

Report of the Auditor General on Head 286 – Department of Land Commissioner General - Year 2016

The audit of the Appropriation Account, Revenue Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 286 – Department of Land Commissioner General for the year ended 31 December 2016 was carried out in pursuance of provisions in 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 Land Commissioner General on 28 June 2017. The audit observations, comments and findings on the 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 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account, Revenue 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 and 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 Department amounted to Rs.416.82 million and out of that Rs.412.23 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the Department amounted to Rs.4.59 million or 1.11 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	341.46	339.57	1.89	0.55
Capital	75.36	72.66	2.70	3.58
Total	416.82	412.23	4.59	1.11

2.2 Revenue Account

----- Estimated and Actual Revenue -----

The Department had estimated the Revenue totalling Rs.45.00 million under the Revenue Code 20.02.01.03 and Revenue totalling Rs.64.19 million had been collected by the end of the year under review exceeding the estimated Revenue by Rs.19.19 million or 42.64 per cent.

2.3 Advances to Public Officers Account

----- Limits Authorized by Parliament -----

The limits authorized by Parliament for the Advances to Public Officers Account of the Department under Item No.28601 and the actual amounts are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
16.00	15.85	14.00	15.42	60.00	52.97

2.4 Imprest Account

The balance of the Imprest Account No.7002/0000/00/0042/0016/000 of the Department as at 31 December 2016 amounted to Rs.10.03 million.

2.5 General Deposit Accounts

The balances of the 03 Deposit Accounts of the Department as at 31 December 2016 totalled Rs.70.31 million. Details appear below.

<u>Deposit Account Number</u>	<u>Balance as at 31 December 2016</u>
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	Rs.Millions
6000/0000/00/0002/0068/000	1.67
6000/0000/00/0016/0020/000	68.59
6000/0000/00/0018/0025/000	0.05

Total	70.31
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2.6 Audit Observation

The Appropriation Account, Revenue Account and the Reconciliation Statements for the year ended 31 December 2016 of the Department of Land Commissioner General 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

The following observations are made.

- (a) Excess provisions had been made for 2 Capital Objects, and as such the savings after the utilisation of provisions balance ranged between 20 per cent and 29 per cent of the net provision.
- (b) In terms of the Budget Circular No.07/2015 of 29 December 2015 a compulsory saving of 15 per cent should be made from the provisions made for fuel. Nevertheless, without taking action accordingly, provisions of Rs.1,081,103 had been obtained by a Supplementary Estimate allocation for the above Object. Further, the vehicles had been assigned for the officers who are not entitled for assigned vehicles in terms of the Public Administration Circular No.22/99 dated 08 October 1999 and transport facilities had been provided for the officers not entitled to group transport facilities and that group transport facilities had been provided for exceeding 100 kilometers daily. Contrary to the paragraph 1.3 of the above mentioned Public Administration Circular, a sum of Rs.614,033 had been incurred for fuel from January to October 2016 for providing group transport facilities for 14 officers employed as Assistant Land Commissioners Grade III in the Department and for providing group transport facilities to 17 officers including 3 officers who appointed as acting Deputy Land Commissioners and whose acting period was over. Therefore, the additional provisions had been obtained through Supplementary Estimate provisions as the estimated provision made for fuel had been already exceeded.

3.2 Revenue Account

The duties relating to the preparation of Revenue Estimates, collection of Revenue, Accounting and the presentation of Accounts relating to a Revenue Code had been assigned to the Head of the Department as the Revenue Accounting Officer. The following deficiencies were observed during the course of test audit of the above Revenue Code.

- (a) In terms of the Paragraph 3 of the State Fiscal Policy and Economic Affairs Circular No.01/2015 dated 20 July 2015, the Forecasting of Revenue and the Preparation of Estimates had not been made.

- (b) Revenue amounting to Rs.23,419,394 had been in arrears as at the end of the year under review and the arrears of revenue as at the end of the preceding year amounted to Rs.22,341,669. Accordingly, the arrears of revenue in the year under review had increased by 4.82 per cent as compared with the preceding year. Further, the arrears of revenue existed for over a period of 03 years amounted to Rs.4,772,202 while the arrears of revenue remained brought forward since the period for over 1 year and up to 2 years amounted to Rs.13,732,354. The follow-up action on the recovery of arrears of Revenue had been at a weak level.
- (c) Even though, the differences were revealed between the Reports of the arrears of Revenue presented by the offices of the Deputy Land Commissioner and the Reports of the arrears of Revenue included in the Revenue Account, those differences had not been reconciled. A difference totalling Rs.5,147,652 was revealed between the arrears of revenue relating to 5 Divisional Secretariats and the arrears of revenue included in the Revenue Account.
- (d) A sum of Rs.19,957,603 had been incurred in the year 2016 to establish an Information Management System on State Lands. No information whatsoever had been included into that data system relating to the Inter Provincial Tax Revenue as at 28 June 2017.
- (e) According to the Annual Action Plan, the target of the recovery of arrears of tax revenue had been 75 per cent. Nevertheless, only 17 per cent had been collected in the year under review from arrears of revenue remained as at 01 January 2016.

