

Report of the Auditor General on Head 153 - Ministry of Lands - Year 2016

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 2016 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 was issued to the Secretary to the Ministry on 06 June 2017. The audit observations, comments and findings on accounts and the 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

Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs.3,482.43 million and out of that, a sum of Rs.2,292.72 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision of the Ministry amounted to Rs.1,189.71 million or 34.16 per cent. Details appear below.

Expenditure	As at 31 December 2016			Savings, as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	307.11	290.84	16.27	5.30
Capital	3,175.32	2,001.88	1,173.44	36.96
Total	3,482.43	2,292.72	1,189.71	34.16

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.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
16.00	15.51	6.00	8.21	50.00	38.26

2.3 Imprest Account

The balance of the Imprest Account No.7002/0000/00/0383/0016/000 under the Ministry as at 31 December 2016 amounted to Rs. 7.85 million.

2.4 General Deposit Account

The balance of the General Deposit Account No.6000/0000/00/0015/0064/000 under the Ministry as at 31 December 2016 amounted to Rs. 0.47 million.

2.5 Audit Observation

The Appropriation Account, and the Reconciliation Statements for the year ended 31 December 2016 of the Ministry of Lands had been satisfactorily prepared subject to the Audit Observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and significant Audit Observations out of the Audit Observations included in the Management Audit Report, appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Appropriation Account

Budgetary Variance

The following observations are made.

- (a) The entire net provision of Rs.2.00 million made for 1 Object had been saved without being utilized.

- (b) Excess provisions had been made for 3 Objects and as such the savings after the utilization of provisions ranged between 27 per cent to 52 per cent of the net provision relating to the respective Objects.

3.2 Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account, Item No. 15301, the balances that remained outstanding as at 31 December 2016 totalled Rs. 395,308. Even though, those outstanding balances remained over periods ranging from 2 years to 11 years, the follow - up action on the recovery of the loan balances had been at a weak level.

3.3 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**

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Two motor vehicles belonging to other institutions and a motor cycle belonging to the Ministry had remained idle without being utilized for a period ranging from 02 years to 04 years and for a period of 01 year respectively.

(b) **Verification of Fixed Assets**

Fixed Assets valued at Rs. 135,057,176 had been purchased from relevant institutions utilizing the provisions of the Ministry but action had not been taken to verify those assets to ensure the existence of those assets.

(c) **Assets given to External Parties**

Even though, 39 motor vehicles of the Ministry had been utilized by 04 Departments for a period ranging from 2 years to 13 years, action had not been taken by the Ministry for vesting the vehicles properly to those Departments even by the end of the year under review.

3.4 Unsettled Liabilities

The unsettled liabilities less than one year old as at 31 December 2016 of the Ministry amounted to Rs. 72,856,513. Contravening to the Financial Regulation 94, liabilities amounting to Rs. 410,473 had been committed, exceeding the savings after utilization of provisions made for 06 Objects.

3.5 Performance

The observations on the progress of the Ministry according to the Annual Budget and the Action Plan for the year 2016 are given below.

(a) Key Functions not executed Adequately

The key functions of the Ministry had not been executed adequately and several observations thereon are as follows.

- (i) Provisions of Rs. 20 million had been made in the year under review to establish the Land Information System. Even though, the financial progress had been 99 per cent, the physical progress thereon had been only 50 per cent.
- (ii) Provisions of Rs. 2 million had been made in the year 2016 to prepare a numbered land model for Disaster Management, that work had not been executed.
- (iii) The provisions of Rs. 500 million had been made for the establishment of the Land Bank and the imprests of Rs. 195 million also had been released thereon. Nevertheless 55.5 per cent of the imprests released thereon had only been utilized.

(b) Establishment of the Land Bank Project

The following observations are made during the course of audit test checks relating to this project.

