

Report of the Auditor General on Head 153 - Ministry of Lands – Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 153 - Ministry of Lands for the year ended 31 December 2015, was carried out in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review had been issued to the Secretary to the Ministry on 29 July 2016. The audit observations, comments and findings on accounts and reconciliation statements were based on a review of the Accounts and Reconciliation Statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Public Finance and Administrative Regulations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements, whether due to fraud or error.

2. Accounts

2.1 Appropriation Account

(a) Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs. 3,391.79 million out of that, a sum of Rs.2,890.26 million had been utilized by the end of the year under review. Accordingly, savings out of the net provisions of the Ministry amounted to Rs.501.53 million and represented 14.79 per cent of the total net provision. Particulars are given below.

Expenditure	Net Provision	As at 31 December 2015		
		Utilization	Savings	Savings, as a Percentage of Net Provision
	Rs.(Millions)	Rs. (Millions)	Rs. (Millions)	
Recurrent	282.52	270.31	12.21	4.32
Capital	3,109.27	2,619.95	489.32	15.74
Total	3,391.79	2,890.26	501.53	14.79

2.2 Advances to Public Officers' Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers' Account Item No.15301 relating to the Ministry and the actual values are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.(Millions)	Rs.(Millions)	Rs.(Millions)	Rs.(Millions)	Rs.(Millions)	Rs.(Millions)
14.40	13.88	6.50	8.26	50.00	31.54

2.3 Imprest Account

The balance of the Imprest Account No.7002/0000/000/0383/0015/00 under the Ministry as at 31 December 2015 amounted to Rs. 136,370.

2.4 Audit Observation

The Appropriation Account, Revenue Account and the Reconciliation Statements for the year ended 31 December 2015 of the Ministry of Lands have been prepared satisfactorily, subject to the audit observations appearing in the Management Audit Reports referred to in Paragraph 1.1 above. Out of the observations included in that Management Audit Report, the material and significant observations appear in paragraph 3 herein.

3. Material and Significant Audit Observations

3.1 Non-maintenance of Registers and Books

It was observed during audit test checks that the Ministry had not maintained the following registers in the proper and updated manner.

<u>Type of Register</u>	<u>Related Regulation</u>
(i) Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978
(ii) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/2002/02 of 28 November 2002
(ii) Register of Listing Motor Vehicles	Financial Regulation 1647 (e)

3.2 Appropriation Account

3.2.1 Budgetary Variance

The following observations are made.

- (a) The entire net provision of Rs.25.61 million made for 3 Objects had been saved.
- (b) Due to the overprovision made for 21 objects, the savings after utilization of the provision ranged from 10 to 83 per cent of the net provision.

3.3 Reconciliation Statement on the Advances to Public Officers Account

The following deficiencies were observed during the course of test check of the Reconciliation Statement as at 31 December 2015 relating to the Advances to Public Officers Account Item No. 15301.

- (a) According to the Reconciliation Statement presented to audit, the balances that remained outstanding as at that date totalled Rs. 282,526. Even though those outstanding balances remained over periods ranging from 1 year to 11 years, the follow-up action on the recovery of the outstanding loan balances had been at a weak level.
- (b) Even though accounts should be reconciled in terms of paragraph 6 of the National Budget Circular No. 118 of 11 October 2004, a Control Account had not been prepared for carrying out that reconciliation.

3.4 Assets Management

The following deficiencies were observed during the course of audit test check of the assets of the Ministry.

(a) Idle and Underutilized Assets

Two motor vehicles owned by the Ministry had remained idle from a period of 2 years without being made use of.

(b) Conduct of Annual Boards of Survey

Further steps had not been taken in respect of differences observed at the Board of Survey by clarifying the matters through the officers responsible in terms of Financial Regulation 757(2).

(c) Assets given to External Parties

Out of 13 motor vehicles belonging to the Ministry, 11 motor vehicles from a period of 10 years and 02 other motor vehicles from a period of over one year had been given to the Survey Department without transferring properly.

(d) Improper use of Assets owned by other Institutions

Two motor vehicles belonging to the Ministry of Finance and 02 motor vehicles belonging to the Ministry of Agriculture had been used by the Ministry throughout a period of over 10 years without transferring properly

(e) Unsettled Liabilities

The unsettled liabilities less than one year as at 31 December 2015 of the Ministry amounted to Rs. 31,271,585. Liabilities totalling Rs.581,599 relating to the year under review had not been shown in the Appropriation Account.

3.5 Non-compliance

Non-compliance with Laws, Rules and Regulations

Four officers of the Ministry of Lands had left abroad for a 10 day foreign workshop organized by the Sri Lanka Foundation Institute together with the Maharish Arvind Foundation of India. Even though food and lodging had been provided therefor by the training institution, a sum of Rs.1,174,960 had been paid as combined allowances contrary to paragraph 6 of the Circular No.01/2010/01 of 11 October 2010 of the Ministry of Finance and Planning.

