

Head - 327 Land Use Policy Planning Department

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Land Use Policy Planning Department for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 containing my comments and observations on the financial statements of the Land Use Policy Planning Department was issued to the Accounting Officer on 09 July 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Department was issued to the Accounting Officer on 19 August 2021 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of Land Use Policy Planning Department as at 31 December 2020 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters appear in Paragraph 1.6 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 opinion.

1.3 Responsibilities of the Accounting Officer on Financial Statements

The Accounting Officer is responsible for preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without material misstatements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 .

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 annual and periodic financial statements to be prepared.

The Accounting Officer shall ensure that an effective internal control system is maintained and maintained for the financial control of the Department in terms of sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to express a 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 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 skepticism 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.
- It is not intended to express an opinion on the effectiveness of internal control but an understanding of internal control was obtained in order to plan appropriate audit procedures from time to time.
- Evaluate the structure of financial statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- The transactions and events underlying the structure and content of the financial statements are appropriately and fairly included in when submitting financial statements as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are in consistent with those of the preceding year.
- (b) Recommendations made by me regarding the financial statements of the preceding year had been implemented .

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

The following deficiencies were revealed in the accounting for the property plant and equipment.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) A van with an assessed valued of Rs. 1,950,000 purchased in 1994 had not been accounted for as at 31 December 2020	It has not been accounted for in 2020 due to the delay in obtaining the assessed values and arrangements have been made to enter in to the accounts in the year 2021.	The assets of the Department should be assessed and accounted for.
(b) Although 04 vehicles which were schedule to be disposed valued at Rs. 2,780,000 were released on 31 January 2020 at the request of the Irrigation Department, it had not been removed from non-financial assets.	Actions had been taken to remove from the accounts.	The values of vehicles released for disposal should be excluded from the financial statements.

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| <p>(c) Out of the computer equipment purchased as at 31 December 2020 valued at Rs.321,231, the balance of Rs. 213,231 had been incorrectly added to the opening balance, showing only Rs. 108,000 in the accounts as purchases.</p> | <p>Out of the value of computer equipment purchased as at 31 December 2020 amounting to Rs.321,231, a sum of Rs.213,231 has been accounted for as Rs. 28,367 due to a technical error in entering into the inventory and to correct it, Rs.28,367 has been deducted and re-entered into the asset account as an opening balance of Rs.213,231 during the relevant year.</p> | <p>The purchases should be accurately accounted for during the year.</p> |
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2. Financial Review

2.1 Expenditure Management

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>(a) There were savings totaled to Rs. 2,529,015 in 7 recurrent expenditure objects and a total of Rs. 3,540,009 in 5 capital expenditure objects and those savings had ranged in between 15 to 68 per cent of net provision.</p>	<p>Due to the prevailing corona epidemic situation, there is a saving of provisions in several expenditure objects.</p>	<p>The provisions given to the institution should be used thriftily for the relevant purposes.</p>
<p>(b) Even though a total of Rs. 1,800,000 had been transferred for two expenditure objects under other expenditure objects by F.R.66, a sum of Rs. 1,045,337 or 58 per cent had been saved out of that.</p>	<p>Although savings can be seen from transfers under F.R.66, non-functioning of offices properly had affected this due to the corona epidemic in the year 2020.</p>	<p>The provisions transferred from other expenditure objects should be fully utilized to achieve the relevant objectives.</p>

- (c) Out of the estimated provision of Rs.2,650,000 per expenditure object, the balance had been Rs.418,720 as at 30 November 2020 . Despite of that, although a sum of Rs.1,500,000 had been transferred from another expenditure object stating that it was due to urgent needs, out of which, only a sum of Rs.336,663 was spent and Rs. 1,582,057 had been saved. -do- -do-

2.2 Utilization of Provisions made by other Ministries and Departments

The following observations are made.

Audit Observation

The Ministry of Environment had provided a sum of Rs. 871,091 for the preparation of the Kala Oya River Basin Land Use Plan and the Land Use Plan for 32 Micro Water Basin Areas in the central highlands and the Rs. 57,252 saved had been sent back to the Ministry of Environment. However, these receipts and payments had not been mentioned in the Performance Report.

Comments of the Accounting Officer

Actions will be taken to include it in the final report.

Recommendation

Arrangements should be made to include the utilization of provisions made by other institutions for the preparation of land use plans and their progress in the Performance Report .

