

## **Head 205 –Department of Public Trustee**

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### **1. Financial Statements**

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#### **1.1 Unqualified Opinion**

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The audit of the financial statements of the Department of Public Trustee for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended 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 to be read in conjunction with provisions of the National Audit Act No.19 of 2018. The summary report including my comments and observations on the financial statements of the Department of Public Trustee was issued to the Accounting Officer on 19 June 2019 in terms of Section 11(1) of the National Audit Act No.19 of 2018. The Annual Detailed Management Audit Report relating to the Department was issued to the Accounting Officer on 19 June 2019 in terms of Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of the provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act No.19 of 2018.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Department of Public Trustee as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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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 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 Responsibility of the Chief Accounting Officer and the Accounting Officer on the Financial Statements**

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The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and the provisions in Section 38 of the National Audit Act No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In terms of Sub-section 38(1)(c) of the National Audit Act, the Chief Accounting Officer and Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness

of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

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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 summary 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 judgement 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 procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

**1.5 Report on Other Legal and Regulatory Requirements**

I express the following matters in accordance with Section 6(d) and Section 38 of National Audit Act No.19 of 2018.

- (a) Since there was no need for the preparation of financial statements for the preceding year, it could not be stated that the financial statements presented was consistent with the preceding year.
- (b) Since there was no requirement for the Department of Public Trustee to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

**1.6 Comments on Financial Statements**

**1.6.1 Non-compliance with Laws, Rules and Regulations**

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analysed below.

<b>Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 1645 (a)	The log books had not been maintained for 02 motor vehicles of the Department and the log books maintained for 7 motor vehicles were not updated.	The log books of the motor vehicles to be maintained in an updated manner.  The 02 motor vehicles for which had not been maintained log books were not in running condition.
(b) Paragraph 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016.	A fuel consumption test had not been carried out in respect of 9 motor vehicles	A fuel consumption test to be carried out in respect of all motor vehicles in terms of the  Action will be taken to carry out that activity in future.

belonging to the circular.  
Department.

- (c) Assets Management Action had not The registered A letter was referred to the  
Circular No.03/2018 been taken to ownership of Ministry of Justice requesting  
dated 10 October clear the motor vehicles the application of transfer of  
2018. ownership of a utilized to be ownership.  
motor vehicle cleared.  
provided by  
Ministry of  
Justice even by  
30 April 2019.

## 2. Financial Review

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### 2.1 Liabilities and Commitments

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The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The value of the liabilities relating to the year under review according to the Register of Liabilities amounted to Rs.644,044, but it was shown as Rs.72,319 according to the financial statements, thus observed a difference of Rs.571,685.	The actual value of the liabilities relating to the year should be shown in the financial statements.	Even though, the savings of provisions had been made available, the liabilities could not be disclosed in the financial statements due to non-receiving of respective bills to the accounts division before closing of accounts.
(b) In terms of Financial Regulation 94(1) of the Democratic Socialist Republic of Sri Lanka, the expenditure or commitments should not be incurred exceeding the provisions made available. Contravening, to that, the liabilities amounting to Rs.575,082 had been committed exceeding the savings of provisions amounting to Rs.169,844 of 4 Objects.	In terms of the provisions, any expenditure or any commitment should not be entered into exceeding the provisions.	The bills relating to these expenditure were not received to the Accounts Division before closing of accounts. As non-availability of information thereon other expenditure incurred from the provisions without considering above expenditure and as such the provisions available were not sufficient.

### 3. Operating Review

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#### 3.1 Planning

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Even though, a sum of Rs.16.60 million recovered as capital charges, investment, revenue charges and other charges under Public Trustees Ordinance had been remitted to the Treasury in the year under review according to the performance report, the above revenue had not been included in the Annual Action Plan.	----- The expected revenue during the year should be disclosed in the Annual Action Plan.	----- Accepted as a deficiency, that non-inclusion of this revenue estimate to the annual Action Plan and action will be taken to rectify in the future.