- (i) Under the establishment of the Land Bank, it was planned to scan and computerize the folios in 22 offices of the Land Registry in the year 2016. Even though, that work had been implemented in 09 offices relating to 09 Districts only, the progress thereon had been only 41 per cent.
- (ii) The contract to scan and computerize the land documents had been awarded to a private institution for a sum of Rs. 56.69 million. The agreements for that work had been signed on 07 July 2016, and according to the agreement, it was planned to commence the work on 21 August 2016 and to complete the work by 31 December 2016. Nevertheless, the above work could not be completed within the due period and as such first extension had been made up to 31 January 2017 and the second extension had been extended up to 30 June 2017.
- (iii) One Software of entering data relating to the scan had been prepared by the Sri Lanka Information and Communication Technology Agency. The respective private institution had reported, that the entering data was not possible due to the capacity of the software was not sufficient in the activation of the software and in some instances the entering data was stuck due to slowness of the system.

Accordingly, the reasons for the non-execution of the work during the agreed period was shown as slowness of the system and the reasons such as more than 30 data entry operators had entered into the system at once and data was entered in day and night both and changes relating to the land data management had not been made by the Sri Lanka Information and Communication Technology Agency (ICTA) were shown for the slowness of the system. Accordingly, the deficiencies in the contribution of the Agency for the above delay had been identified.

(c) Implementation of Recommendations of Lessons Learnt and Reconciliation Commission

Provisions of Rs. 50 million had been made in the year under review to implement the recommendations of the Lessons Learnt and Reconciliation Commission and provisions of Rs. 26 million had been saved after utilization of provisions amounting to Rs.24 million. The following observations are made in this connection.

- (i) Provisions of Rs.20 million and Rs.10 million had been made to Department of Survey and Department of Land Commissioner General to solve land problems in North and East. Expenditure reports or proving reports or registers thereon were not made available in the Ministry.
- (ii) Provisions of Rs.5 million had been retained in the Head Office, out of the provisions of Rs.10 million made for the Department of Land Commissioner General and balance amount of Rs.5 million had been released to the Offices of the Provincial Land Commissioner, District Secretariats and Divisional Secretariats. A sum of Rs. 853,181 only had been incurred out of the provisions of Rs. 5 million which had been retained in the Head Office and a sum of Rs. 4,146,819 had been saved. Out of the sum incurred, most of the expenditure had been made as fees for translations of the letters into Sinhala language in respect of the land issues of North and East.

(d) Performance in Acquisition of Lands

The following observations are made in this connection.

- (i) The number of land acquisition files handled during the period from the year 2012 up to the year 2016 stood at 18841 and the number of files finalized out of them after paying compensation stood at 236 only. Further, the number of dormant files abandoned had been 401.
- (ii) The number of files completed after issuing the Interim Order in terms of the Section 38(a) of the Land Acquisition Ordinance No. 9 of 1950 from the year 2012 up to the year 2016 had been 1168 and the number of files finalized after paying compensation had been 236.

- (iii) Prompt action had not been taken to pay compensation on the lands acquired under Interim Order in terms of the Section 38(a) of the Land Acquisition Ordinance No.9 of 1950. Therefore, more interest amount had to be paid. In paying a sum of Rs. 697,586,929 as compensation of land acquisition in the year 2016 a sum of Rs. 160,002,470 had to be paid as interest for 55 files. The age analysis relating to the years of Land Acquisition in respect of the interest so paid as follows.

Period of Land Acquisition -----	Interest Paid -----
	Rs.
1976 - 1995	48,673,478
1996 - 2005	71,379,957
2006 - 2014	39,949,035

Total	160,002,470 =====

(e) **Planning**

The activities of the relevant projects had not been operated in compliance with the Annual Action Plan. The following observations are made in this connection.

(i) **Bimsaviya Programme**

In the examination of the progress of the implementation of the Bimsaviya Programme, the provisions made had not been utilized totally according to the data of the year under review and preceding 03 years. Therefore, the number of targeted title certificates to be issued could not be executed by the Ministry. Details are 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 in the Gazette	Number of Title Deeds obtained by persons
	Rs.Millions.	Rs.Millions.					
2013	800	668.0	135,000	110,630	71,315	58,690	28,402
2014	400	445.0	122,090	122,239	53,448	66,759	24,242
2015	546	413.0	206,580	83,957	51,475	53,484	29,043
2016	500	362.6	45,000	133,727	60,830	59,880	21,872
			(revised)				

The following observations are made during the course of audit test checks on the progress of the Bimsaviya Programme in the year 2016.