3.3 Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account Item No.28601, the balances that remained outstanding as at that date, totalled Rs.3,048,762. Even though, those outstanding balances remained over periods ranging from 1 year to 28 years, it was failed to the recover the outstanding balances even by the end of the year under review.

3.4 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on deposits totalling Rs.66,210,414 in respect of the retention money on constructions remained brought forward for a period ranging from 4 years to 7 years since the end of the respective period.

3.5 Assets Management

The following deficiencies were observed during the course of audit test checks of the assets of the Department.

(a) Idle and Underutilised Assets

Two vehicles and another 02 vehicles belonging to the Department had remained idle without being utilizing for over a period of 02 years and for over 10 months respectively.

(b) Conduct of Annual Boards of Survey

Even though, a Boards of Survey should be conducted on the goods in all Departments and Branches of the Departments in terms of the Public Finance Circular No.05/2016 dated 31 March 2016, the Boards of Survey relating to the goods of 16 sub-offices of the office of the Deputy Land Commissioner, Ampara had not been conducted and the reports thereon had not been furnished to the Auditor General.

(c) Assets given to External Parties

The Department had given one vehicle for a period of one year and another vehicle for a period of 06 months for the use of the Ministry of Land irregularly.

(d) Irregular use of Assets belonging to other Institutions

Even though, one vehicle belonging to the Department of Survey and 2 and 7 vehicles belonging to the Ministry of Lands had been utilised by the Department for over 2 years, for over 8 years and for over 2 years respectively, action had not been taken for formal course of vesting of those vehicles even by the end of the year under review.

3.6 Unsettle Liabilities

The unsettled liabilities of the Department less than one year old as at 31 December 2016 amounted to Rs.6,739,804. The following observations are made in this connection.

- (a) The liabilities totalling Rs.83,066 relating to the year under review had not been shown in the Appropriation Account.
- (b) The liabilities incurred had exceeded the savings after the utilisation of provisions made for 03 Objects by a sum of Rs.2,347,232 contrary to Financial Regulation 94.

3.7 Performance

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

(a) Key Functions not executed Adequately

The particulars of the functions not executed adequately out of the functions to be executed during the year are as follows.

- (i) The progress of the functions such as providing licenses under Bimsaviya Programme, providing Grant Certificates, providing Ranbima Grant Certificates, issuing vesting orders to Tri forces and Local Government Institutions, providing Tsunami Grant Certificates providing lands for investment projects and infrastructure facilities had ranged from 10 per cent to 54 per cent as compared with targets position thereon.
- (ii) According to the Annual Action Plan, it was planned to collect and include the particulars of 1,000,000 plots of lands into the system. Even though, the inclusion of particulars of the plots of lands as at the end of the year under review into the system had been nearly 498,622 plots or 50 per cent, the financial progress thereon had been 99 per cent.
- (iii) The particulars of the projects which totally failed to achieve the targeted position according to the Action Plan are as follows.

<u>Activity</u>	<u>Targeted position failed to Achieve</u>
Providing Freehold deeds for the Grant Certificate Lands	450,000 (Deeds)
Issuing Grant Certificates under Special Provisions Act of Granting lands.	260 (Grant Certificates)
Identifying suitable lands for Investment Projects and Infrastructure Facilities	5000 (Acres)
Controlling unauthorised encroachment of Government lands.	500 (Land plots)
Identifying lease holders to take legal steps in respect of leaseholders who did not pay leases.	20 (Lease holders)
Cancellation of Leases/ Permits	40 (Leases/ Permits)

(b) Determination of Targets to be Achieved

In the determination of targets on performance, it should have been determined the respective targets with paid attention on the matters such as targets achieved in the preceding years and feasibility of the institution. Nevertheless, the targeted position of the following matters of providing Leases, Licenses and providing Grant Certificates implemented during the year had been 151 per cent, 270 per cent and 128 per cent respectively. The details are as follows.

