

Head 287 – Report of the Auditor General of the Department of Land Title Settlement Year 2017

The Appropriation Account and the Reconciliation Statement under the Head and Item Number stated in the First Schedule and the Third Schedule of the Appropriation Act No.24 of 2016 amended by the Appropriation (Amendment) Act No.32 of 2017 were presented to the audit by the Department of Land Title Settlement. The financial and physical performance reflected from those accounts and the reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility on the Financial Management and the Accountability of the Chief Accounting Officer and the Accounting Officer

The Minister of Finance is charged with the raising of Government Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of the Government in terms of Financial Regulation 124 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers has been appointed by the Minister of Finance to discharge that responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of the Accounts and the Reconciliation Statements presented by performing own duties within the limitations imposed by the Parliament 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, Government Financial Regulation and Administrative Regulations.

1.3 Scope of Audit

The audit of the Department of Land Title Settlement -Head 287 for the year ended 31 December 2017 was carried out in pursuance of provision in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of planning of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, application of internal control provisions, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Commissioner General of the Department on 29 August 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on the review of the plans, accounts, reconciliation statements and performance reports presented to audit and test of samples of transactions. The scope and extent of such review and tests were prepared such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.4 Audit Observation

The audit observations revealed in audit of the Department of Land Title Settlement for the year ended 31 December 2017 appear in detail in the Management Audit Report mentioned in the above paragraph 1.3. The material and significant audit observations out of those observations are included in paragraph 2.1 to paragraph 2.9 of this report. It was observed that accountability as the Accounting Officer has been executed satisfactorily, as it ensure the adequacy of the financial control subjected to the audit observations summarized in the following chart revealed in the execution of the provisions of the Financial Regulation 128 of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Accounting Officer in terms of Financial Regulation 128	Non-compliance with that provision by the Accounting Officer	Reference to the Paragraph included Observation
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Financial Regulation		

128 (1) (a)	<p>The work of his Department is planned and carried out with due dispatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for activities authorized , and that an endeavor is made to complete the programme of work laid down for the year or to attain the targets specified.</p>	<p>(i) Deficiencies in preparing plans. 2.2.1</p> <p>(ii) Failure to perform the roles in the Activity Plan. 2.2.2</p> <p>(iii) Failure to plan the procurement activities adequately. 2.3.1</p> <p>(iv) Deficiencies in implementing the procurement process. 2.3.2</p> <p>(v) Failure to prepare budget estimates in realistic manner. 2.6</p>
128 (1)(c)	<p>The Financial Regulations and other supplementary instruction of the Government are adhered to in his department and that they are supplemented by departmental instructions where necessary.</p>	<p>(i) Failure to maintain registers and books. 2.8</p> <p>(ii) Non-compliance 2.9</p>

128(1)(e)	Adequate and proper arrangements are made for the safe custody and preservation of money, stores and equipment and other assets belonging to the Government, or is in its custody, and that these are verified from time to time and where they are disposed of, such disposal is according to prescribed Regulations and instructions.	Deficiencies in assets management	2.4
128(1)(h)	Special arrangements are made to recover outstanding dues and the officers assigned that task report to him at least once in three months or as otherwise directed regarding arrears and action pursued to expedite their recovery	Failure to recover outstanding loan balances of the Advances to Public Officers Account.	2.7

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Planning

In terms of Public Finance Circular No.01/2014 dated 17 February 2014, Action Plan had been prepared for the year 2017. However, reducing the targets of the year 2017 for the implementation activities such as conducting field investigations, publishing a notice in the gazettes under section 12 of the Title Registration Act, conducting land registration tests, publishing a notice in the gazettes under section 14 of the Title Registration Act, referring to the Registrar of the Bim Saviya Programme by 54 per cent in comparing with the targets of the year 2016, was observed as a weakness in planning.

2.1.2 Non Execution of Activities

The following observations are made.

(a) Non Execution of Activities in the Action Plan

- (i) Even though it had been planned a provision of Rs.08 million for the establishment of Integrated System, it had been unable to established as planned.

- (ii) Under the Land Settlement Ordinance, even though the target in surveying and partitioning, examinations in the year 2017 was 21 villages, only 14 villages had been examined.

(b) Delays in Execution of Activities

The following observations are made.

