

Land Survey Council – 2017

The audit of financial statements of the Land Survey Council for the year ended 31 December 2017, comprising the statement of financial position as at 31 December 2017 and the statement of income, 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 Section 13 (1) of the Finance Act, No. 38 of 1971 and Section 57 (2) of the Land Survey Act, No.17 of 2002. My comments and observations which I consider should be published with the Annual Report of the Council in terms of Section 14(2)(c) of the Finance Act, appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act was issued to the Chairman of the Council on 27 April 2018.

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 (ISSA1 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 judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the Council’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 Council’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 the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4. Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2 Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Land Survey Council 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 Sri Lanka Public Sector Accounting Standards

Investment maturities amounting to Rs.1,000,000 had been stated as an adjustment in change in the capital and, the gross value had been included into the cash flow statement by setting-off the refunds amounting to Rs.48,773 for the overpayments of the preceding year, out of the sum of Rs.125,370 spent for the purchase of computers in the current year, contrary to Paragraph 25 of the Sri Lanka Public Sector Accounting Standard 02.

2.2.2 Accounting Policies

An Accounting Policy had not been identified by the Council relating to the Employee Gratuity and, provisions had not been made for Employee Gratuity.

2.2.3 Accounting Deficiencies

Income and Current Assets had been understated by a sum of Rs.47,500 on fines amounting to Rs.62,500 which had been decided to charge from the Surveyors on various misconduct in the year under review by the Land Survey Council being brought to account as a sum of Rs.15,000.

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

The following non- compliances were observed.

Reference to Laws, Rules and Regulations

Land Survey Act, No.17 of 2002

(a) Section 12(1)

Non- compliances

Even though either the initial plans or copies of maps of specific types prepared and certified by a Registered Licensed

Surveyor should be deposited for the establishment of a Database, action had not been taken accordingly.

(b) Section 42(1) and (2)

Even though a list of all Registered Licensed Surveyors should be published in the Gazette by the Council and even though the number of Registered Licensed Surveyors in the year under review had been 1004, only names of 841 Surveyors had been published in the Gazette Paper No.2011/24 of 23 March 2017.

3 Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Council for the year under review had resulted in a deficit of Rs.1,013,039 as compared with the corresponding deficit of Rs.834,430 for the preceding year, thus indicating a deterioration of Rs.178,609 in the financial result in the year under review as compared with the preceding year. The increase of salaries and allowances by a sum of Rs.186, 294 had been the main reason for this deterioration.

In analyzing financial results in the year under review and of 04 preceding years, a financial surplus had indicated with fluctuations from the year 2012 to the year 2014. However, it had been a deficit in the years 2015 and 2016 and that deficit had increased up to a sum of Rs.1,013,039 in the year 2017. In adjusting personnel emoluments and depreciation on non-current assets to the financial results again, the contribution amounting to Rs.3,325,057 in the year 2012 had been a sum of Rs.2,878,815 with fluctuations in the year 2017.

3.2 Analytical Financial Review

According to the statement of financial position presented, the current ratio of the Institution had been 0.93 and 1.19 in the years 2017 and 2016. As such, the current ratio remained at a low level in the year under review as compared with the preceding year. Incurring expenditure by encashing short- term fixed deposits in the year under review had been the main reason in this connection. Cash and cash equivalents being represented, 63 per cent in the year 2017 and 81 per cent in the year 2016 and as such, a large amount of assets had been retained in the liquidated assets.

4. Operating review

4.1 Performance

The objectives of the Council in terms of the Land Survey Act, No.17 of 2002 are to confirm whether the profession of Surveying and its practices are properly maintained, that a training or an education is received to the persons who enter into the profession in compliance with the technical regulations and ethical standards expected from the profession and as such, that the highest standards of the profession are being maintained by the persons who are engaged in the profession.

The following observations are made relating to the progress in the execution of the functions as per the Action Plan of the year under review.

- (a) Even though the total number of complaints received from the public to be resolved on the professional misconduct of the Surveyors in the year under review had been 125, only 96 complaints or 77 per cent had been resolved in the year.
- (b) Even though it had been targeted to conduct 06 professional development programmes in the year under review by the Council, only 03 programmes had been conducted.
- (c) Even though it had been planned to establish a Social Security Scheme and Welfare and Sports Facilities for their officers and employees, they had not been implemented and, even the necessary rules relating to the administration of the activities of the Council had not been prepared.

4.2 Management Activities

The following observations are made.

- (a) The Registration Fee amounting to Rs.3,500 charged in registering a Surveyor in the Council and the Fee amounting to Rs.2,500 charged from a Surveyor for Annual Licenses after the year 2010 had not been revised up to 31 December of the year under review, from the year 2005 on which the activities of the Council were initiated.
- (b) Even though it had been stated that all Surveyors entitled to issue Annual Licenses should be registered under the Land Survey Act, laws and rules had not been introduced by the Council either to identify the persons who engage in professional surveying activities without obtaining Annual Licenses or to prohibit such activities.

4.3 Uneconomic Transactions

The Council had incurred a loss of interest income amounting to Rs.14,375 on encashing two Fixed Deposits valued at Rs.500,000 before the date of maturity.

4.4 Personnel Administration

Even though it had been stated that sufficient officers and employees should be appointed for carrying out the activities of the Council in terms of Section 38(c) of the Land Survey Act, No.17 of 2002, only two Clerks and one Office Assistant had been recruited even by 31 March 2018. As such, the shortage of officers had been a hindrance in resolving complaints and in the activities of updating documents.

5. Accountability and Good Governance

5.1 Budgetary Control

The following observations are made.

- (a) As variances ranging from 24 per cent to 386 per cent in 03 Income Heads and in 07 Objects between the budgeted income and expenditure and the actual income and expenditure were observed, thus indicating that the budget had not been made use of as an effective instrument of management control.
- (b) Even though provisions amounting to Rs.100,000 had been made available by the Budget for the training of officers, the training workshops had not been conducted.
- (c) Even though a sum of Rs.380,000 had been provisioned in the Annual Budget Estimate for the acquisition of the capital assets, a sum of Rs.254,630 or, 67 per cent of it had been saved as at the end of the year.

5.2 Unresolved Audit Paragraphs

The post of the Secretary to the Council remains vacant from January 2009 and it had been ordered by the Committee on Public Enterprises dated 05 July 2012 to take action to recruit officer to that post. Even though a sum of Rs.99,288 had been spent in the year under review for publishing newspaper advertisements for those recruitments, it had been failed to fill that vacancy to that post even up to 31 March 2018.

5.3 Tabling of Annual Reports

The Annual Reports of the Council relating to the years 2015 and 2016 had not been tabled in Parliament in terms of Section 6.5.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

5.4 Fulfillment of Social Responsibility

Action had not been taken by the Council to obtain the copies of the plans prepared by the Licensed Surveyors by surveying, in a manner that they can be obtained by the public.

6 Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls

(a) Accounting

(b) Control of Income

Observations

Accounting deficiencies remaining on not following some of the Sri Lanka Public Sector Accounting Standards.

Non- revision of fees.