

Title Insurance Fund – 2017

The audit of financial statements of the Title Insurance Fund for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of financial performance, statement of changes in equity 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 the Order 41(1) of the Title Registration (Insurance Funds) Orders No.01 of 2009, published in the Gazette Extraordinary No.1616/23 of 24 August 2009 of the Democratic Socialist Republic of Sri Lanka, prepared by the Minister of Land and Land Development under Section 67 of the Title Registration Act No.21 of 1998 . 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 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

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

The following non- compliances were observed.

Reference to Laws, Rules and Regulations

Non- compliance

- (a) Title Registration (Insurance Funds)
Orders No.01 of 2009 published by the Gazette Extraordinary No.1616/23 of 24 August 2009 of the Democratic Socialist Republic of Sri Lanka

- (i) Order 9

A sum of Rs.34,256,464 had been invested in 65 Treasury Bills within the period from the year 2011 to 31 December 2017 without obtaining instructions from the Director in charge of monitoring Banks of the Central Bank of Sri Lanka and the Deputy Secretary to the Treasury.

- (ii) Order 15(1)

Even though the Annual General Meeting of the Board should be conducted in January every year, the Annual General Meeting had not been conducted from the year 2010 on which the Fund was initiated, to the year under review.

- (iii) Order 39

Even though the power of approving and certifying the payments of the Fund by the Registrar General should be entrusted to a Deputy Title Registrar General, the payments had been approved by the Senior Deputy Registrar General and had been certified by the Chief Accountant of the Department without entrusting power in such a manner.

(iv) Orders 42(a) and (c)

Even though the Reports on the Money collected by the Title Registrars should be sent to the Head Office every 2 weeks along with the relevant Bank Deposit Sheets, Reports of 07 months relating to the year under review had not been sent by 6 Land Registrar Offices.

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 resulted in a surplus of Rs.11,963,760 as compared with the corresponding surplus of Rs.9,901,617 for the preceding year, thus indicating an improvement of Rs.2,062,143 in the financial result in the year under review as compared with the preceding year. The increase of the Title Registration Income and the Investments Interest Income by sums of Rs.583,550 and Rs.1,595,132 respectively had been the main reason for this improvement.

4. Operating Review

4.1 Performance

The objective of the Fund, as mentioned in the Orders published in the Gazette No.1616/23 of 24 August 2009 of the Democratic Socialist Republic of Sri Lanka is to pay compensation for the compensation occur relating to the fraudulent or erroneous Title Registration on the relationship of the Title of a Land. The public had not been aware on this matter and any compensation whatsoever had not been paid from 01 March 2010 on which the Fund initiated even up to the year under review and the total income amounting to Rs.800,515 in the year 2010 had been continuously increased to a sum of Rs.12,702,884 by the end of the year under review.

4.2 Management Activities

The income amounting to Rs.1,079,805 credited by the Title Registration Offices to the Title Income Collecting Bank Account had not been compared with the Income Reports of those Offices. Moreover, a difference of Rs.122,000 remained between the income credited to that Account by the Title Registrars on 02 Offices and the reports furnished. As such, the accuracy of the income amounting to Rs.9,252,146 transferred to the Title Insurance Fund as 40 per cent of the Title Income was not revealed.

5. Accountability and Good Governance

5.1 Internal Audit

An Internal Audit had not been carried out relating to the activities of the Fund in terms of the Financial Regulation 133 of Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

5.2 Budgetary Control

The Budget prepared for the year 2017 had been approved on 21 February 2018 and as variances ranging from 69 per cent to 415 per cent between the budgeted and the actual expenditure, in that Budget, 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 towards preparing the Performance Reports and reviewing the progress and properly maintaining the Books and the Reports.