- (i) Initially it had been planned to conclude Bim Saviya Programme by the end of year 2012. However, surveys had been completed only in 1374 divisions out of 3659 total Grama Niladhari Divisions which belongs to 57 Divisional Secretariat Divisions where Bim Saviya Programme is implemented and it had been 38 per cent out of the total amount as at 31 December 2017.
- (ii) Files had been kept aside during the land title settlement work due to various reasons such as title issues, boarder issues, entrance path issues and such kept aside files as at 31 December 2017 had been 392, 456. It was observed that performing the settlement activities also had been delayed due to this situation had been increased continuously.

(c) Sustainable Development

Even though it is required to take actions by all the public institutions as per the circular No.NP/SP/SDG/17 dated 14 August 2017 issued by the Secretary to the Ministry of National Policies and United Nations Year 2030 “Agenda” on Sustainable Development, Department had not been aware on how should be implemented regarding the activities which comes under own scope relating to the year under review.

2.2 Planning of Procurement

2.2.1 A sum of Rs.9.70 million had been provisioned for the Department for fulfilling of supplies and services through the procurement process in the year under review and out of that, Rs.9.67 million had been utilized. Observations on the procurements plans which should be made on the provisioned made are stated below.

- Even though it had been planned to purchase 06 computer chairs in the revised procurement plan as at 31 July 2017, only 02 chairs had been purchased. Even though it had been planned to purchase 02 Hoover machines, only one machine had been purchased. Price adverse variance of purchasing the Hoover machine amounted to Rs.53,490 and that was 178 per cent.

2.2.2 Implementation of the Procurement Process

Contract had been offered to the Building Department at an estimate of Rs.36.4 million for the construction of the office residence of the Commissioner of Land Title Settlement and it had been handed over to the respective contractor on 10 March 2016. Following observations are made in this regard.

- (i) Legal ownership of the land area in which constructions had been started, had not been transferred to the Department.
- (ii) As per the Agreement of Understanding, even though it is capable of paying an advance of 50 per cent from the estimated amount after the agreement had been signed, a sum of Rs.10 million had been provisioned to the Department 40 days prior to entering in to the agreement.
- (iii) Even though the contract of this official residence should be completed by 08 December 2016, total estimated amount of Rs. 36.4 million had been paid by 30 November 2016 even 06 activities stated in the estimate had not been completed even by 01 May 2018.

2.3 Asset Management

Following deficiencies were revealed in sample audit test check made on the assets of the Department.

(a) Repairs of Vehicle

Prices had been called and that prices had been presented to Mechanical Engineer for the errors and the repairs informed by the driver when repairing of two cabs. Even though recommendations had been obtained by the Mechanical Engineer from which institute repairs should be done, Mechanical Engineer had not checked the relevant error and presented recommendations. Even after the repair of these vehicles Mechanical Engineer had been given recommendations without an examination.

(b) Office Maintenance Expenses

There are 4 buildings belongs to the Department and in addition to that, office activities are maintained in 39 buildings obtained at a rent of Rs.16,450,500 annually. Annual cleaning charges amounted to Rs.1,568,640 and security service charges amounted to Rs.19,617, 275. Accordingly, expenditure for the total building had been Rs.37,636,415. Accordingly, office maintenance expenses per person had been Rs.54,466.

Observations on obtaining of building on rent for 04 Sub offices of the Department are stated below.

- (i) Without following the Procurement Guideline in obtaining buildings on rent for the Sub offices, a building recommended as suitable by the Assistant rural officer in charge/ Assistant Commissioner had been selected.

- (ii) It had been performed in contrary to the directions of the Circular No.1/2014 dated 21 July 2014 issued by the Department when calling bids publishing paper advertisement in obtaining buildings on rent and returning the buildings.
- (iii) Two months before receiving the approval of the Procurement Committee for shifting the GangaWata Korale Sub office to a new office building, duties had been started by signing the rent agreement on 05 May 2016 for a period of 02 years. However approval of the Procurement Committee had been given to enter into rent agreement for a period of one year.

(c) Improper use of assets owned by the other Institutions

07 Motor vehicles valued at Rs.27 million and owned by the Ministry of Land had been used by the Department without a proper approval for a period of 09 years to 14 years.

2.4 Management Weaknesses

Even though surveying in the Moratuwa office area had been completed even in by the year 2015, future actions on its tile registration process had not been completed even by the end of the year under review.

