

Report of the Auditor General on Head 286–Department of Land Commissioner General - Year 2017

The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 and the Revenue Account relevant to the Revenue Code included in the Table 3.2.2 of the annual budget were presented to Audit by the Department of Land Commissioner General. The financial and physical performance reflected by 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 of the Chief Accounting Officer and the Accounting Officer for the Financial Management and Accountability

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above 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 Accounts and Reconciliation Statements presented within the limitations imposed by 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 Regulations and Administrative Regulations.

1.3 Audit Scope

The audit of Department of Land Commissioner General – Head 286 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an 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 26 September 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

1.4 Audit Observation

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

Accountability of the Accounting Officer in terms of Financial Regulation 128 (1)	Non-compliance with that Provision by the Accounting Officer	Reference to the Paragraph included Observation in the Report
<u>Financial Regulations</u>		
128 (1) (a)	The work of his Department is planned and carried out with due despatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorized, and that an endeavour is made to complete the programme of work laid down for the year and/ or to attain the targets specified.	(i) Failure in discharging functions. (ii) Deficiencies in the implementation of procurement process. (iii) Over provisions
128 (1) (b)	The organization for financial control and accounting in his department is effective, and provide adequately for the correct ascertainment, where necessary, of dues to Government, the systematic, complete and prompt collection of dues, and bringing to account of monies received, the authorisation of commitments on behalf of the	Management Weaknesses
		2.1.1 2.2 2.6 2.5

	Government, the supervision and examination of services and supplies rendered, and the prompt and correct payment therefor from public funds.		
128 (1) (c)	The Financial Regulations and other Supplementary instructions of the Government are adhered to in his Department and that they are supplemented by Departmental instructions where necessary.	Failure to take action in connection with the lapsed deposits.	2.9
128(1)(e)	Adequate and proper arrangements are made for the safe custody and preservation of money, stores, 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 the asset management.	2.3
128(1)(h)	Special arrangements are made to recover outstanding dues and that the officers assigned that task report to him at least once a quarter or as otherwise directed regarding arrears and action pursued to expedite their money.	Weaknesses in the recovery of outstanding loan balances of the Advances to Public Officers Account.	2.8
128(1)(j)	Any expenditure or commitment incurred, falls within the scope and limits of his Votes or other authorized financial provision, and is covered by adequate authority.	Incurring commitments exceeding the provision limits.	2.4
128 (1)(o)	The procedure laid down in Financial Regulations 103 to 108 is adhered to in case of	Not receiving revenue falls due to the Government from the assets.	2.3(b)

losses to Government by the delays, negligence, faults or frauds on the part of officers/ employees and surcharges are imposed on officers/ employees responsible for such losses in terms of FR 156(1) (To ensure the making adequate arrangement thereon shall be, peculiarly, his responsibility)

128 (2) (e)	Special arrangements are made for the expeditious collection of outstanding arrears of Revenue in consultation with the Accounting Officers and departments concerned in collection.	Remaining the follow-up action taken on the recovery of outstanding revenue at a poor level.	2.7
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2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Failure to Perform Duties

(a) Non-achievement of Expected Targets

The following observations are made.

- (i) Although it had been planned to include 600,000 plots of lands in the data system on the Government lands by the Original Action Plan, above target had been revised as 300,000 plots of lands on 03 October 2017. Despite being included 498,622 plots of lands into the data system by spending a sum of Rs19,957,603 in the year 2016, only 231,021 plots of lands had been included in the data system in the year 2017 at a cost of Rs.41,157,461. Even though the expenditure had increased by 106 per cent as compared with the preceding year, progress of the data inclusion had deteriorated by 54 per cent.
- (ii) Although plans had been drawn up to recover 75 per cent of the outstanding revenue of Rs.23,419,393 remained as at 31 December 2016, a sum of Rs.4,696,638 only had been recovered during the year under review. It had represented 20 per cent of the outstanding revenue.
- (iii) Even though plans had been drawn up to file 05 cases against the tax defaulters in relation to the Government lands leasing process, it had not been possible to institute legal actions due to failure in issuing a leasehold.

(b) Sustainable Development

Action had not been taken to recognise the data which form the basis for the relevant regulation process in reaching sustainable development goals and determine the milestones.

2.2 Obtaining Supplies and Services through Procurement Process

2.2.1 Implementation of Procurement Process

The following observations are made.