#### 3.2 Non-execution of expected Output Level

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Even though, it was expected to pay as charities amounting to Rs.8.49 million for 267 beneficiaries in the year under review, a sum of Rs.2.78 million only had been paid for 55 beneficiaries.	Preparing estimates should be done after a due study.	Action will be taken to prepare estimates hereafter by utilizing the data of several past years.
(b) Even though, it was expected to develop 493 religious places under maintenance and development of religious places, the physical progress achieved thereon had been 57 per cent only. But the financial progress had been 118 per cent and as such it was observed that the estimates had been prepared without being made a due study.	The estimates should be prepared after making a due study.	The financial progress was somewhat increased and the physical progress was decreased due to the reasons such as providing money to the development works of the building of the Department unexpectedly, changes of the decisions on the urgent requirements of the establishers, delays of the payments temporarily due

to special investigations and lack of proper requests for religious grants.

### 3.3 Failure to obtain Expected Benefits

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 The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Even though, a profit of Rs.14.28 million had been expected from 12 estates managed by the Department in the year under review, the actual profit obtained had been Rs.1.59 million thus the progress achieved had been 11 per cent only. Further, the profit in the year under review was decreased by 86 per cent as compared with the profit earned in the year 2017 amounting to Rs.11.25 million from above estates.	Necessary action should be taken to review the problems existed relating to the estate administration and management and action to be taken to improve the revenue.	The payment of Rs.1,885,746 made as Government charges from all estates, not receiving revenue from Muhandiram Jayawickrama Trust, the decrease of average price level of rubber in the year 2018, re-planting of rubber plantation in Kalutara Richmond Park Estate and expenditure incurred for re-planting of tea in Mattaka Estate had been the reasons attributed for this situation.
(b) A loss amounting to Rs.4.41 million had incurred from 5 estates in the year under review and that position was badly affected in execution of expected objective by entrusting the estates.	The administration activities of the estates should be regularized and estates should be supervised by the management.	Action had been taken to recruit experienced estate superintendents and action was taken to obtain the service of a instructor whose having competent knowledge for regularize the estate administration field. Accordingly, the actions are being taken through a proper efficient management for the estates which are running at loss to become a profitable position and expect to increase the profits in future.

### 3.4 Annual Performance Report

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) One Estate had been entrusted to the Board of Trustees on 28 August 2018 while the position of profit/ loss reported up to that date had not been included in the performance report.	The performance of the estates which included in the Action Plan should be included in the performance report until they are entrusted to.	The money recoverable to the Department had been recovered from Wanasinghala Estate which was belonging to the N.D.A.Silva Wijesinghe Estate and was entrusted to the Department in the year 2013 for administration activities while the respective estates had been handed over to the owners and the Departmental work in respect of the estate had been closed. Therefore, the performance of that estate had not been included for the year 2018.
(b) It was observed that the particulars relating to the profit/ loss positions of the estates included in the final accounts of Trust/ Estates, annual performance reports and action plans prepared by the Department had been different each other.	Accurate and reliable information should be furnished through various statements prepared by the Department.	The Performance Report of the estates had been prepared at the beginning of the year on cash basis and the final accounts had been prepared on accrual basis. Therefore, the differences were arised in the performance report and in the profit and loss positions in the final accounts.
(c) According to the Procurement Plan furnished with the annual action plan, the procurement activities costing Rs.9.08 million had been planned and a sum of Rs.8.79 million had been incurred during the year for procurement activities. Nevertheless, the particulars relating to performance of procurements had not been	Action to be taken to disclose the particulars on performance in the Annual Performance Report.	No procurement activities with the higher values was carried out by the Department. As such, those particulars were not included in the Annual Performance Report. Action will be taken to include the particulars of procurement activities in the Performance Report in future.

disclosed in the Annual Performance Report.

- (d) The particulars such as the amount of applications received and the value of the compensation received during the year under review under payments of foreign compensation and release of compensation for temples had not been included in the performance report. As such it was observed that an evaluation in respect of the performance of those divisions could not be made by the users of the report.
- The accurate and reliable particulars to be presented in the financial statements.
- The particulars relating to the payments under foreign compensations and release of compensation for temples had only been included: Non-inclusion of amount of applications received thereon and the value of the compensation in the Performance Report is accepted as a lapse made.

### 3.5 Assets Management

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 The following observation is made.

#### **Audit Observation**

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 In terms of paragraph 3.1.6 of the Public Finance Circular No.5/2016 dated 31 March 2016, the Annual Board of Survey for the year 2018 should be conducted and the report thereon should be furnished to the Auditor General before 17 March 2019. Nevertheless, those reports had not been furnished even by 31 May 2019. Even though, the Boards of Survey reports relating to the year 2017 had been furnished to audit on 10 October 2018, a Board of Survey in respect of 12 Estates managed by the Department had not been conducted.

