

Title Insurance Fund - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Title Insurance Fund for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, 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. My comments and observations which I consider should be report 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 accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2023 and of its financial performance and its 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 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 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Auditor's Responsibility on the Audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the Fund on 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 Fund'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. However, future events or conditions may cause to cease to continue as a going concern.
- 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.

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 Fund and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund,
- 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

Non-compliance with Reference to Relevant Standard	Comments of the Management	Recommendation
Investments of Rs.102,468,413 less than 12 months and Rs.81,951,350 more than 12 months at the end of the year under review had not been classified and brought to accounts in accordance with Paragraph 71 of Sri Lanka Public Sector Accounting Standard No. 01 .	It was informed that the investments have been noted to be accounted for with the accurate classification in the next accounting year.	Actions should be taken in accordance with the referred Standards.

1.5.2 Lack of Written Evidence for Audit

Item	Amount	Audit Evidence Unavailable	Comments of the Management	Recommendation
Revenue	-	Although the Title Registrars have to provide the reports related to title revenue to the Head Office once in 02 weeks in terms of Order No. 42 (b) of Registration of	It was informed that, this situation has been reported due to failure of providing the relevant reports to the Head Office in a proper manner	Revenue should be accurately recorded.

Titles (Insurance and entering the Funds) No. 01 of 2009, revenue daily, fifty reports from 672 based on the daily revenue records in 28 bank report. Offices of the Registrar of Titles had not been received during the year under review and the revenue of the Fund had been calculated according to the value of money banked by the respective offices. Due to failure to be based on revenue records for that, the accuracy of the total receipts of the Fund could not be ascertained.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
Registration of Title (Insurance Funds) Order No. 01 of 2009	No.42 (e) Although the amount collected by the Title Registrars at the end of every 14 days should be debited separately to the main cash book by the Registrar General of Titles, a sum of the daily receipts had been debited to the cash book as daily revenue.	It had been informed that it has become practically difficult to include each office as per the bank records.	Incomes should be accurately reported.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs. 54,885,560 and the correspondence surplus for the preceding year was Rs. 25,466,815. Accordingly, an improvement of Rs. 29,418,745 in the financial result was observed. The increase of title registration income by Rs. 20,816,210 and increase of Treasury investment interest by Rs. 8,608,046 had mainly attributed to this improvement.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although the reports of title revenue sent by certain Title Offices to the Head Office were not in accordance with the "R.G.T/I.F 03" Format in terms of Order 42 (b) and (c) of the Registration of Titles (Insurance Fund) No. 01 of 2009, the Management had not taken actions to receive the reports in the correct Format.	It had been informed that actions will be taken to receive title revenue reports from next financial year as per "R.G.T/I.F 03" Format .	It should adhere to the referred order.
(b) The Management Board Meeting Minutes had not been submitted for audit confirming that the financial statements of the Fund were approved by the Management Board. The Financial statements had been signed only by its Chairman on behalf of the Board of Management.	It had been informed that actions will be taken to review the guideline by presenting to the Management Board Meeting of the Fund.	It should comply with referred terms.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Even though the Title Insurance Fund had been established by the government for the purpose	Since no victim has been nominated by a court decision, a compensation has not been paid by the Fund up	Arrangements should be made to make aware the general public and

of awarding compensation to the parties for the losses incurred during the registration of title on land under the Title Registration Act No. 21 of 1998, no compensation whatsoever had been paid from the year 2010 to the year under review, due to failure to file a case for compensation or name a victim by a court order. Further, adequate public awareness had not been carried out in respect of this Fund.

to now and as discussions are being carried out to amend the Registration of Titles Act, it had been informed that the actions will be taken in future to make aware the general public in respect of the Fund.

achieve the primary objective of the Fund.

(b) Even though it had been planned to hold 08 Management Board Meetings as per the Action Plan of the year under review, only 04 meetings had been held.

It had been informed that only 04 meetings were held as per decisions taken to hold only one meeting per quarter by the Management Board of Title Insurance Fund.

Actions should be taken as per the Action Plan.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

As variations from 68 per cent to 1,422 per cent were observed between budgeted expenditure and actual expenditure on four occasions in the year 2023, the Budget had not been made use as an effective control instrument.

Comments of the Management

It had been informed that the decrease of entertainment expenses due to holding only 4 sessions of Management Board Meetings and only one meeting of Audit and Management Committee, inadequacy of amount estimated for stationery and also the inflationary situation in the economy has caused this.

Recommendation

The expenditure estimate should be prepared accurately and realistically.