3.6 Performance

According to the Action Plan, the observations on the progress of the Ministry are as follows.

(a) Functions not executed

The following observations are made.

- (i) Even though a provision of Rs.25,000,000 had been made for the programme on setting out of land information , that programme had not been implemented even by the end of the year under review.
- (ii) According to the Action Plan of the Development Division, activities such as allocation of lands for the development of industries and release of lands for Ministries and Departments of the Government had not been carried out.

(b) Functions not executed adequately

The following observations are made.

- (i) The progress of utilizing Government lands for various purposes was as follows.

Purpose for which lands were utilized	Percentage of progress
Utilizing Government lands in economic activities	45
Providing long term leases	56
Granting of Deeds	48
Granting of Poojabhoomi Deeds	60
Granting approval for Order of Settlement	27
Recommendation of long term lease under the Bimsaviya Programme	22

(ii) The progress in the implementation of Bimsaviya Programme was as follows.

Year	Provisions	Expenditure	Targeted number of Title Certificates	Number of plots of land surveyed	Number recommended and approved	Number of plots of land for which the decision was published/gazetted	Number of Title Deeds obtained by persons
	Rs.Millions.	Rs.Millions.					
2013	800	668	135,000	110,630	71,315	58,690	28,402
2014	400	445	122,090	122,239	53,448	66,759	24,242
2015	546	413	206,580	83,957	51,475	53,484	29,043

In the examination of the progress of the Bimsaviya Programme of the year 2015, the number of targeted title certificates according to the Action Plan stood at 206,580 and out of them, the number of plots of land which had been recommended and approved stood at 51,475. The number of plots of land gazetted by publishing decisions in the year 2015 was 53,484. Out of the annual targeted number of Title Certificates of 206,580 plots of land, the number of plots of land registered in the year under review at the Land Registry stood at 43,132 and the number of Title Certificates issued to persons was 29,043. It was 21 per cent and 14 per cent of the annual target respectively.

(c) **Progress in Acquisition of Lands**

The following observations are made in respect of the progress of acquisition of lands.

- (i) The number of Land Acquisition Files of the Ministry, implemented during the period from the year 2010 up to the year 2015 stood at 11,428 and out of them, the number of files finalized after paying compensation stood only at 102. Moreover, the number of dormant files abandoned had been 305.
- (ii) The number of files completed after issuing the Interim Order 38(a) of the Land Ordinance from the year 2010 up to the year 2015 had been 915 and the number of files for which the Interim Order 38(a) of the Ordinance due to be issued for the year 2015 alone had been 3385. The number of files finalized after paying compensation was 102 and as such, the Government had to pay compensation and interest thereon for those lands due to acquisition of lands under the interim order 38(a) of the Ordinance.
- (iii) Sums of Rs. 1,191,453,286 and Rs.545,572,760 had been paid as compensations for the acquisition of lands in the year 2015 and interest on compensations for acquisition of lands relating to 99 files respectively. Out of those, a sum of Rs.92,991,165 for the lands acquired in the year 2005 alone and an interest of Rs.225,488,171 for the lands acquired in the years prior to the year 2005 as well had been paid respectively. Accordingly, acquisition of lands is carried out under Interim Order 38(a) of the Land Ordinance to speed up the acquisition of lands. Nevertheless, interest had to be so paid up to the last day of paying compensation due to the delay in the payment of compensation for acquisitions made. As such, the Government had incurred an extensive expenditure on acquisition of lands under Interim Order 38(a) of the Ordinance.

3.7 Transactions of Contentious Nature

Certain transactions carried out by the Ministry had been of contentious nature. Several such transactions revealed during the course of audit test checks are as follows.

- (a) The Additional Secretary (Administration) of the Ministry had participated in a Professional Development Workshop held in China organized by the Sri Lanka Institute of Development Administration in December 2015. Course fees, accommodation facilities, and other service facilities had been provided by a foreign University. As such, it was mentioned that the air ticket, insurance coverage and incidental allowances should be paid by the relevant institution. Nevertheless, an allowance of Rs.162,999 representing 35 per cent of the combined allowance had been paid for food and beverages etc. for the female officer who had participated.
- (b) A sum of Rs.977,145 had been paid on 20 November 2015 as air ticket fees to an airline to leave for England stating as an urgent official visit of the former Minister of Lands. Copies of the air ticket, information of the official visit or proof of evidence relating to the details of the passengers who participated in the foreign tour had not been made available. The Secretary to the Ministry had informed that all preliminary activities of the visit had been arranged by the Prime Minister's Office and that all the relevant payments

had been made according to the instructions of the Prime Minister's Office. Moreover, a sum of Rs.95,000 had been paid as other fees relevant thereto and it had been informed that this amount had been spent as visa fees, visa applications and changes in the dates of air tickets and that the relevant documents were not available. However, payments had been made on the approval of the Secretary. The Secretary had informed that the approval for the relevant payments was granted as it was personally ensured that those payments had been actually made.