Activity	Target	Total Progress	Target achieved during the preceding year	Progress as a percentage of Target
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(i) Handing over the Tenure of the lands properly under State Land Ordinance	2000 Leases	3,023 Leases	3,509 Leases	151 Leases
(ii) Providing long term Licenses	1,800 Licenses	4,863 Licenses	4,290 Licenses	270 Licenses
(iii) Providing sacred lands Grant Certificates	40 Grant Certificates	51 Grant Certificates	62 Grant Certificates	128 Grant Certificates

3.8 Transactions without Authority

The following transactions without authority were revealed during the course of audit test check on transactions of the Department.

- (a) The following observations are made on the acting appointment made for the Post of Land Commissioner (legal).
- (i) Without obtaining the approval of the Public Service Commission the Secretary to the Ministry had appointed the legal officer of the Department for the post of Land Commissioner (Legal) as acting basis from 20 June 2014 and subsequently he was appointed to execute the duties of the post of Land Commissioner (Legal) as full time basis from 13 January 2016.
 - (ii) However, the recruitment procedure for the post of Land Commissioner (Legal) had not been approved even by 01 July 2017. Despite that, a vehicle had been assigned to the Legal Officer as the official vehicle entitled to the post from 14 July 2014 and allocated 140 litres of diesel and a fuel allowance of Rs.13,300 had been paid per month. Furthermore, the legal officer had retired on 01 July 2016 while the assigned vehicle had been utilised for a period of one month after the retirement.
 - (iii) The approval of the Public Service Commission had been granted to employ in the post of Legal Officer on contract basis for this officer after the retirement for a period of 6 months from 01 July 2016 in terms of the provisions of the Public Administration Circular 09/2007. But, contrary to the provisions of the Circular, a pool vehicle had been provided for daily transport from the residence of Kegalle to the office from July 2016 on the

recommendation of the Head of the Department. Accordingly, a sum of Rs.96,552 had been incurred for fuel for the transportation from and to the residence during the contract period.

- (b) The approval to pay Resource Persons Allowances which to be paid only for external Resource persons had been given by the Ministry of Public Administration and Home Affairs for the officers of the Department who participated for the workshops of entering information on the lands to the Management System. But the Department had paid Resource Persons Allowances amounting to Rs.82,900 for two officers in the year 2016 for the participation of training courses conducted during the duty hours by the internal officers.

3.9 Losses and Damage

The following observations are made.

- (a) Three Transmission Towers had been constructed and maintained transmission works by 3 institutions during the years 2005, 2008 and 2011 in 03 Government lands in extent of 0.1352 hectares, 20 perches and 10 perches of the area of the Divisional Secretariat, Gomarankadawala without obtaining the permission of the Government and tax revenue recoverable to the Government from that institutions had not been recovered.
- (b) A methodology, for reporting to the Land Commissioner General in respect of the unauthorised encroachments and constructions of the Government lands in each Divisional Secretariats had not been implemented.
- (c) Action had not been taken either to recover from responsible parties or to write off from the books in respect of the loss incurred due to an accident caused to a vehicle 15 years prior to the year under review even by the end of the year under review.

3.10 Uneconomic Transactions

The activity of the training of officers for entering information into the Land Information System had been carried out by the Department. The work of formation of world food stores situated at Ratmalana as a Computer Laboratory for this training activity had been completed in December 2015. However, over a period of another 09 months in the year 2016 had been taken for refurbishment of the building to be able to conduct training activities and to construct toilets. As the activities of the training courses relating to the year under review could not be conducted in that building, another training centre had been obtained on rent. A sum of Rs.3.84 million had been spent by the Department thereon. The following deficiencies were observed in this connection.

- (a) The bids had been called for formation of the food stores as a Computer Laboratory. Accordingly, 5 bidders had offered bids, and the contract had been awarded to the lowest bid out of that amounting to Rs.2,594,890. The bids had been called in 2 instances for refurbishment of the Computer Laboratory and to construct the toilet system and both contracts had been awarded to the same contractor for sums of

Rs.1,659,340 and Rs.2,018,833 respectively. Following observations are made in this connection.