2.3 Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Observation ----- Non - compliance -----	Comments of the Accounting Officer -----	Recommendation -----
<p>(a) Section 3.2.1 of the Government Procurement Guidelines</p>	<p>A sum of Rs. 1,446,380 had been paid during the year under review for the renovation and repair of the buildings belonging to the Head Office which was directly handed over to a community development society although the Bids should be called.</p>	<p>The expenditure incurred by the Head Office has been incurred on several occasions. Direct procurements can be made without inviting bids up to a maximum of Rs. 200,000 under Procurement Guidelines 2.14.1 (35th supplementary) and it is pointed out that the Department has not exceeded Rs. 200,000 for any building repair.</p>	<p>Procurement Guidelines should be followed.</p>
<p>(b) Asset Management Circular No. 02/2017 dated 21 December 2017 of the Ministry of Finance and Mass Media Paragraph 2 (i)</p>	<p>Even though the vehicles used without registration the ownership should be registered in the name of the institution with the consent of the institution which is having the registered ownership or formally handed over to the registered institution, actions had not been taken accordingly, in respect of 09 vehicles registered in the name of other institutions but used by the Department.</p>	<p>Out of these vehicles, the vehicle number 252-4978 is in the name of the Secretary, Ministry of Agriculture and Lands and the vehicle number PE 1685 and JV 1497 are in the name of the Ministry of Land and Parliamentary Reforms. As the Sections have been separated during the dividing of the Ministries, we have requested the Heads of the relevant Institutions to hand over the vehicles to our Department along with the prescribed forms. The</p>	<p>Actions should be taken in terms of the circular provisions in respect of the assets that are used by the organization but owned by other entities.</p>

remaining 06 vehicles obtained on lease by the Comptroller General have been provided in the name of the Secretary to the Ministry of Lands and after the completion of lease and granting the ownership by the Bank of Ceylon to the Secretary to the Ministry of Lands, actions will be taken to take over the ownership of those vehicles.

3. Operating Review

3.1 Failure to Obtain the Desired Output Level

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Even though the financial progress of the provisions made for 03 projects valued at Rs. 1,306,927 had been in between 61 and 100 per cent as per the Annual Action Plan, the physical progress of those projects was in between 25 and 45 per cent.	Expert Committees could not be convened with regard to the amendment of the National Land Use Policy and training workshops could not be conducted at the District level as per the physical targets of the National Land Use Research Project. A pilot project to classify agricultural lands according to land viability was eliminated. Although the priority functions assigned to this Department in Gazette of the scope of the Ministry as per the Extraordinary Gazette Notification No. 2107/27 and 09 August 2020, because there was no additional provisions made for it, it was impossible to	Arrangements should be made to follow the Action Plan and to work to achieve the desired physical progress of the project.

achieve annual expected targets and also to carry out field activities in the situation of the Covid epidemic.

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| <p>(b) Although the revising of the National Land Use Policy is a fundamental function of the Department, it had not been impossible to completion of the amendment even by the end of the year under review.</p> | <p>The Department had functioned considering the amendment of the National Land Use Policy as a matter of priority. Although it is aimed to further develop the draft enhanced in the year 2020 by a committee of experts and prepare the final draft and submit it to the approval of the Cabinet of Ministers, the expected target could not be achieved by 2020 and it is expected to be completed in 2021 .</p> | <p>Actions should be taken to achieve the desired goals from the core functions of the organization.</p> |
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3.2 Assets Management

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>(a) Even though 07 vehicles to be disposed valued at Rs. 6,280,000 in the possession of the Department had been handed over to the Irrigation Department by the year under review, the ownership of the vehicles had not been transferred even by the end of April 2021. It was further observed that 2 of these vehicles were registered in the name of the Ministry of Lands and 01 in the name of the United Nations Development Program (UNDP).</p>	<p>The required documents and forms of 03 vehicles out of 04 in the name of the Department have already been handed over to the Department of Motor Traffic to be handed over to the Irrigation Department. As soon as the issue arisen regarding the revenue licenses of the vehicle No.61 – 3543 which is in the name of the Department will be resolved with the Department of Motor Traffic and settled, actions will be taken to transfer its ownership to the Irrigation Department. out of remained 03 vehicles, it has been informed in writing to hand over</p>	<p>Actions should be taken to transfer the ownership of the vehicles which were entrusted to be disposed and to get settled the matter.</p>

the two vehicles in the name of the Ministry of Lands and in the name of UNDP and to take action to take over the vehicles relating to Department of Irrigation and this Department carries out only the coordinating activities