- * According to the Action Plan for the year 2016 presented to the Director General of Budget, the number of targeted title certificates to be issued during the year had been 100,000. Nevertheless, according to the revisions made from time to time by the Department of Survey the target was revised as 45,000 in August 2016.
- * Even though, the targeted amount of title certificates to be issued had been revised as 40,000 after elapsed a period of 6 months in the year under review, only 35,031 title certificates had been issued out of that targeted certificates at the end of the year under review.
- * The number of title certificates obtained by the persons out of 35,031 registered title certificates had been only 21,872. It represented 62 per cent of the registered title certificates.

(ii) Acquisition of Lands

Even though, the Land Acquisition Section had planned to acquire 244 lands physically, in the year 2016, only 134 lands or 55 per cent had been acquired out of the lands expected to be acquired.

(iii) Implementation of the Recommendations of the Lessons Learnt and Reconciliation Commission

The following observations are made in this connection.

- * It was planned to conduct “Regional Divisional Day” to solve 20,000 land problems, Mobile services to solve 1000 problems and to conduct Land Kachcheri to provide 15,000 land documents. The physical progress thereon at the end of the year under review had been 48 per cent, 47 per cent and 99 per cent respectively.
- * Even though, it was planned to conduct 80 programmes for public awareness, and to conduct awareness programmes for 400 officers of the staff, no programme whatsoever had been conducted.

(f) Amendments to the Acts

There is a requirement to update and maintain the Orders and Acts affected to the land sector and the following observations are made in this connection.

(i) Land Development Ordinance

The draft of the Act, to amend the Land Development Ordinance had been forwarded to the Parliament in the year 2008. The amendments for the draft had been submitted from time to time and the draft including the amendments made by the Attorney General had been referred by the Legal Draftsman to the Ministry on 26 February 2015. After referring it to the Land Commissioner General for observations, the new amendments thereon had been submitted to the Legal Draftsman on 18 October 2016. However, the amendments to the Land Development Ordinance could not be completed, even though a period of 8 years had elapsed from the year 2008 to 31 May 2017.

(ii) Land Acquisition Act

The discussions had been made from the year 2002 to amend the Land Acquisition Act No. 9 of 1950 and the approval had been given to prepare a draft for the Cabinet Memorandum for the proposal of the amendments to the Act submitted by the Minister in the year 2005. Accordingly, the preliminary draft including the amendments of the Attorney General had been submitted by the Department of Legal Draftsman in the year 2006 and the amended draft had been submitted to the Ministry in the year 2008. A round of discussions for a new amendment had been held in February 2016 and the Minister had submitted to amend the Act in June 2016 and the Cabinet Memorandum with the observations of the Minister of Finance had been referred for the recommendations of the Committee on Economic Management of the Cabinet of Ministers. Accordingly, it was observed that the Land Acquisition Act was being amended for a period of 14 years from the year 2002 to 2016.

3.6 Management Weaknesses

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

(a) Acquisition of Lands for Various Government Projects

The following management weaknesses were revealed in acquisition of lands for the various Government projects.

- (i) A compensation amounting to Rs. 74,367,500 and an interest thereon amounting to Rs. 32,655,750 had been paid for acquisition of the land in extent of 0.742 hectares to construct Karapitiya Mahamodara new Maternity hospital. Even though, the interim order had been published in terms of the Section 38(a) of the Land Acquisition Act No. 9 of 1950 and the possession of the land had been taken over on 10 January 2008, a period of 6 years had been taken to pay compensation. As a period of 2 ½ years had been spent to complete surveys and

send plans had mainly affected to the delay of paying compensation. Similarly a period of about 10 months had been delayed to publish the declaration in the Gazette under Section 5 of the Land Acquisition Act No. 9 of 1950 after being taken over the possession. A suitable action had not been taken to avoid these delays.