- (a) In order to purchase furniture and office equipment for the Computer Laboratory at Rathmalana and beautify the garden premises with the Laboratory, sums totalling Rs.8.83 million had been spent. Although all information required for a bidder to prepare bids in response to a calling for bids should be incorporated in the invitations of bids in terms of Guideline 5.2 of the Government Procurement Guideline, detailed information had not been stated in a manner suit to each procurement. A total cost estimate as required by Guideline 4.3.1 of the Government Procurement Guidelines had not been prepared for the garden beautification activity.
- (b) Without being complied with the Guideline 3.2 of the Government Procurement Guidelines, payments of Rs.557,050 had been made for printing 19,000 deed covers in 05 instances during the year 2017 while stating the fact that printing of deed covers was an urgent requirement.
- (c) For the renovation of Circuit Bungalow at Monaragala, an agreement had been entered into on 12 May 2016 with the contractor who had presented the minimum quotation of Rs.1,264,188. Nevertheless, the relevant contract had been awarded without recommendations and decisions of the Procurement Committee in terms of Guideline 8.1 of the Government Procurement Guidelines and opening of bids had not been carried out in accordance with the Guideline 6.3.3 of the Government Procurement Guidelines.

2.3 Assets Management

The following deficiencies were observed in the course of audit test check carried out on the assets of the Department.

(a) Documentation of Assets

The following observation is made.

The assets valued at Rs.291,097 purchased in the year 2015 had not been included in the assessment records and it had not been reported to the Comptroller General Office as required by the Assets Management Circular No.01/2017 dated 28 June 2017.

(b) Income receivable to the Government not received from the Assets

In terms of Section 91 of the State Land Ordinance and the President's Office Circular No.SP/RP/02/10 dated 03 February 2010 on the State land management, the Commissioner General of Lands had been vested with the absolute power with regard to administration of State lands and supervision of the officers involved in the land administration. Nevertheless, a proper methodology for the recovery of taxes was not available. As a result, there was a arrears of Rs.510.86 million as at 31 December 2017 in the revenue collected by the Commissioner General of Lands and the Provincial Commissioner General of Lands by way of leasing out of State lands to the Public and private institutions and individuals for residential, agricultural and commercial purposes etc. by the Department.

(c) Idle and Underutilised Assets

Five vehicles and another 02 vehicles belonging to the Department had remained idle without being utilizing for over a period of 01year and for over period of 02 years respectively.

(d) Assets given to External Parties

The Department had given one motor vehicle costing Rs.7.50 million for the use of the Ministry of Land and Parliamentary Reforms for over a period of 02 years.

(e) Irregular use of Assets belonging to other Institutions

Even though, one vehicle costing Rs.7.12 million belonging to the Department of Survey and 2 vehicles costing Rs.11.40 million and 7 vehicles costing Rs.48.54 million belonging to the Ministry of Lands and Parliamentary Reforms had been utilised by the Department for over 03 years, for over 09 years and for over 03 years respectively, action had not been taken for formal course of vesting of those vehicles.

(f) In terms of Paragraphs 04 and 05 of the Assets Management Circular No.1/2017 of 28 June 2017, the correct information of the assets should be furnished to the Comptroller General. Nevertheless, fixed assets valued at Rs.550,875 purchased in the year 2016 had not been included in the report furnished.

(g) In terms of Public Accounts Circular No.SA/AS/AA/Circular dated 12 July 2013, action should be taken to complete the assessment of lands and buildings for the documentation of State assets in the year 2013 . Nevertheless, those activities had not been completed even by 31 December 2017. Accordingly, it had not been possible to report the information of lands and buildings to the Comptroller General.

2.4 Commitments and Liabilities

The following observations are made in this connection.

(a) Although commitments should not be incurred exceeding the provisions in terms of Financial Regulation 94, the Department had incurred liabilities totalling Rs.1,251,714 exceeding the provisions in respect of 4 Objects.

- (b) Commitments valued at Rs.521,407 had been incurred in respect of an Object not included in the annual budget,2017 of the Department of Land Commissioner General.

2.5 Management Weaknesses

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

- (a) Although a sum of Rs.17.96 million had been spent for the construction of a building and purchase of equipment in the year 2016 for carrying out trainings relating to the land information management system, it remained unused even by December 2017 due to a defect found in the electricity system. Nevertheless, an expenditure of Rs.5.44 million had been incurred in the year 2016 and 2017 in respect of security and cleaning activities of the building and a sum of Rs.3.96 million had been paid to the Miloda Financial Institution for training officers during those years.
- (b) For the construction of the official quarters of the Commissioner General of Lands in a land for which the Department did not have a free hold tenure, a Memorandum of Understanding had been entered into with the Buildings Department on 12 January 2016 upon an estimate of Rs.36.40 million and following the construction of the official quarters, it remained idle for more than a period of one year.
- (c) Five instances were revealed at the audit test check that a period from 01 year to 08 years had been taken to deal with the request for the lease agreement forwarded with the recommendations of the Provincial Land Commissioner or Deputy Land Commissioner in the long-term leasing process.
- (d) Eight instances were revealed at the audit test check that a period from 06 months to 05 years had been taken to inform the shortcomings found in the applications made for obtaining a Lease.
- (e) Instances were observed where the long term lease files forwarded for the approval of the Minister had been returned due to many shortcomings and another 03 instances were revealed at the audit test check that the long-term lease agreement with shortcomings had been forwarded seeking signature of H.E the President.

