

## **Land Survey Council - 2022**

---

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Land Survey Council for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, 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, the Financial Act, No. 38 of 1971 and the Survey Act, No. 17 of 2002. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Council as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards .

#### **1.2 Basis for Qualified Opinion**

My opinion is qualified 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 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 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 Council'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 Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial Reporting process.

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

#### **1.4 Scope of Audit (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 misstatements, 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 the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also;

- Appropriate audit procedures were designed and performed to identify and assess the risks 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- 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.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Council and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Council;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Audit Observations on the Preparation of Financial Statements**

### **1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	In terms of paragraph 27 of Sri Lanka Public Sector Accounting Standard 3, when a change in accounting policy is applied retrospectively, the entity shall adjust the opening balance of each affected component of net assets/equity for the earliest period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied. Accordingly, computation of interest on fixed deposits had been carried out on cash basis in the preceding year whilst it has been done on accrual basis changing the said accounting policy in the year under review. As such, a sum of Rs. 153,581 to be added to the opening balance of the Accumulated Fund had been brought to account considering as a revenue earned during this year, thus observing an over computation of the interest income on fixed deposits by Rs. 153,581 in the year under review.	Financial statements of the Council are prepared on accrual basis. However, cash basis has been applied only in the recognition of interest income on fixed deposits in the financial statements of the year 2021. As such, action will be taken to account the interest income on fixed deposits on accrual basis from the year 2022 onward.	Action should be taken in terms of Sri Lanka Public Sector Accounting Standards.

- |     |  |  |  |
|-----|--|--|--|
| (b) | In terms of paragraph 34 of Sri Lanka Public Sector Accounting Standard 3, disclosures such as the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected and the amount of the adjustment relating to periods before those presented, to the extent practicable relating to the change in accounting policies for changing the accounting of interest income on fixed deposits from cash basis to accrual basis, had not been made in the financial statement. | The interest income had been computed considering the interest income to be included in the year 2021 too, as receipts of the year 2022, thus observing an over recognition of interest income of the year 2022. Therefore, it is pointed out that it has not affected the equity remained as at the end of the year 2022. However, fixed deposits remained over a period of one year, are not available with the Council, the change in basis of recognition of interest on deposits would have no effect on the prior period or on future period and as such, it is pointed out that disclosure of these matters is not necessary. | Action should be taken in terms of Sri Lanka Public Sector Accounting Standards. |
| (c) | In terms of Section 36 of Sri Lanka Public Sector Accounting Standard 8, contingent liabilities should be disclosed in the financial statements. Nevertheless, the Land Survey Council had not disclosed the lawsuit bearing No.CA/MISC/04/16, instituted at the Appeal Court by a surveyor against the cancellation of his permit, in the financial statements.   | The said lawsuit has not been instituted by claiming compensation or other financial demands from the Council. Court proceedings are ongoing according to Section 49 of the Survey Act. Several such lawsuits are on trial at present against the Survey Council and as a result, outflow of resources with economic benefits or service capabilities is not occurred. Therefore, it is pointed out that disclosure of these matters is not necessary.   | Action should be taken in terms of Sri Lanka Public Sector Accounting Standards. |

### 1.5.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Even though the value of final stock was recorded as Rs.383,348 in the financial statements of the year under review, according to the report on computation of final stocks, the said value amounted to Rs. 294,263, thus observing an over computation of the stock by Rs. 89,085.	The total value of four Toners amounting to Rs. 89,085 purchased on 07 February and 22 November 2022, had not been included in the Register on Consumer Goods and the report on computation of closing stocks as well. However, it is pointed out that the said value had been included and shown as Rs. 383,348 in indicating the closing stock in the annual financial statements as at 31.12.2022.	The accurate value of the closing stock should be indicated in the financial statements.
(b) Even though the income balance receivable was	A sum of Rs. 81,677 had been overstated in the financial statements due to an error	Balances in the statement of