- (ii) A compensation amounting to Rs.139,500,000 and an interest thereon amounting to Rs.21,264,514 had been paid to acquire the lands to construct a water storage Reservation to collect rain water temporarily in the Attidiya, Bellantara paddy field under Werassaganga Development Project. A period over one year had been delayed to publish the notification according to the Section 5 of the Land Acquisition Act No. 9 of 1950 in the Gazette dated 04 October 2013, and to send those reports to Grama Seva Officers by the acquisition officers and to display those. Even though, the preliminary plans had been received on 01 April 2014, a period about one year had been delayed to publish the notification in the Gazette under Section 7 of the Land Acquisition Act and to conduct title inspections and to pay compensation promptly. Accordingly, the total delay to pay compensations had been 2 years and 2 months.
- (iii) A compensation of Rs.98,000,000 and an interest thereon amounting to Rs. 42,013,584 had been paid to acquire a building and the land in extent of about one acre situated at the St. Drive Road close to the Presidential Residence in Nuwaraeliya. A period of 6 years had been spent to possess the land title and to pay compensation and a period of 2 years and 5 months had been delayed to conduct title inspections for the land.
- (iv) A compensation amounting to Rs.5,650,000 and an interest thereon amounting to Rs.3,210,593 had been paid for the land in extent of one acre and 28 perches of the Galkanda Estate in the Divisional Secretariat Division, Karandeniya. The land acquisition activity for this land had been commenced in the year 2006 and the Interim order in terms of the Section 38(a) of the Land Acquisition Act No. 9 of 1950 had been published on the Gazette dated 19 November 2007 and the declaration under Section 5 of the Land Acquisition Act had been published on 04 June 2008. However, the notification according to the Section 7 of the Land Acquisition Act had been declared on 18 July 2012, and a period of 4 years had been delayed by that time.
- (v) In acquisition of lands for development of Kotte Canal under the project of Greater Colombo Flood Control and Improvement of Environment, the compensation had been paid and finalized for the land plots except 5 plots out of 21 plots of the land by the end of the year 2003. The compensation for 05 plots of land for which ownership could not be determined, should have been deposited in the courts in terms of the Section 33 of the Land Acquisition Act No. 9 of

1950. Even though, the provisions had been released in the year 2008 for these 05 plots of land, the compensation had not been deposited in the courts due to not available of imprests. The provisions had been requested again in the year 2008 and after delay of another 4 years the provisions had been requested in July 2012. Over a sum of Rs. 3,147,600 had to be overpaid as interests by the Government due to the delay of obtaining the provisions as accordingly.

(vi) The following weaknesses were observed during the course of audit test checks on releasing of provisions to pay compensation and interest for the acquisition of lands.

* Even though, the provisions of Rs.102,000,000 had been released by the Ministry on 30 June 2016 for acquisition of the lands for the Navy Camp by the Divisional Secretariat, Colombo, an imprest amounting to Rs.26,355,801 had only been released by 30 December 2016. Action had not been taken to request the provisions for balance money of Rs.65,275,000 and to get release of money even by 15 February 2017, the date of audit. Even though, 7 ½ months had been spent after releasing of the provisions, action had not been taken to pay that money and it was observed that an interest amounting to Rs. 2,855,781 had to be paid only for the above period. Similarly, the particulars relating to the payment of compensation released by the Ministry in respect of each matter had not been reported.

* In releasing provisions relating to the land acquisition, it was informed by the Land Acquisition Section to the relevant institution and to the Accounts Division of the Ministry under the relevant file number and debit the relevant Expenditure Head according to the Treasury Print Out. Therefore, it was not possible to examine the utilization of entire provision released for the relevant file number. Accordingly, out of the provisions released by the Ministry any institution had not utilized those provisions.

(vii) The Western Provincial Road Development Authority had made a request through the Western Provincial Ministry of Transport, Highways, Housing, Sports and Youth Affairs to the Ministry of Co-operatives, Provincial Councils, Local Government and Indigenous Medicine to acquire the lands for widening the Kudagama Road directing to the Seethawaka Industrial City and thereafter the Ministry had submitted an application to the Ministry of Lands on 18 July 1996. The following observations are made in this connection.