2.6 Utilization of Provisions made by Parliament to execute Activities

The particulars relating to the provisions made to the Department, utilisation and savings for the 05 years period ended 31 December 2017 and audit observations thereon are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
		Rs. Millions	Rs. Millions	Rs. Millions	
2013	Recurrent	206.13	203.03	3.10	1.50
	Capital	51.60	50.01	1.59	
	Total	257.73	253.04	4.69	
2014	Recurrent	248.60	245.01	3.59	1.44
	Capital	89.10	87.12	1.98	
	Total	337.70	332.13	5.57	
2015	Recurrent	314.03	312.64	1.39	0.44
	Capital	80.05	79.05	1.00	
	Total	394.08	391.69	2.39	
2016	Recurrent	341.46	339.57	1.89	0.55
	Capital	75.36	72.66	2.70	
	Total	416.82	412.23	4.59	
2017	Recurrent	350.76	342.17	8.59	2.45
	Capital	54.20	34.15	20.05	
	Total	404.96	376.32	28.64	

Provisions totalling Rs.38.70 million had been made for 04 Objects during the year under review. Out of that, only a sum of Rs.21.87 million had been utilized. Accordingly, the savings out of the provisions made available amounted to Rs.16.83 million and it had ranged between 27 per cent to 47 per cent.

2.7 Estimated and Actual Revenue

The Department had estimated revenue totalling Rs.60 million in respect of the Revenue Code 20.02.01.03 for the year 2017 and revenue totalling Rs.70.13 million had been collected during the year under review. It had represented 116.88 per cent of the estimated revenue.

The following observations are made in this connection.

- (a) Forecasting of revenue and preparation of estimates had not been carried out in accordance with Paragraph 3 of the State Fiscal Policy and Economic Affairs Circular No.01/2015 dated 20 July 2015 and Financial Regulation 142.
- (b) According to the Revenue Account furnished to Audit, revenue of Rs.30.20 million remained outstanding and that revenue in outstanding was applicable to a period ranging from 01 year to more than 05 years. The follow-up actions taken with regard to the recovery of outstanding revenue remained at a poor level.

- (c) Since the follow-up actions taken in connection with the recovery of outstanding revenue remained at a poor level, outstanding revenue totalling Rs.10.54 million relevant to 06 Deputy Land Commissioner Offices existed at the end of the preceding year remained further recoverable even by the end of the year under review.
- (d) Although a difference totalling Rs.2.20 million was observed between the revenue in arrears relating to 04 Divisional Secretariat Divisions and the revenue in arrears included in the Revenue Account, no comparison had been done on those differences.

2.8 **Advances to Public Officers Account**

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Accounts of the Departments under the Item No.28601 and the actual values 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
21.00	20.35	15.20	16.36	80.00	55.45

The following observations are made.

(a) **Non-recovery of outstanding loan balances**

According to the reconciliation statements made available to Audit, the outstanding loan balances other than the loan balances of the officers who had left on transfers as at 31 December 2017 totalled Rs.934,016. Although those outstanding loan balances had continued to exist over a period from 01 year to 20 years, the Department had failed to recover the above loan balances.

(b) **Outstanding loan balances of the officers transferred to the Ministries, Departments and Provincial Councils.**

Loan balances of Rs.105,163 recoverable from 04 officers who left on transfers to the Government Ministries and Departments could not be recovered over a period ranging from 26 years to 29 years while a balance of Rs.77,360 older than 26 years recoverable from three officers who left on transfers to the Provincial Councils could not be recovered.

(c) **Failure to take action in terms of Budget Circular No.118**

In terms of Section 3.2.1 of the National Budget Circular No.118 dated 11 October 2004, action should be taken to recover the loan balances of the officers released to the Provincial Councils in full at once from the relevant Provincial Council and if this is not possible, action

should be taken to recover the loan installment together with the interest on monthly basis from the Provincial Council concerned in terms of Section 3.2.2. Nevertheless, action in terms of the Circular had not been taken on the loan balances aggregating Rs.210,367 older than 07 years recoverable from 03 Provincial Councils.

2.9 General Deposit Account

The balances of 03 General Deposit Accounts existed under the Department as at 31 December 2017 totalled Rs.70.86 million. Action in terms of Financial Regulation 571 had not been taken in respect of 31 deposits totalled Rs.66.57 million older than 02 years included in the above balances.

2.10 Human Resources Management

Particulars on the approved cadre, actual cadre, vacancies and excess staff as at 31 December 2017 are given below. The Department had spent Rs.276.21 million in respect of personal emolument category for the year under review. Accordingly, per capita expenditure had been Rs.490,610.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	53	43	10
(ii)	Tertiary Level	38	10	28
(iii)	Secondary Level	674	399	275
(iv)	Primary Level	140	111	29
	Total	905	563	342
		=====	====	=====