentation of payee.	The cheques should be delivered to the payee immediately after writing, either by hand or by registered post.

3. Operating Review

3.1 Vision and Mission Audit Observation

The vision of the Department is “Manage the land resource of Sri Lanka in optimum and sustainable manner”. The mission is “Formulation of policies, preparation of plans and facilitating their implementation to achieve the optimum utilization of land resources while maintaining sustainability and environmental balance.”. For the said purpose, Approval of the Cabinet of Ministers had been received in August 2018 to revise the National Land Use Policy, which had been approved by the Cabinet of Ministers in the year 2007. Accordingly, even though the final draft prepared for main task of preparing the National Land Use Policy for Sri Lanka and revising it according to current needs was submitted to the Ministry of Lands and Tourism, preparation of the National Land Use Policy had not been completed.

Comments of the Accounting Officer

The draft to amend the National Land Use Policy has been submitted to the Ministry of Tourism and Lands.

Recommendation

The revision of the National Land Use Policy should be expedited.

3.2 Planning

Audit Observation

Even though the Annual Action Plan prepared by the Department in terms of the provisions mentioned in paragraph 03 of Public Finance Circular No. 02/2020 dated 28 August 2020 had been approved by the Accounting Officer on 19 January 2022 after a delay of one month. No arrangements were made to obtain the approval of the Chief Accounting Officer for the same.

Comments of the Accounting Officer

Officials were informed to proceed properly in the coming years.

Recommendation

Proceed as per circular provisions.

3.3 Assets Management Audit Observation

Even though 03 GPS devices had been donated to the Department of Land Use Policy Planning by the Food and Agriculture Organization of the United Nations (FAO) on 02 February 2022, they were not valued and accounted for as assets.

Comments of the Accounting Officer

Measures are being taken to take into accounts.

Recommendation

Valuation of Machines should be done and the value should be brought into accounts as assets.

3.4 Security of Public Officers

Audit Observation

Despite that it is further emphasized in the section 9.1 of the Public Finance Circular No. 01/2020 dated 28 August 2020 issued by the Secretary of the Treasury that security should be deposited by the employee who signs cheques and certifying the vouchers relating to Government account in accordance with the Public Officers' (Security) Ordinance i.e. the charter 612 and in terms of the F. R. 880 (i) that they perform their duties honestly, no measures had been taken by the department to identify the officers who should deposit the security and proceed to deposit the security.

Comments of the Recommendation Accounting Officer

Further work is in progress. Measures should be taken to obtain security from the officers who should deposit a security.

4. Good Governance

4.1 Internal Audit

Audit Observation

An internal auditor had not been appointed for the department from 01 February 2022 in terms of the provisions of Section 40 (1) of the National Audit Act No. 19 of 2018.

Comments of the Recommendation Accounting Officer

The Accounting Officer has no powers to appoint an internal auditor and the same has been communicated to the appointing authority. An internal auditor should be appointed without delay.

4.2 Audit and Management Committee

Audit Observation

Even though 04 Management Committee meetings should be held per year as at least once per quarter in terms of the Management Audit Circular No. DMA/1-2019 dated 12 January 2019, only 02 Management Committee meetings had been held within the year under review.

Comments of the Recommendation Accounting Officer

Even though there is no internal auditor, 02 meetings were held. Audit and management meetings should be held as per circular provisions.

5. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Even though the approved cadre for the department is 697, the actual cadre was 620. Accordingly, there are 77 total vacancies with 21 senior level vacancies, 1 tertiary level vacancy, 36 secondary level vacancies and 19 primary level vacancies. However, the actual output as a percentage of the expected output of the institution's performance indicators (based on the action plan) was in the range of 75 percent to 100 percent as stated in the performance report of the year under review. Accordingly, it was observed during the audit that no re-review on the approved cadre has been carried out.</p>	<p>Even though the performance had been achieved with fewer cadres due to the receipt of minimum amount of allocation during the economic crisis in the country in the year 2022, there is a requirement of the approved cadre for optimal role of the department.</p>	<p>A review of the cadre of the institute should be done and staff should be recruited accordingly.</p>