- Rs. 627,169 in the statement of financial position, it had been indicated as Rs. 708,846 in the detailed Note No.05 relating thereto, thus observing a difference of Rs. 81,677.
- occurred in the computation of interest on fixed deposits receivable and it was recognized and rectified later. However, the said value has been omitted to be rectified relating to the Note No.05 in the final financial statements. The overall balance of the income receivable should be rectified as Rs. 627,169.
- financial position and in the detailed Note relating thereto should be equal.
- (c) Even though the licence revenue received in advance in the Income Ledger Account was Rs. 7,469,912, the said income had been indicated as Rs. 7,395,112 under Note No.08 of the financial statement, thus observing a difference of Rs. 74,800.
- After deducting the sum of Rs.74,800 receivable, in the Ledger, the balance of the Individual Accounts, is indicated as Rs.8,453,362 and the manner of preparation of the Revenue Account received in advance so as to include the said amount has been shown by the Note No. 8 of the financial statements. Therefore, it is pointed out that the balance of the overall revenue amounting to Rs.8,528,162 received in advance had been indicated by adding the sum of Rs.74,800 receivable from Surveyors.
- The value of licence revenue should be shown in the financial statements and Note No. 08.
- (d) A sum of Rs. 121,240 had been paid on 24 March 2022 to an officer who had retired in February 2022 and only a sum of Rs.114,542 had been deducted therefor from the relevant Gratuity Provision Account, thus observing a difference of Rs.6,698. Moreover, only a sum of Rs. 114,542 had been indicated as gratuity payments in the cash flow statement as well.
- The basic salary has been changed based on salary increments at the beginning of the year 2022 and the gratuity payable in the computation of gratuity relating thereto was Rs. 121,240. In the payment of the said amount in March 2022, the amount of Rs. 114,542 allocated for gratuity by then had been deducted from the Gratuity Provision Account and the difference of Rs. 6,698 between the total amount payable and the amount allocated has been adjusted against the profit of the year 2022 under other expenditure.
- Relevant allocation should be made before making payments for gratuity.
- (e) In terms of Section 47 (3) of the Survey Act, when a registered surveyor is guilty of professional misconduct, all costs and expenses payable by him to the Council shall be recoverable as a debt due to the Council. However, the sum of Rs.5,908 spent by the Council for publishing the name of the surveyor whose registration No. 19891607 was cancelled, had not been
- According to the inquiry conducted by the Council in respect of the professional misconduct committed by the respondent (Surveyor), his registration from 01.01.2023 to 31.12.2025 has been cancelled. (Annual licence too is cancelled). As the recovery of expenditure incurred by the Council for publishing his name in the Gazette relating to the cancellation of registration, is two punishments given to him, action has not been taken to recover it.
- Action should be taken in terms of the Survey Act.

recovered from the relevant surveyor and it had not been disclosed in the financial statement of the year under review as a debtors balance.

- (f) Licenses had not been issued to applicants who applied for licenses in the preceding year. As such, licence revenue brought forward from 31 December of the preceding year amounted to Rs. 5,111,652 while the value carried forward from the year under review was Rs. 7,469,912. A sum of Rs. 1,879,710 had remained unchanged between these balances in both years and out of that, a sum of Rs.1,356,600 is the charges paid by 357 applicants in the preceding year with a view to obtaining licences in the year under review. However, they had not been issued licences even in the year under review. Moreover, the purpose of receiving the remaining balance of Rs.523,110 could not be recognized.
- (g) Despite not having identified a balance of receipt amounting to Rs.186,150 brought forward from the preceding year, it had been credited to the statement of financial performance considering as a revenue of the year under review.
- A sum of Rs. 788,740 had remained as other payments except for obtaining survey licences. The approval for the repayment of the said amount was received at 317<sup>th</sup> meeting held on 21.04.2023 and that repayment process is ongoing. The lawsuit instituted with regard to obtaining licences by surveyors will be held on 29.05.2023 and it is pointed out that action will be taken to settle the balances of Individual Accounts during the year 2023 considering the judgement of the said lawsuit.
- Settlements should be made by identifying receipts.
- As there is no possibility of identifying receipts for which a request or receipt is not submitted for a service, relevant unidentified receipts will be credited to the revenue of the year as per a decision taken by the Land Survey Council as at the end of the year. A sum of Rs.186,150 has been credited to the revenue as unidentified receipts even in the preparation of financial statements of the year 2022.
- A system for identifying receipts accurately should be implemented, holding discussions with the Bank.

