

Head 327 - Land Use Policy Planning Department

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Land Use Policy Planning Department 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 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 Land Use Policy Planning Department was issued to the Accounting Officer on 31 May 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018 and the Detailed Annual Management Audit Report in terms of Section 11 (2) of the National Audit Act was issued to the Accounting Officer on 31 May 2019. This report will be tabled in Parliament in pursuance of 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, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Land Use Policy Planning Department as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified 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.

1.3 Responsibilities of Accounting Officer for the Financial Statements

Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as Accounting Officer determines is necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-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 annual and periodic financial statements to be prepared.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department exists 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

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 the summary report of the Auditor General 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 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 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 for the year under review were consistent with the preceding year.
- (b) Since there was no requirement for the Land Use Policy Planning Department 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 Statements of Financial Performance

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) The statement of financial performance should be prepared based on the formats from ACA-1 to ACA-6. Even though total receipts under the Advances to Public Officers Account amounted to Rs.19,973,024 as per the Treasury computer printouts, it had been shown as Rs.203,451.	The total of receipts should be correctly disclosed in the financial statements in terms of circulars.	As only the transactions entered into by cash are being included by the statement of financial performance, only the financial liabilities have been included.
(b) Even though the credits of the Deposit Account during the year	The balance of Deposit Account	Financial liabilities of the Deposit Account have

totalled Rs.1,736,635, it was should be correctly been brought to account stated Rs.183,390 in the disclosed in terms under other receipts by statement of financial of circulars. mistake. performance. As such, receipts of deposits had been understated by Rs.1,553,245.

1.6.2 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) The land and building of the District Office in Kegalle, building of the Holiday Resort in Kundasale, building of the District Office in Gampaha and 15 motor vehicles owned by the Department had not been assessed and brought to account.</p>	<p>Assets should be brought to account.</p>	<p>Necessary action is being taken and after the completion of such course of action, it will be brought to account.</p>
<p>(b) Liabilities totalling Rs. 90,517 of the year under review had not been disclosed by the financial statements.</p>	<p>Liabilities should be identified and disclosed in the financial statements.</p>	<p>The liabilities identified before 28 February 2019 have only been disclosed.</p>

1.6.3 Non-maintenance of Registers and Books

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>An Attendance Register had not been maintained in Procurement Committees and Technical Evaluation Committees.</p>	<p>An Attendance Register should be maintained in Procurement Committees and Technical Evaluation Committees.</p>	<p>It has been maintained in a file.</p>

2. Financial Review

2.1 Management of Expenditure

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The savings of provision totalled Rs.23.47 million and it is comprised of Rs.4.22 million ranging from 24 per cent to 50 per cent of 04 capital Objects and Rs.19.25 million ranging from 08 per cent to 23 per cent of 04 recurrent Objects.</p>	<p>-----</p> <p>Action should be taken to minimize the budget variance by preparing budget in a realistic basis.</p>	<p>-----</p> <p>The savings had taken a very low percentage of 7 as compared to the entire provision.</p>

3. Operating Review

3.1 Annual Performance Report

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>In terms of Public Finance Circular No.402 of 12 September 2002, the Performance Report of the year under review should be tabled in Parliament by the Department within 150 days after the close of financial year. Nevertheless, the Performance Report of the year under review had not been tabled even by 31 May 2019.</p>	<p>-----</p> <p>Action should be taken to table the Performance Report in Parliament without delay.</p>	<p>-----</p> <p>The Department had prepared the Performance Report and submitted to the Ministry of Lands and Parliamentary Reforms on 05 April 2019.</p>

3.2 Asset Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) <u>Fuel Combustion Test</u> Fuel combustion of 15 motor vehicles had not been tested in terms of paragraph 3.1 of the Public Administration circular No.30/2016 of 29 December 2016.	Fuel combustion should be tested in terms of the said circular.	Fuel combustion of 18 out of 33 motor vehicles had been tested in the year 2018 and the combustion test of remaining motor vehicles has been completed during this year.
(b) <u>Idle Assets</u> Even though 02 unrepairable motor vehicles owned by the Department had remained idle for three years, attention had not been paid as yet to dispose them or to take proper action in this connection.	Action should be taken on idle assets in terms of Financial Regulations.	As repairing is not economically viable, action is being taken for disposal.
(c) <u>Assets given to External Parties</u> A car owned by the Department had been released to the Ministry of Lands and Parliamentary Reforms for over a period of one year and action had not been taken to transfer or take over it.	Assets should be taken over or transferred properly.	Necessary documents had been submitted for transferring to the Ministry.
(d) <u>Use of Assets belonging to other Institutions</u> Even though 05 motor vehicles owned by other Ministries and Departments and one motor vehicle	Legal ownership of assets should be transferred.	Necessary action is being taken and subsequently, it will be transferred.

belonging to the UNDP were being used by the Department, these motor vehicles had not been taken over.

3.4 Management Weaknesses

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken as yet to pass the National Land Use Act which is essential to accomplish the Vision and Mission of the Department.	Action should be taken without delay to pass the Land Use Act.	Action is being taken at departmental level to accomplish the Vision and Mission of this Department by passing the National Land Use Act.
(b) The department had failed so far to recover the loan balances totalling Rs.27,998 older than 05 years and recoverable from an officer deceased and an officer interdicted.	Action in terms of provisions in the Establishments Code should be taken on loan balances not recovered.	A request had been made to the Treasury to write off these loan balances considering as an unrecoverable loan.

4. Human Resource Management

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken as yet to fill the 08 vacancies in senior level, one vacancy in tertiary level and 36 vacancies in secondary level which has	Action should be taken to fill the said vacancies.	Action is being taken to make recruitments for 08 vacancies in the senior level and the Ministry of Public Administration has

become an impediment to the improvement of performance of the Department.

been requested to fill 36 vacancies in the tertiary level and secondary level.