- (b) Even though the vehicle No. 61-3364 which was in running condition with an estimated value of Rs. 1,600,000 as at 31 December 2020 was recommended to be repaired at a cost of Rs. 870,507, since it was not economically effective, arrangements had been made to hand over to the Irrigation Department. However, the vehicle No. 61-5126 with an estimated value of Rs. 1,200,000, had been repaired incurring a total of Rs. 931,938 or more and the distance run during the year under review was 5835 km. Accordingly, it is observed that incurring of such expenditure is not economically effective.
- The dispose of vehicle No. 61-3364 has been decided by a committee appointed under Paragraph 03 of Public Finance Circular 02/2015 and the relevant committee has recommended the dispose of the vehicle bearing the above number under Section 04 a III of Finance Circular 02/2015. It is stated that the vehicle has been disposed in accordance with the provisions of the relevant Public Finance Circular.
- The institution should follow a similar policy in the dispose of assets.
- (c) Due to the purchase of toner without considering the necessity for office, it was observed that 16 types of 131 toners purchased before 2017, were still in unused even by the 31 December 2020.
- Although these balances can be seen in the store with toner and cartridges purchased since 2010, those were the annually remained (within 11 years) units with regard to the printers that have been around for more than 5 years. Although the inquiries were made to deliver these toners and cartridges to other government agencies, the printers relevant to them are not currently in use. Although it was planned to be
- Actions should be taken to make purchases considering the need and to utilize them effectively.

destroyed in 2020 but could not, so it is planned to be removed during the year 2021.

3.3 Losses and Damages

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>(a) A vehicle provided by the Ministry of Land and Parliamentary Reforms for the use of the Department had met with an accident on 03 September 2019 and occurred a loss of Rs. 23,250. A loss of Rs. 1,628 was recovered from the Assistant Director and the driver at 2 per cent and 5 per cent respectively on the grounds of concealing information and not complaining to a police complaint as per the recommendations of the report as per the F.R. 104. Although the approval had been given by the Director General on 18 January 2021 to write off the remaining loss of Rs. 21,622 which cannot be covered due to having only third party insurance for the vehicle that writing off is identified as a matter of contentious nature.</p>	<p>Relevant charges have been made in accordance with the recommendations of the final investigation report of the Board appointed in accordance with Financial Regulation 104 (4) in relation to this accident. The observations of the Board of investigation's and the recommendations state that the accident could not be definitively identified as the driver's negligence or fault. These charges were made only because of the Driver and the Assistant Director did not take actions after the accident. However, it is also stated that the loss cannot be recovered from the driver unless it is proved that the driver has committed an offense while driving the vehicle in the relevant accident.</p>	<p>Actions should be taken to conceal information about the accident and not to report it to the police.</p>
<p>(b) A cab provided by the Ministry of Lands and Land Development for the use of the Department on 09 July 2014</p>	<p>The final investigation report under the Financial Regulations relating to the accident that occurred during the 2018</p>	<p>The relevant loss should be recovered from the driver.</p>

had met with an accident due to the negligence of the driver while on election duty on 10 February 2018, a loss of Rs.3,831,172 had occurred. Out of which, Rs. 3,569,318 had been covered by the insurance and it had been recommended by the final report as per the F.R. 104 as at 31 October 2019 to be recovered the balance of Rs. 261,854 from the driver. Nevertheless, the money had not been recovered.

election duties, has been sent for the approval by the Letter No. LUPPD / 1/11/1/1 / ACC / PF 6063 dated 18 December 2019 through the Secretary to the Ministry of Lands and Land Development to the Director General of the Department of Public Finance and also that letter to the Department of Public Finance with No. LUPPD /3/5/1 of the Ministry of Lands and Land Development dated 12 February 2020. Although the first reminder letter was sent on 11 February 2021, since approval has not been obtained, these charges cannot be made until approval is received.

- (c) The vehicle No. WPNC – 5787 had met with an accident on 03 June 2020 and caused a loss of Rs. 45,000 and out of this, only a sum of Rs. 28,000 had been mentioned in the register of losses and damages. Although a committee had been appointed on 15 July 2020 for the F.R.104 (4) final investigation, actions had not been taken to carry out the investigation and identify the parties liable to the loss.