## 1.6 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.

	<b>Non-compliance with Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	Section 23 (1) (a) of Right to Information Act, No. 12 of 2016	An Information Officer had not been appointed.	Agreed with the audit observation.	An Information Officer should be appointed to the Council.
(b)	Survey Act, No.17 of 2002			
(i)	Section 32 (1)	A permanent Secretary had not been appointed to the Council from 2002 to the year under review.	Necessary action is being taken to appoint a Secretary.	Action should be taken in terms of the Act.
(ii)	Section 37 (g)	Even though one of the functions of the Council is to negotiate and administer reciprocal arrangements with the relevant authorities in foreign countries for the purpose of securing uniformity and reciprocity in the education, training and recognition of persons engaged in land surveying, it had not been so done.	Action has not been taken accordingly with foreign countries so far.	Agreements should be entered into for reciprocal arrangements with foreign countries.
(iii)	Section 38(c)	Officers and employees required for performing the functions of the Council, should be appointed. However, the permanent staff thereof as at 31 December of the year under review was limited to one Management Assistant Officer and one Office	The Scheme of Recruitment of the staff has been sent to the Department of Management Services for revision. As recruitments are suspended at present, temporary officers are essential to perform functions of the Council.	Recruitments should be made on approval of the Scheme of Recruitment.

Assistant and it was observed that three female officers serve on contract basis temporarily. A decision had been taken at the 239<sup>th</sup> Council meeting held on 03 January 2019 that two officers should be recruited for maintaining accounts and public relations and the Department of Management Services had granted approval on 03 September 2020 for 02 posts of Management Assistant.

Nevertheless, the Scheme of Recruitment had not been approved for the said post even by the end of the year under review.

(iv) Section 38  
(g)

Even though rules should be made relating to administration of the Council's affairs, action had not been taken accordingly.

In terms of the Act, rules have been made and forwarded to the Legal Draftsman's Department for which observations have been sent. Initial discussions have been held with the said Department.

Action should be taken in terms of the Survey Act.

(v) Section 46

Complaints on professional misconduct of surveyors submitted to the Council should be heard. However, 80 of 113 complaints received in the year 2020, 104 of 143 complaints received in the preceding year and 134 of 176 received in the year under review,

No performance indicator could be specified on hearing of complaints due to matters such as providing adequate time (a period of 28 days) legally in terms of the Act for respondents to make statements, investigating the complaint and documentary evidence thereon by sub-committees and summoning the parties, hearing complaints once or twice a month and several instances where the plaintiff or the respondent were absent giving plausible reasons

Action should be taken to expedite hearing complaints on professional misconduct of surveyors.



had not been heard.

and providing further opportunities once decisions are made by the Council.

Complaints received according to the above main matters are reported as matters beyond the control of the Council and according to the financial position of the Council, the Council is considering to increase the number of sessions of hearing complaints.

## 1.7 Non-compliance with Tax Regulations

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Even though only the institutions mentioned in the Third Schedule in Section 9(1) of the Inland Revenue Act, No.24 of 2017, have been exempted from payment of tax, the Council is not an institution mentioned therein. As such, action had not been taken to pay income tax.	A reminder has been sent with regard to the letter forwarded on 02.11.2022 to the Ministry of Finance.	Action should be taken in terms of the said Act.

## 2. Financial Review

### 2.1 Financial Results

The operations of the year under review resulted in a surplus of Rs.367,510 as compared with the corresponding surplus of Rs.958,915 of the preceding year, thus observing a decline of Rs.591,405 in the financial result. The decrease in licence revenue and registration fees by Rs.1,597,910 and the increase in total expenditure by Rs.1,572,036 had mainly attributed to this decline.

### 2.2 Trend Analysis of Major Income and Expenditure Items

Revenue from licence fees and registration fees have decreased due to the decrease in renewal of licences by surveyors and failure in new registration of surveyors. As new fixed deposits have been opened during the year and the interest income on fixed deposits has been computed on accrual basis from the year 2022, the interest income on fixed deposits has increased. Moreover, the net revenue from workshops as well has increased due to conducting workshops in the year 2022. Gazette Notification expenses included in other expenses have increased and as such, other expenses have increased.

### 2.3 Analysis of Ratios

According to the statement of financial position presented, the current assets ratio for the years 2021 and 2022 were 2.6:1 and 2.19:1 respectively while the quick assets ratio of the Institute for the years 2021 and 2022 were 2.55:1 and 2.15:1 respectively.