* The Interim Order for this land in terms of the Land Acquisition Act No. 9 of 1950 had been published in the Gazette on 04 April 1997. The letters for awarding compensation had been sent by 01 July 2008. As the delay of obtaining the approval of the Director Budget to incur the

compensation for this land through the provisions of the Ministry, the compensation had not been paid even by July 2015.

- (viii) In view of the delay, as not receiving the compensation for the owners of the lands acquired, the officers had agreed to pay compensation within 02 months by 05 January 2011 according to the complaints made to the Petitions Committee of the Parliament. More than 04 years had been delayed thereon by October 2015 and payments had been made. Similarly, a period of 08 years had been spent for examination of the land titles.
- (ix) In making provisions for paying compensation, it was not identified the problem for which institution should make provisions in submission an application, and prompt action had not been taken for making provisions, a sum of Rs. 8,635,112 had to be paid as interest from the date of Interim Order issued in terms of Section 38(a) of the Land Acquisition Act No. 9 of 1950, up to the date of compensation paid on 28 October 2015. A sum of Rs. 7,542,800 had to be paid as compensation thereon, and it was observed that, the interest had been paid more than the compensation.
- (x) The acquisition of the Land in extent of 10 acres, out of the lands of Gorokgahakumbura and Gorokgahaovita at Nawala, Nugegoda for the Greater Colombo Water Disposal and Rehabilitation of Canals Project should have been executed by the Sri Lanka Land Reclamation and Development Corporation. That process had been commenced on 09 May 1991 and the order had been issued under the Interim Order in terms of the Section 38(a) of the Land Acquisition Act No. 9 of 1950. Nevertheless, action had not been taken to conduct land title examinations on that land and to pay total compensation. Sums of Rs. 2,128,855 and Rs. 3,603,764 had been paid as compensation and interest thereon respectively on 29 December 2015 after a delay of 24 years for a land portion in extent of 386 perches in Lot No. 05. Action had not been taken to pay money for other land plots and to deposit the compensation money in the courts relating the land plots for which not presented the land titles even by 31 January 2017.

(b) Vesting Sugar Industry, Kantale to a new Investor

The following observations are made in this connection.

- (i) An outstanding electricity bill amounting to Rs. 76,352,246 had be paid at the handing over the sugar Industry to the Ministry of Lands. Even though, the Electricity Board had stated that the legal action will be taken if prompt action had not been taken to pay that arrears, a decision thereon had not been entered into.

- (ii) Even though, any production or other activity had not been implemented, the Head Office of the Sugar Industry, Kantale had been maintained in 2 rooms in a building which belonging to the Estate Development Board and a rental of Rs. 25,000 had been paid monthly.
- (iii) According to the records of the receipts and payments of the institution of Kantale Sugar Industry, a sum of Rs. 468,811 had been collected in the year 2016 from selling of sand, leasing of tanks, selling houses and as other income. But proper methodology had not been introduced thereon and due supervision had not been made thereon.

3.7 Losses and Damage

The following observations are made.

- (a) Two motor vehicles belonging to the Ministry had been discarded from running due to mechanical problems in October 2015 and March 2015. Suitable action had not been taken thereon even by 30 June 2017. Similarly another vehicle had inundated due to floods in May 2016 and it was referred for repairs in January 2017 after a delay of 07 months.
- (b) The Register of Losses had not been updated in terms of Financial Regulation 110(2). Even though, the loss incurred for 2 motor vehicles belonging to the Ministry in the year 2016 had not been included in the Register, it was stated in the Statement of Losses and Waived off in the Appropriation Account.

3.8 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2016 had been 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	04	03	01
(iii) Secondary Level	447	408	39
(iv) Primary Level	52	47	05
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Total	526	478	48
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The following observation is made.

There were 358 officers in the staff of the Investigation Assistant (Land Acquisition)/ Development Officers as at 31 December 2016 and those officers had been attached to 207 Divisional Secretariats. The detailed reports in respect of the performance relating to the assignments of those officers were not made available. The matters considered in the activities such as payments of annual increments of the officers, and evaluation of performance had not been clearly mentioned. A sum of Rs. 12,682,302 had been incurred as salaries, allowances and travelling of those officers in the year 2016.