2.5 Utilization of Provisioned made by the Parliament for Execution of Activities

Information on the provisioned made, utilization and savings during the period of 05 years ended by 31 December 2017 and the audit observations on that are stated below.

Year	Type of Expenditure	Net provision	Utilization	Savings	Savings as a percentage of net provision
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		Rs.Millions	Rs.Millions	Rs.Millions	
2013	Recurrent	200.59	200.26	0.33	0.16
	Capital	5.7	4.24	1.46	25.61
	Total	206.29	204.5	1.79	0.87
2014	Recurrent	295.18	293.71	1.47	0.5
	Capital	12.9	12.03	0.87	6.74
	Total	308.08	305.74	2.34	0.76
2015	Recurrent	377.8	369.87	7.93	2.10
	Capital	22.5	19.12	3.38	15.02
	Total	400.30	388.99	11.31	2.82

2016	Recurrent	385.61	379.5	6.11	1.58
	Capital	37.40	36.74	0.66	1.76
	Total	423.01	416.24	6.77	1.6
2017	Recurrent	386.38	379.83	6.55	1.69
	Capital	15.00	6.36	8.64	57.6
	Total	401.38	386.19	15.19	3.78

It was observed that budget estimate had not been prepared in realistic manner due to the reasons stated below.

- (i) A sum of Rs.8,500,000 provision made for a capital object and provisions of Rs.738,668 made for 02 recurrent objects had been totally saved.
- (ii) Total provision of Rs.100,000 itself transferred for a capital object under Financial Regulation 66 had not been utilized.

2.6 Advances to Public Officers Account

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

Limitations imposed by the Parliament and actual figures of the Advances to Public Officers Account under object code 28701 relating to the Department are stated below.

Expenditure		Receipts		Debit Balance	
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
24	22.6	15.00	16.10	67.00	49.40

Following observations are made in this regard.

As per the reconciliation statement presented to the audit, total of arrears in recoveries as at 31 December 2017 amounted to Rs. 545,954 and those balances in arrears had been coming over a period of a year to 9 years, Department had failed to recover them.

2.7 Non –Maintenance of Registers and Books

A vehicle listing register had not been maintained as per by the Department as per Financial Regulation 16479 (e).

2.8 Non-compliance to Laws, Rules and Regulations

Non-compliance to Laws, Rules and Regulations	Non compliance
(a) Financial Regulation of Democratic Socialist Republic of Sri Lanka	
Financial Regulation 104(3) and 104(4)	As soon as damage occurs, preliminary reports and full reports should be submitted within 03 months, preliminary reports and full reports of the vehicle faced with the accident on 07 November 2017 and the full report of vehicle faced with the accident on 30 November 2017 had not been submitted even by the date of 15 March 2018.
(b) Paragraph 3.1 of the Public Administration Circular No.30/2016 of 29 December 2016.	The consumption of fuel must be re-tested after a period of 12 months from each fuel test or after running a distance of 25,000 km or after carrying out a major repair to the engine whichever occurs first. However, actions had not been such taken regarding 06 vehicles of the Department.
(c) Asset Management Circular No.1/2017 of 28 June 2017.	Even though information on the Plant, Machinery and Equipment should be sent to the Comptroller General before 15 September 2017, actions had not been taken to send until 31 March 2018.

2.9 Human Resources Management

2.9.1 Approved Cadre and Actual Cadre and Expenses for Personnel Emoluments

Details on the approved, actual and vacant cadre as at 31 December 2017 for the fulfillment of the activities of the Department are stated below. Department had expensed Rs.356.1 million for the item of personal emolument for the year under review. Accordingly, expense per person had been Rs.440,721.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	107	43	64
(ii)	Tertiary Level	07	05	02
(iii)	Secondary Level	1,746	609	1137
(iv)	Primary Level	254	151	103
(v)	Casual/Contract	126	-	126
		<u>2240</u>	<u>808</u>	<u>1432</u>
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The following observations are made in this regard.

- (a) Due to having 80 vacancies of Deputy and Assistant Commissioners in the permanent cadre, it was observed that it makes impact towards the performance of the Sub offices.
- (b) Even though cadre had been approved for holding 90 Sub offices, it had been reasoned holding only 43 Sub offices at present