

Title Insurance Fund – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Title Insurance Fund for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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 financial statements give a true and fair view of the financial position of the fund as at 31 December 2024 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

I expressed qualified opinion 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 fund stability 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 of the fund.

1.4 Auditor's Responsibility 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 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 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 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 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 of the fund 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 Particular Standard	Management Comment	Recommendation
Although it should submit an additional financial statement showing a comparison between budgeted figures and actual figures, or budgeted figures as a separate column in the financial statements in terms of Sri Lanka Public Sector Accounting Standards 1.21, it had not been so done.	It had been informed that it was noted to prepare a separate column in the financial statements to show a comparison between budgeted figures and actual figures from the next year.	Actions should be taken in accordance with the referred standards.
The entity had not disclosed the components of cash and cash equivalents in accordance with Sri Lanka Public Sector Accounting Standards 2.56 and although the value of those items in the cash flow statement presented for the Fund should be compared with the items reported in the statement of financial position, the reconciliation had not been made to the cash flow statement.	It had been informed that the actions will be taken to compare the value of items in the cash flow statement with the items reported in the statement of financial position by revealing the components of cash and cash equivalents from next year.	Actions should be taken in accordance with the referred standards.
An error in a prior period cannot be corrected by the surplus or deficit in the period in which the error was discovered in terms of Sri Lanka Public Sector Accounting Standards 3.51 and, due to the payment of a sum of Rs.343,380 during the year under review without making any provision for audit fees for the year 2023, the surplus for the year 2024 had been understated by that value.	It had been informed that it was noted not to correct an error of a previous period, from the surplus or deficit in the period in which the error was discovered.	Actions should be taken in accordance with the referred standards.

1.5.2 Accounting Deficiencies

	Audit Observation	Management Comment	Recommendation
(a)	<p>The total income tax liabilities payable by the Title Insurance Fund for the period from 01 January 2018 to 31 December 2024 was Rs.24,179,923 and, no provision out of this had been made for the income tax payable from 2018 to 2023, which amounted to Rs.15,268,955. The income tax liability for the year under review was Rs.8,910,968 and although a sum of Rs.3,363,777 out of that had been paid during the year a provision had not been made for outstanding income tax liabilities of Rs.5,547,191. Accordingly, although a material error had arisen due to the failure to make a provision for income tax, the balance of the accumulated fund which was the net income tax liability as at 31 December 2024 had been overstated by Rs.20,816,146 and the current liabilities balance as at that date had also been understated by the same value due to failure of making the necessary adjustments to correct it.</p>	<p>A portion of the tax had been paid in the 4th quarter of 2024 and, it had been informed that no payment and no provision had been made for the payment of taxes until approval was received for the payment of the tax payable since the Board of Directors has proposed that tax exemption should be sought again.</p> <p>However, it had been informed that steps will be taken as soon as possible by making aware the Board of Directors as indicated in the report and making a provision for tax payment, paying taxes and to make the necessary adjustments to the financial statements accordingly.</p>	<p>Actions should be taken in accordance with accurate accounting policies.</p>
(b)	<p>The title income as per the cash book, was Rs.110,423,190 and, the title income according to the bi-weekly reports sent by the title registrars was Rs.110,039,825. Accordingly, the unrecognized title income was Rs.580,820. Further, title income which was not banked within the stipulated time was Rs.283,065.</p>	<p>It had been informed that the variation had caused the difference occurred due to the income on the last day of the month being banked on the first day of the following month, crediting the amount which had to be credited to other accounts of the Registrar General to the account of the Registrar General of Titles due to mistakes in certain</p>	<p>Income should be reported accurately as at the relevant date.</p>

cases, crediting of amounts to be credited to the account of Registrar General of Titles to other accounts and certain unidentified cash credits.

- (c) Due to the correction of the over-calculation of the value of Treasury Bonds for the year 2023 by Rs.67,388 had been deducted from the 2024 title income and shown in the accumulated fund balance as at 01 January 2024 amounting to Rs.193,211,590 in the statement of Financial Position, the accumulated fund balance as at 31 December 2024 had been overstated by Rs.67,388 and the surplus for the year under review had also been understated by the same amount.
- It had been informed that due to failure of identifying the accurate point to adjust in the financial statements such an error had occurred even though the double entries had been accurately pointed out.
- Transactions should be accurately recorded in financial statements.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management Comment	Recommendation
No.42 (e) of Registration of Title (Insurance Funds) Order No. 01 of 2009	Although the title registration income of the Fund should be calculated based on the bi-weekly reports submitted to the Head Office by the Title Registrars regarding title income, the revenue had been calculated based on the daily bank deposits made by the Title Registrars. As a result, the accuracy of the value of the total receipts of the Fund could not be verified.	It had been informed that the cash book has been prepared based on the banked income due to the delay in receiving the bi-weekly reports to the Head Office.	Incomes should be accurately reported on the relevant date.
The Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 177 (1)	Although all the money receive should be banked daily or as early as possible, in contrary to that, there were cases where the money is held for a period of 01 to 06 days to be deposited.	It has been made aware to account for all revenue collected daily and it had been informed that instructions have been given to bank the income received for services provided after depositing the money in the bank the next day.	Actions should be taken in accordance with the referred regulation.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs.68,649,636 and the corresponding surplus in the preceding year amounted to Rs.54,885,560. Therefore, an improvement amounting to Rs.13,764,076 of the financial result was observed. The increase of title registration income by Rs.8,788,192 and increase of investment interest income by Rs.9,398,361 and income tax payment of Rs.3,363,777 had mainly contributed to this improvement.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Management Comment	Recommendation
(a)	Reports on title income sent to the Head Office by some Title Offices were not complied with " R.G.T / I.F 03 " Format in terms of 42(b) and (c) Registration of Titles (Insurance Funds) Regulations No. 01 of 2009 and as a result, they had not been possible to compare due to the fact that the relevant offices do not follow a uniform format in submitting reports.	It had been informed that the instructions have been given to Title Registration Offices to provide title income in accordance with the correct format.	The referred order should be complied with.
(b)	Although the Head Office is required to maintain a register in Format No. "RGT/IF 02" to record the records received from the Registrar of Titles Offices in accordance with the aforementioned Regulation No.42(b), actions had also not been taken to prepare that register according to the relevant Format.	It had been informed that the actions will be taken from now on to maintain the register according to the accurate Format (RGT/IF 02).	The referred order should be complied with.
(c)	Due to the failure to promptly bank the revenue collected by the Title Registration Offices, there was a possibility that the Departmental Monthly Income Reports and the bi-weekly reports which are submitted Title Registration Offices would be different from each other.	It had been informed that the instructions have been given to Title Registration Offices to bank the previously collected revenue without delay.	Actions should be taken to bank income without delay.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
<p>Although the main objective of establishing the Fund to compensate stakeholders by the government for losses incurred, no claim whatsoever for compensation had been made from the year 2010, when the fund was established, to the year under review due to an incorrect decision taken regarding ownership when registering ownership of lands under the Title Registration Act No. 21 of 1998.</p>	<p>Since a victim has not been named by a court decision to pay compensation to the aggrieved party so far, it had been informed that no compensation whatsoever has been paid by the Title Insurance Fund.</p>	<p>Actions should be taken to inform the general public and achieve the primary objective of the Fund.</p>