- (i) The Department had not paid attention in respect of the opportunity to minimise the cost of the contract as the bids had not been called by considering as one contract of converting food stores to a computer laboratory and the bids had been called by splitting the contract.
 - (ii) Additional estimates amounting to Rs.71,500 had been approved and paid for the activities of fixing of a water tank and construction of a ladder for the toilet system which could have been identified early and included in the estimate.
 - (iii) It was not indentified before preparing estimates that 3 Air conditioners of the Computer Laboratory could not be operated with the electricity connection of single pace. Therefore an additional estimate amounting to Rs.258,235 had been prepared after commencing the respective work and the payments had been made. In addition to that, action had been taken to fix 07 air conditioners of Split type 24000 BTU instead of 03 air conditioners of Split type 60000 BTU without a recommendation of the Technical Evaluation Committee.
 - (iv) As a prior plan had not been made in respect of the separation of rooms using aluminium, an additional expenditure amounting to Rs.147,825 had to be made.
 - (v) Delay charges per day had been shown in the agreements entered into with the contractors less than SBD 1 rate of the Institute of Construction Training and Industries Development. Therefore, delay charges amounting to Rs.51,749 had been under recovered.
- (b) Fifteen printing machines totalling Rs.1,558,440 had been purchased in December 2015. Nine machines out of that had remained idle without being issuing to the respective sections by identifying the requirement even by 15 August 2016.
 - (c) Out of 98 UPS purchased in December 2015 for the requirements of the Computer Laboratory only forty eight UPS had been distributed by 07 October 2016. Even though, it was mentioned that, the balance of 50 UPS values at Rs.215,200 had been allocated for the Ratmalana Computer Laboratory, the training activities of the Computer Laboratory had not been commenced even by 31 December 2016.
 - (d) Forty three Computer valued at Rs.3,556,100 purchased during the period from October to December 2015 had remained idle in the stores even by 15 August 2016. As the work of the laboratory had not been commenced even by 30 June 2017, guarantee period of the computer purchased for the Computer Laboratory could not be fully used.

- (e) Despite that, 30 computer tables had remained out of the 45 computer tables purchased in November 2015, another 34 computer tables had been purchased again during the months of June and August 2016. These 64 computer tables valued at Rs.779,338 had not been utilised even by 31 December 2016 due to not commencing the work of the Computer Laboratory.
- (f) Despite that, 31 chairs had not been utilised out of 54 computer chairs purchased in December 2015, another 56 chairs had been purchased in April 2016. Eighty seven chairs valued at Rs.670,665 purchased in two instances had remained idle even by the end of the year under review.

3.11 Management Weaknesses

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

- (a) Vesting of lands for the tenure of the selected investors had been made after obtaining the approval of the Cabinet of Ministers for giving lands on long term lease basis. The lease rent payable on the assessment value remained at the date of the handing over the land tenure should have been informed to the investors on the instructions of Land Commissioner General. A period ranging from 5 years to 9 years had been taken to inform 6 institutions in respect of the payable amount of the lease rent from the date of the handing over the tenure of the land.
- (b) The leasing out the Government lands belonging to the Divisional Secretariat, Ratmalana on long term basis to the investors had been commenced by the Department in the year 1999 and implemented under 2 stages. In terms of the Internal Circular of the Department No.2013/08 dated 13 December 2013, the arrears of lease rental remained outstanding without paying by the investors of industrial cities and industrial parks up to 01 June 2011 had been cut off by the Department to encourage those investors. The arrears of lease rent of 11 investors selected at the audit tests check carried out thereon, for the period ranging from 01 June 2011 up to 31 December 2016 amounted to Rs.39,907,658. Action had not been taken to recover the arrears of those lease rental even by the end of the year under review.
- (c) There were 2 buildings and an another building with a crane and the related accessories in the lands which had been given to investors of Ratmalana Industrial City. The assessment value of those amounted to Rs.21,584,802. Even though, a period ranging from 10 years to 17 years had elapsed since the land was given, action had not been taken to recover the relevant rentals.
- (d) A state corporation had been established in a Government land in extent of 2.503 hectares in the Divisional Secretariat Division, Thimbrigasyaya. The Cabinet of Ministers of the Western Provincial Council had decided to recover the rentals for a period of 30 years for giving a legal ownership for the land on 21 December 2011. Even though, the total lease rental for the period from the year 2012 to 2016 according to the computations made in terms of the provisions of the State Land Ordinance had been Rs.1019.20 million, action had not been taken by the Department to recover those arrears of rental.

3.12 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2016 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	53	38	15
(ii)	Tertiary Level	38	09	29
(iii)	Secondary Level	674	390	284
(iv)	Primary Level	140	110	30
	Total	905	547	358

The following observation is made.

According to the details of the job, in respect of the Post of Sociologist of the Department, the duties such as to occupy the colonists and supply facilities, scientifically planning of human connections, taking follow-up actions relating to the Highlands Development Project, Reporting and solving problems arising through conducting social economic surveys should be executed. Nevertheless, it was observed that, none of the activity relating to that post is being executed at present. Accordingly, the main objective expected through the creating of a post of Sociologist was not achieved.