

Title Insurance Fund - 2015

The audit of financial statements of the Title Insurance Fund for the year ended 31 December 2015 comprising the balance sheet as at 31 December 2015 and the income and expenditure account and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Order No.41(1) of the Orders made by the Minister of Lands and Land Development under Section 67 of the Title Registration Act, No.21 of 1998 and published in the Gazette Extraordinary No.1616/23 of 24 August 2009 of the Democratic Socialist Republic of Sri Lanka. My comments and observations on the above financial statements appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Title Insurance Fund as at 31 December 2015 and its financial performance and cash

flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Non- compliance with Laws, Rules, Regulations and Management Decisions

The following non- compliances were observed.

Reference to Laws, Rules and Regulations

Non- compliance

Notification in the Gazette Extraordinary No.1616/23 of 24 August 2009 of the Democratic Socialist Republic of Sri Lanka

(a) Section 11

Even though the Annual Administration Report should be published with the Annual Audit Report, an Annual Administration Report had not been prepared and published from the year 2010 up to date.

(b) Section 15(1)

The Board should meet at least half yearly and the General Meeting should be held in January. Nevertheless, the Board had met only once a year from the year 2010, on which the Fund was established, to the end of the year under review and a General Meeting had not been held in any of the years.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Fund for the year ended 31 December of the year under review had been a surplus of Rs.7,269,267 as compared with the corresponding surplus of Rs. 5,284,088 for the preceding year thus indicating an improvement of Rs. 1,985,179 in the financial result. Increase of income from title registration by Rs. 1,799,086 and interest income from investments by Rs. 180,333 during the year under review as compared with the preceding year had mainly attributed to the improvement.

An analysis of the financial result of the year under review and 05 preceding years, revealed that the total income amounting to Rs.800,515 in the year 2010, in which the Fund was established, had continuously improved to a sum of Rs.7,583,400 by the end of the year under review.

4. Operating Review

4.1 Performance

Even though the objective of the Fund in terms of provisions included in the Notification in Part iii of the Gazette Extraordinary No.1616/23 of 24 August 2009 of the Democratic Socialist Republic of Sri Lanka is to pay compensation for indemnity occurred relating to fraudulent or erroneous title registration with regard to title of land, any indemnity compensation had not been paid up to the end of the year review due to the public not being aware about this matter.

4.2 Management Activities

The Register of Title Income had not been maintained in the updated manner by obtaining the fortnightly reports on income collected by the offices of Title Registrars as specified in Section 42 of the Notification published in the Gazette Extraordinary No.1616/23 of 24 August 2009. As such, a comparison could not be made between the income collected from Title Registrars and the income credited to the Fund.

5. Accountability and Good Governance

5.1 Action Plan

Even though an Annual Action Plan had been prepared to carry out functions of the Fund, the approval of the Board of Control had not been obtained for it and it had not been revised in compliance with the Revised Budget.

5.2 Internal Audit

An internal audit had not been conducted relating to activities of the Fund in terms of Financial Regulation 133 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

5.3 Budgetary Control

A variance of 20 per cent between the budgeted income and actual income and a variance of 25 per cent between the budgeted expenditure and actual expenditure were observed, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Registrar General from time to time. Special attention is needed in respect of reviewing progress by preparing Performance Reports.