#### **Recommendation**

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 The annual Boards of Survey should be conducted for the all assets belonging to the Department and should be ensured the assets shown in the financial statements

#### **Comments of the Accounting Officer**

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 Accepted that the Board of Survey had not been conducted relating to the 12 Estates managed by the Department and action will be taken thereon in future.

### 3.6 Losses and Damage

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- A loss amounting to Rs.254,038 had incurred due to a motor vehicle accident caused on 27 January 2007 and after the investigations carried out under Financial Regulation 104 a lawsuit had been instituted in the District Courts, Attanagalla to recover the loss from the driver on 07 May 2007. But the case was rejected on, Time Bar due to not taking follow-up actions by the Department.	----- Action to be taken to recover the loss and damage from the responsible party or to write off from the books.	----- Action will be taken to obtain the approval from the Ministry of Justice and the General Treasury to write off from the books.

### 3.7 Management Weaknesses

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- (a) The responsibility of payment of compensation, salaries and wages etc. receiving through Ministry of Foreign Affairs on behalf of the persons deceased due to various reasons during deploying in foreign employment to their legal owners is entrusted to the Department. Three hundred and thirty five foreign compensation totalling Rs.175.29 million should have been paid by 31 December 2017 while 170 applications of foreign compensation amounting to Rs.417.86 million had been received in the year under	----- Action to be taken to obtain particulars in respect of the compensations through the Government institutions (Foreign Employment Bureau, GramaNiladhari etc.) and action to be taken to release foreign compensation efficiently.	----- The releasing of applications of compensation was not a delay of the Department. The reasons such as non-availability of particulars of the owners not requesting compensation by the owners, even though they informed, not-receiving information from Ministry of Foreign Affairs and cases filed to find owners and certain owners went abroad had affected for the delay.

review. But the number of applications released during the year under review had been 113 only and the value of that amounted to Rs.275.92 million. Accordingly, it was observed a delay of releasing compensation applications received by the Department.

- (b) The receivable interest amounting to Rs.5.64 million had not been recovered by 31 August 2018 in respect of the compensation received in the year 2014 for 16 acres of Lot No.3 and Lot No.4 of the land of Simondale Watta which had been divided into 4 allotments. Similarly, the compensation entitled for lot 01 and 02 which comprised 16 acres, 01 rood and 35 perches amounting to Rs.2.63 million and the interest receivable amounting to Rs.6.64 million had not been recovered.
- Action should be taken to obtain the compensation and the interest money to the Estate relating to the lands of the estates acquired by the Government.
- This money will be due in next several months.
- (c) Eleven acres and 20.1 perches of the land named “Maththegoda Kumburu Idama”, Moratuwa” which comprised 16 acres 2 roods and 17 perches had been sold to half-share farmers on the permission given by the Colombo District Courts to Public Trustee and 3 acres 1 rood and 30 perches had been acquired by the Government by Extra-ordinary Gazette Notification dated 21 June 1999. Accordingly, a land in extent of 2 acres 7 perches should have been further remained with the ownership of the Public Trustee but the particulars thereon were not made available for audit.
- The public Trustee should ensure the physical ownership of the lands belonging to the estate.
- Actions will be taken to identify these lands and take further actions.

- (d) Out of the above land, a land in extent of 3 acres 1 rood and 30 perches which acquired by the Government had been divided into 5 allotments and a compensation amounting to Rs.885,000 was entitled to lot No. 1,2 and 05 on 19 November 2012. But in addition to the compensation, the interest of 7 per cent amounting to Rs.841,827 which entitled as at 31 August 2018 had not been recovered. Further, the ownership of the Public Trustee was not confirmed for the lot No.3 and 4 and the compensation had not been obtained even by 31 August 2018.
- Action should be taken to obtain the compensation and the interest money to the Estate relating to the lands of the estates acquired by the Government.
- The compensation money relating to the land portions of 3 and 4 were not received up to now. Legal action will be taken in respect of recovering of compensation and interest money.
- (e) One acre out of the land named “Maharagama Katuwawala Ambgahapura” in extent of 41 acres 2 roods and 9 perches had been acquired by the Government on 06 December 2006 and the assessment value of that land as at 16 January 2014 amounted to Rs.29 million. Due to the objections of the parties who claimed for compensation, the compensation and the interests could not be obtained as hearing a case relating to this land. Further, action had not been taken to sell the portion of this land of 31 perches and to obtain that money to D.S.W.Samarakoon Trust even by 28 February 2019.
- Action should be taken to obtain compensation and interests relating to the estate lands acquired by the Government and to be executed the intention of the estate owner.
- Action will be taken to recover respective compensation immediately after finalised the court cases.
- (f) Out of 141 acres 2 roods and 9.62 perches of the land called “Regidale Estate” in extent of 134 acres 1 rood and 25.92
- The Public Trustee should ensure the physical ownership of the lands belonging to the estate
- On the Court order dated 10 August 2018 the land in extent of 1 rood 2.62 perches had been leased out for a sum of Rs.25,000 monthly