Agree. The duties of the final investigation committee with regard to the accident happened on 3 June 2020 is currently being done. These investigations have been delayed due to the vacancies in staff officers in the Department, same officers have been appointed for several Boards of Investigations and due to the current situation of COVID 19, it was difficult to gather officials and responsible parties. The relevant officials have been informed to take necessary steps to complete these investigations as soon as the situation in the country returns to normal.

The investigation should be completed without delay and those responsible for the loss should be identified.

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| <p>(d) The vehicle No. 61 - 2377 had met with an accident on 05 March 2020 and the loss was not identified and included in the financial statements by carrying out a preliminary investigation in terms of F.R.104 with regard to that.</p> | <p>Although it has been informed to conduct a preliminary investigation on the accident that occurred in vehicle 61 – 2377, due to the situation of COVID 19 after March 2020, a preliminary investigation could not be performed within 14 days. Because of the period of requirement of conducting preliminary investigation was over, a final investigation committee has been appointed on the losses under Financial Regulation 104 (4) and further actions has been taken accordingly.</p> | <p>A preliminary investigation should be carried out in accordance with F.R104 and actions should be taken to identify the loss and include it in the financial statements.</p> |
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3.4 Uneconomic Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
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An offer of Rs. 2,238,000 had been received from a private buyer for the jeep numbered 61-3660, which was valued at Rs. 250,000 and recommended for sale in 2018 and the disposal process was suspended as it was considered a non-running vehicle after receiving those. The registration of the jeep which was assessed at Rs. 730,000, again on 24 July 2019, was canceled and had been handed over to the Irrigation Department on 31 January 2020 as the scrap materials.

When submitting vehicles for the condemn vehicle auction 2018, the 61-3660 vehicle was presented by a mistake and the technical committee including the motor vehicle inspector had assessed vehicle to a value of Rs. 250,000 and recommended to be sold after allotment. Nevertheless, higher prices have been received for this due to that condition could not be mentioned in the auction by a mistake. However, because it was a vehicle that the buyer cannot drive on the road, this was removed from the auction to avoid the inconvenience of buying.

In making recommendations for the assets disposal process of the organization, arrangements should be made accurately by focusing on those assets.

4. Good Governance

4.1 Performing Services to Public

Audit Observation

The Department's website had not been updated to obtain accurate and timely data to the public regarding the institution.

Comments of the Accounting Officer

The staff of the Department had discussed on several occasions at the meetings about keeping the website of the Department up to date and gave advice and guidance to the officer in charge of the subject on how to develop it further. Specially, committee consisting of staff officers was appointed to make suggestions for updating the website and to regulate the information that needs to be updated in it and the relevant activities are being carried out by that committee.

Recommendation

The website of the Department should be kept up to date in a manner that can be obtained the accurate and timely information to the institutions and the public who apply this information for decision making.

5. Human Resources Management

5.1 Approved Staff, Actual Staff and Expenditure on Personal Emoluments

Audit Observation

Although the approved number of employees for the Department is 697 since the actual number was 633, due to the total vacancies were 64 as 13 Senior Level, 01 Tertiary Level, 34 Secondary Level and 16 Primary Level, it had been a barrier to make effective management decisions and to work efficiently in achieving the objectives of the organization.

Comments of the Accounting Officer

Agree.
Requests have been made from the Ministry of Public Service, Provincial Councils and Local Government to fill the vacancies in this Department. The Department of Examinations is expected to hold a limited competitive examination in August for the recruitment for the post of Assistant Director (District Land Use) which was approved by the letter dated 09

Recommendation

Arrangements should be made to manage existing human resources as well as to fill vacancies in order to be able to work efficiently to achieve the objectives of the organization.

November 2020 in response to the request made by the letter dated 13 June 2017. Announcement has been submitted to the Public Service Commission for revision of the recruitment procedure for the category of Executive Services in the Department and for recruitment for the post of Assistant Director (Agro Economics). Necessary steps are being taken to revise the recruitment procedure for the absorption of land use planning officers as development officers. Requests have been made from the Ministry of Public Service, Provincial Councils and the Ministry of Local Government to fill the vacancies in the tertiary level, as the vacancies cannot be filled as per Public Service Commission Circular 1/2012 for the post of Land Use Planning Officer from the secondary level posts, to fill the vacancies from Development Officers and also to fill the other vacancies in secondary level. Although there are 07 vacancies for the post of Technical Assistant in the Primary Service category, it is identified as a non-essential post in future and considers as a post held personal to the officers, and recruitment of officers to other posts in primary category has been suspended as per Management Services Circular 01/2020.