

Land Survey Council – 2018

1.1 Qualified Opinion

The audit of the financial statements of the Land Survey Council for the year ended 31 December 2018 comprising the statement of financial position as at 31 December and statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Council.

1.4 Auditor's Responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Council;
- Whether the Council has performed according to its powers, functions and duties; and
- Whether the resources of the Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Accounting Deficiencies

The following observation is made.

Audit Observation	Comments of Management	Recommendation
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Since the amount of Rs. 1,304,650, of which the source of income could not be exactly identified out of the amount received to income during the year under review had been shown as a current liability in the statements of financial position, the deficit and current liability in the year under review had been over stated by that amount.	Management had not made comments.	Action should be taken to exactly identify the income related to the year under review.

1.6 Non-Compliance with Laws, Rules, Regulations and Management Decisions

The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-Compliance	Comment of Management	Recommendation
(a) Sections 43 (1) and (2) of the Land Survey Act No. 17 of 04 October 2002.	The list of all the registered licensed surveyors' names should be published in the Gazette on or before 31 March in every year by the Council. Nevertheless, only the names of 864 registered licensed surveyors had been published in the Gazette No. 2068 of 20 April 2018 although the number of registered licensed surveyors in the year under review was 957.	All the registered surveyors should apply for the annual survey license in every year and it is not possible to issue licenses in the proper period due to the shortcomings in the applications. However, names of 858 licence holders for the year 2019 had been published in the Gazette of 29 March 2019.	The list of all the registered licensed surveyors' names should be published in the Gazette
(b) Decision of the 221th meeting of the Council dated 26 March 2018.	Even though a decision had been taken to make the Inspector General of Police informed to probe in to persons who are not qualified and engaged in surveying activities without registering with the Council, action had not been taken accordingly.	Advertisements had been published in the newspapers such as Dinamina, Thinakaran and Daily Mirror and the Council had not kept copies of this advertisement. Arrangements will be taken in the future to avoid the occurrence of such shortcomings.	Action should be taken to identify persons who are engaged in survey activities without registering with the Council.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs. 751,184 and the corresponding deficit in the preceding year amounted to Rs. 1,013,039. Therefore, an improvement amounting to Rs. 261,855 of the financial result was observed. The major reason for the improvement is the rise in the income earned from workshops by Rs. 643,629.

2.2 Ratio Analysis

As per the statement of financial position submitted, current ratio were 2.3 and 5.3 in the years 2017 and 2018 respectively. Accordingly, current ratio was prevailed in a higher level in the year under review as compared with the preceding year. The major reason for this was the transfer of income amounting to Rs. 3.34 million which had not been identified and stated under current liabilities in the previous year to the accumulated fund in the year under review.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of Management	Recommendation
(a) Even though the Committee on Public Enterprises had issued an instruction dated 05 July 2012 to make arrangements to recruit officers for the Post of Secretary which remained vacant, action had not been taken even up to 31 March 2019 to fill the vacancy.	Even though the Director General of the Department of Management Services had been made aware in this relation and had made requests several times by the Land Survey Council through the Secretary of the Ministry of Lands and Parliamentary Reforms, the approval had not been granted for the recruitment of staffs.	The Directives of the Committee on Public Enterprises should be adhered and action should be taken to recruit the required officers and employees for the conduct of the functions of the Council.
(b) Functions such as resolution to complaints, updating files, accounting and maintaining public relations were impeded due to non-recruitment of required officers.	Approval has not yet been granted to recruit staffs from the Department of Management Services.	Action should be taken to recruit the required officers.

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| (c) Even though the Performance Report related to the year under review should be tabled in the Parliament by the Department within 150 days after the closing of the financial year in terms of the Public Finance Circular No. 402 of 12 September 2002, the performance report had not been tabled in the Parliament even by 27 May 2019. | Processing of the Report has been completed and action is being taken to bind the report. | Action should be taken to table the Performance Report in the Parliament as per the Circular. |
| (d) The aforesaid expenses had not been incurred even though provisions of Rs. 180,000 had been made for the payment of training allowances and provisions of Rs. 435,000 had been made for the acquisition of capital assets. | The Management had not made comments. | Provisions allocated through the Budget should be utilized for the accomplishment of the relevant function. |