perches had been acquired and sold by the Government in several instances. The particulars relating to the action taken on the balance part of 7 acres 01 rood and 23.70 perches had not been furnished to audit.

and should execute the intention of the estate owner.

under an agreement. Action will be taken in respect of the balance land portions.

(g) According to the files furnished for the land "Regidalewatta", it was stated that a sum of Rs.3.83 million had been received for 56 acres, 2 roods, 22.5 perches acquired and sold by the Government. Nevertheless, no particulars whatsoever had been submitted that the money was actually received. Further, a land portion in extent of 01 acre 2 roods 18.46 perches had been given for ownership of others on 02 June 2009 and again handed over to the Department on 23 March 2011 and elapsed 9 years to date. But the Department had failed to sell the land and to deposit money to the name of the D.S.W.Samarakoon Estate.

The accurate information in respect of Estates should be maintained by the Public Trustee and the responsibility of Public Trustee with the intention of the estate owner should be executed immediately.

The information could not be found from the files maintained to ensure the money was received. The plan of the land given for others ownership was approved only on 29 March 2017. Due to the above delay, the activities of the sale of the land was delayed.

(h) Even though, 6 houses belonging to the D.S.W.Samarakoon Estate had been acquired by the Department of National Housing on 25 March 1983 under the Maximum Housing Property Law No.1 of 1973, the written evidence for receiving of compensation amounting to Rs.322,438 calculated as at that date and the interest thereon had not been furnished. Further, according to the last will of the owner of the Estate it was entrusted to the Public Trustee to construct a ward in the Piliyandala Hospital.

The correct information in respect of the Estates should be maintained by the Public Trustee and the intention of the Estate owner should be executed by the Public Trustee.

According to the files available at present it was difficult to find information to confirm that the money was received. Even though, a ward on the name of the mother of the Mr.Samarakoon had not been constructed, a large extent of aids had been provided to the Piliyandala hospital up to now. A sum of Rs.1.7 million had been given to the Lions Club. The officers of the Department participated for the observation activities of the hospital had found that medicine and the medical equipment had been purchased by utilizing above money.

Nevertheless, no evidence was made available that such a ward had been constructed.

**4. Execution of Sustainable Development Objectives**

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<p>In terms of “Year 2030 Agenda of the United Nations Sustainable Development, every public institution should take action accordingly. Nevertheless, the Department had not identified the Sustainable Development objectives, and goals relating to the activities under the scope of the Department and the milestones to be achieved for that goals and indicators to measure the achievements on goals.</p>	<p>Action should be taken as per the requirements of the Agenda of Sustainable Development.</p>	<p>This Department is different in nature as compared with the other Departments. Therefore, the Sustainable Development goals could not be executed directly.</p> <p>Nevertheless, in consideration of objectives of last wills and trust deeds it can be executed the Sustainable Development Goals indirectly through the contributions to pro-poor activities, upgrading of education and contributions to health activities.</p>

**5. Good Governance**

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**5.1 Execution of Services to the Public**

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<p>According to the Public Administration and Home Affairs Circulars No.5/2008 dated 06 February 2008 and No.05/2008(1) dated 24 January 2018 every Government Institution should prepare citizen/ client statute and should be implemented. Nevertheless, the Department had not taken action accordingly.</p>	<p>Action should be taken in terms of the requirements of the Circular.</p>	<p>The Department had prepared citizen/ client statutes in the year 2008 and action is being taken at present to update it.</p>