

Title Insurance Fund - 2018

Opinion

The audit of the financial statements of the Title Insurance Fund for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in net assets 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. My comments and observations which I consider should be furnished to the Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.1 Basis for Opinion

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 opinion.

1.2 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 determines 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 Fund'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 intends to liquidate the Fund or to cease operations, or has no realistic alternative to do so.

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

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

1.3 Auditor's Responsibility 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 those financial statements.

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

- Identify and assess 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 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 Fund'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 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 Fund's ability to continue as a going concern. If I conclude that 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 date of my auditor's report. However, future events or conditions may cause the Fund 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 audit also extended to examine as far as possible, and as far as necessary the following:

- Whether the organizations, 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 Fund and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;
- Whether the Fund has performed according to its powers, functions and duties, and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.4 Financial Statements

1.4.1 Internal Control over the preparation of financial statements

The Institution is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that, transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

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

Reference to Laws, Rules, Regulations etc.	Non- compliance	Comments of the Management	the Recommendation
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Orders 11 and 12 of the Title Registration (Insurance Funds) No.01 of 2009 published by the Gazette Extraordinary No.1616/23 of 24 August 2009 of the Democratic Socialist Republic of Sri Lanka	Even though the Audit Report should be published along with the Annual Administration Report, the Administration Report had not been prepared from its initialization.	The Annual Administration Report had been furnished to the Board of Control, to the Secretary to the Minister-in-charge of the Department, to the Treasury and the Governor of the Central Bank of Sri Lanka every year as scheduled.	The Audit Report, along with the Annual Administration Report should be published in terms of the Orders 11 and 12 of the Title Registration (Insurance Funds).

2. Financial Review

2.1 Financial Results

The operating result for the year under review amounted to a surplus of Rs.13,842,974 as compared with the corresponding surplus in the preceding year amounted to Rs.11,963,759. Therefore, an improvement amounting to Rs.1,879,215 of the financial result was observed. The main reasons for the improvement are the increase in the income from Title Registrations and the increase in the income from the Treasury Bills Interest.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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(a) The objective of this Fund as mentioned in the Orders published in the Gazette Notification No.1616/23 of 24 August 2009 of the Democratic Socialist Republic of Sri Lanka is the payment of compensation for the reparations being made relating to fraudulent or erroneous title registration on the title relationship of a land. The public had not been aware of, in this connection and any reparation whatsoever had been paid even up to the date of the commencement of the Fund, 01 March 2010 and the total income amounting to Rs.800,515 in the year 2010 had been continuously improved up to a sum of Rs.14,888,342 by the year under review.	Raising awareness on the Programme on Title Registrations is being carried out by the Department of Land Settlement. Such errors had not occurred on the efficiency of the Officers and them, acting appropriately.	Awareness of the public should be raised on the Fund in a manner that the objectives mentioned in the Order 2 of the Gazette Notification No.1616/23 of 24 August 2009 of the Democratic Socialist Republic of Sri Lanka.

- (b) The income amounting to Rs.3,355,634 that had been credited in the year under review by Title Registration Offices to the Title Income Collection Account had not been reconciled with the Income Reports of those Offices and, Income Reports had not been sent by 09 Offices. As such, the rectification amounting to Rs.10,429,278 that had been credited to the Title Insurance Fund as 40 per cent of the Title Income, had not been disclosed.
- The income of the Fund is being properly brought to account in every month on all income being credited to the Collection Account. Only the reconciliation activities are being carried out accurately on the difficulty in obtaining the relevant reports.
- It should be confirmed that money had been credited to the Title Income Collection Account as scheduled from each Offices by obtaining Income Reports from Title Registrar Offices as scheduled.