- (c) The State Minister had been appointed for acting purposes when the Minister of Lands had become ill and undergoing medical treatment in England. However, a sum of Rs.526,721 had been spent for the Secretary to the Ministry for a 5 day visit to leave for England for discussions on special duties. The Secretary leaving abroad for discussions on duties when the Minister had become ill had been a contentious matter.

3.8 Management Weaknesses

The following weaknesses were observed during the course of audit test checks.

(a) Acquisition of Land for the Erawwala Junior School

The following observations are made in this connection.

- (i) According to the Interim Order 38(a) of the Land Ordinance in the acquisition of the land of 0.4085 hectares in extent for the Ho/East Erawwala Junior School, the possession had been taken over in the year 1992. However, the Gazette Notification in respect of claiming ownership therefor had been published in April 2009, after a delay of 16 years.
- (ii) Even though the compensation had been paid in April 2013 after settling the problems arisen relating to the ownership, interest had to be paid for a period of 20 years. As such, compensation of Rs.25,404,000 and an interest of Rs.31,359,755 had been paid for the extent of land.

(b) Acquisition of a House for a Hostel

A house had been acquired for a hostel by 09 September 2011 in terms of the Interim Order 38(a) of the Land Ordinance and taken over the clear possession as well. Even though clear possession had been taken over, payment of compensation had been delayed while compensation of Rs.19,650,000 and interest of Rs.4,342,874 thereon had been paid.

(c) Acquisition of Lands for the Wellawaya Fair

The following deficiencies were observed during the course of audit in respect of the acquisition of a land of 3 roods and 10.4 perches in extent from a land in the village of Wellawaya for the Wellawaya Fair under the Wellawaya City Planning Scheme.

- (i) The possession had been taken by the Gazette Notification of 28 March 1989 under the Interim Order 38(a) of the Land Acquisition Act and even though 18 years had

elapsed even by April 2007, no development activity whatsoever had been carried out. It had been notified that an interest should be paid to the claimant from the date of publication of the Interim Order in the Gazette Notification until compensation is paid. Nevertheless, action had not been taken even up to the lapse of 18 years in carrying out a development activity on this land. Moreover, interest of Rs.41,729,178 had been paid as a fruitless expenditure after a lapse of 26 years.

- (ii) According to a decision in respect of the development activities of the Wellawaya City, taken at a discussion held on 19 October 2007, , this land had been approved to be used for the construction of the Mahinda Rajapakse Conference Hall. Even though the vesting is carried out according to Interim Order 38(a) of the Land Ordinance for an essential purpose, herein that requirement had deviated from the objective.
- (iii) Even though it had been notified under Section 5 of the Land Ordinance that acquisition was made by publishing in the Gazette on 16 March 1989, a period of 19 years had been taken to publish the notification in the Gazette for claiming ownership in terms of Section 7 of the Ordinance. Afterwards, a period of 7 years had been delayed in the payment of compensation from that date even by 30 April. 2015.
- (iv) In the indication of the extent of the lands acquired, it had been shown as 0.374 hectares in the Gazette Notifications, up to the notification of acquisition in terms of Section 7 of the Land Ordinance and the extent of land had been indicated as 0.257 hectares by corrigendum in the Gazette Notification of 09 November 2011. Accordingly, the Ministry had informed the landowner that the remaining extent of land had been vested by the Road Development Authority. Nevertheless, the landowner had informed that the relevant files were not available in the Road Development Authority, Wellawaya Divisional Secretariat and the Monaragala District Secretariat as well. Even though the amount of compensation had been decided on 06 January 2014 in terms of Section 17 of the Ordinance, due to this problem, the payment of compensation had been delayed for a period of about one year, even by 30 April 2015. An interest amounting to Rs.1,599,500 had been paid thereon as well.
- (v) In carrying out the activities of vesting of lands speedily in terms of Interim Order 38(a) of the Land Acquisition Act, action had not been taken to prepare a methodology in speeding up the process of payment of compensation. As a result, the payment of compensation had been delayed for a long period and as such, an interest exceeding the compensation had to be paid.

3.9 Human Resources Management

Approved Cadre and Actual Cadre

The cadre position as at 31 December 2015 was as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	23	20	03
(ii)	Tertiary Level	05	04	01
(iii)	Secondary Level	441	408	33
(iv)	Primary Level	50	47	03
	Total	519	479	40
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