## 3. Operating Review

### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The Land Survey Council meets once a month to hear complaints submitted, which is a main function of the Council and the number of complaints taken for hearing at a single session had ranged from 4 to 10. Total salaries and allowances of the Council represented 63 per cent of the total expenditure. However, of the 176 complaints received, only 42 complaints, representing 24 per cent, have been heard.	During the years in which the Covid pandemic prevailed, a decrease in the function of hearing complaints and thereafter an increase in the expenditure, attributed to the said situation. Usually these public complaints are extremely unique and divergent and in hearing them, unlike in courts, action has been taken to provide an opportunity to the public/parties. As complaints are heard only at the Land Survey Council located in Colombo, there are instances where the relevant parties inform/do not inform their absence at hearings. Complaints received from distant areas such as Anuradhapura, Polonnaruwa, Jaffna etc. are heard accordingly. As pointed out by Audit, even though the performance of hearing these complaints can be reflected by an index numerically and mathematically, several more factors should be taken into consideration for it to be scientifically practical. However, discussions have been held by the Council to expedite hearing of complaints.	Methodologies should be formulated to expedite hearing of complaints.

## 4. Accountability and Good Governance

### 4.1 Presentation of Financial Statements

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The Draft Annual Report and accounts should be submitted to the line Ministry and the Department of Public Enterprises of the General Treasury together with copies to the Auditor General within 60 days after	Reports of accounts for the year ended 31.12.2022 presented to the Auditor General on 28.02.2022 as due, were presented once again on 25.04.2023 after rectifying an error	Action should be taken in terms of circular provisions.

the closure of the financial year in included therein. terms of paragraph 6.6 of the handbook of Public Finance Circular No.PED/01/2021 of 16 November 2021 of the Secretary to the Treasury, issued for Good Governance of Public Enterprises. Nevertheless, the accounts for the year ended 31 December of the year under review were presented by the Council to the Auditor General only on 25 April 2023.

## 4.2 Annual Report

Audit Observation	Comments of the Management	Recommendation
<p>The Annual Report of the Council should be submitted to Parliament in all three languages within 05 months after the closure of the financial year in terms of paragraph 6.6 of the handbook of Public Enterprises Circular No.PED/01/2021 of 16 November 2021 of the Secretary to the Treasury, issued for Good Governance of Public Enterprises. However, the reports relating to the years 2015, 2016, 2017, 2018, 2019,2020 and 2021 had not been submitted even by the end of the year under review.</p>	<p>Even though the Council has submitted annual reports as due to the relevant Ministry, the printed copies thereof were submitted to Parliament and submission once again after making revisions pointed out thereafter, has delayed. However, this issue has been closely communicated to the Ministry of Lands and all reports relating to the years 2015, 2016, 2017, 2018, 2019, 2020 2021 and 2022 have been forwarded to the Ministry by 19.05.2023. Once approval was obtained for the said reports and signed by the Secretary, they have been received to the Land Survey Council again on 24.05.2023 and the number of due copies thereof are to be printed and handed over to the Ministry without delay.</p>	<p>Annual reports from the year 2015 should be submitted expeditiously to Parliament.</p>

#### 4.3 Corporate Plan

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The Strategic Plan for the year under review had not been prepared in terms of paragraph 2.3 of the Guidelines of Public Enterprises Circular No.PED/01/2021 of 16 November 2021 of the Secretary to the Treasury issued for Good Governance of Public Enterprises.	A Strategic Plan for the year 2022 had not been prepared in the Land Survey Council and a Strategic Plan has been prepared for the year 2023.	Action should be taken according to the circular.

#### 4.4 Annual Action Plan

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The Action Plan for the year under review had not been prepared in terms of paragraph 2.3 of the Guidelines of Public Enterprises Circular No.PED/01/2021 of 16 November 2021 of the Secretary to the Treasury issued for Good Governance of Public Enterprises.	An Action Plan for the year 2022 had not been prepared and an Action Plan has been prepared for the year 2023.	Action should be taken according to the circular.

#### 4.5 Audit Committee

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
At least 04 Audit and Management meetings should be held at one meeting per quarter in terms of paragraph 4.2 (h) of the Guidelines of Public Enterprises Circular No. PED/01/2021 of 16 November 2021 of the Secretary to the Treasury issued for Good Governance of Public Enterprises. However, only 03 meetings had been held.	Three (3) Audit and Management meetings have been held in the Land Survey Council for the year 2022 due to the unstable condition prevailed in the country, the fuel crisis and obstructions relating thereto.	Action should be taken according to the circular.