

Title Insurance Fund - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Title Insurance Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended and the notes in relation with the financial statements, including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 154 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions of the National Audit Act No. 19 of 2018 . My comments and observations which I consider should be report to Parliament appear in this report.

The accompanying financial statements give a true and fair view of the financial position of the Fundas at 31 December 2021 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 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 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 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 but 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, it 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 Fund.

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 furthermore,

- Identifying and assessing 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.
- Though an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances was obtained, it was not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Concluded 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 Fund'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. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluated 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 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 resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

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

The following observations are made.

Reference to Non-compliance with Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
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(a) Orders of Title Registration No. 01 of 2009 (Insurance Funds)			
(i) No. 42 (b)	Although the Title Registrars shall provide the reports related to title registration income to the Head Office once in 02 weeks, the number of reports failure to provide for the year 2021 as at the date of Audit Report was 94.	This situation has been reported due to not providing relevant reports by some Title Registration Offices.	Revenues should be accurately reported.
(ii) No. 42 (e)	Although the money collected by the Title Registrars at the end of every 14 days should be separately debited to the primary cash book by the Registrar General, a total of	It has become practically difficult to enter each office as per the bank records.	-do-

daily revenues of all Title Registrar Offices had been debited to the cash book every day.

(iii) No. 42 (h) (4)	Although there should not be any balance in the cash book or bank account of the Title Registrar General at the end of every month, the balances in the cash book were Rs.270, Rs.9,000 and Rs.203,800 respectively in the months of May, July and August 2021 .	Accounting of the income for the month of May 2021 in less, writing of a cheque in less by Rs.9,000 in July and being reported of an unidentified amount of Rs.203,800 in August had caused for this.	It should comply with the orders referred.
(b) Paragraph 02 of Management Audit Circular No. DMA/ 2019/ (I) (i) dated 28 January 2016	Although at least one Audit and Management Committee Meeting should be held in every quarter, only one meeting had been held in the year 2021 .	This situation has occurred due to lack of opportunity to hold Audit and Management Committee Meetings as scheduled.	It should comply with the orders referred.

1.6 Investment Management

----- Audit Observation -----	Comments of the Management -----	Recommendation -----
<p>Instead of entering the investments made in cash and the cash received from maturity of investments during the year under review in the statement of cash flows, the total investment value of Rs. 97,189,304 of the Fund as at 31 December 2020 had been stated as cash inflows and the value as at 31 December 2021 amounting to Rs. 109,581,704 had been stated as cash outflows .According to the Treasury Bond Account, the bond value purchased in the year 2021 was Rs. 29,946,394 and the value of bond that had matured in the year 2021 was Rs.16,834,600 .</p>	<p>The value of Treasury Bonds as at 01.01.2021 was Rs.97,189,303 and the new investments during the year was Rs.29,946,394 . The value of bonds which had matured during the year was Rs. 16,834,600 .</p>	<p>Cash flow statement should be prepared in accordance with the Standard.</p>

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs.21,449,550 and the corresponding surplus of the preceding year was Rs. 18,201,794 . Accordingly,a growth of Rs. 3,247,756in the financial results for the year under review was observed. The increase of the revenue from Title Registration by Rs. 2,583,976 and increase of Treasury Bond Interest Income by Rs.757,354 had mainly attributed to this improvement.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

	Audit Observation	Comments of the Management	Recommendation
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(a)	Although the title registration revenue reports sent to Head Office by 3 offices (Gampola, Matale and Matara) had not complied to Format “RGT/IF 03” in terms of 42 (b) and (c) of the Title Registration (Insurance Fund) Order No. 01 of 2009 as per the audit test check conducted in 05 offices,the Management had not taken actions to call the reports in the accurate Format.	Even though the requests have been made to provide a report in every 15 days to maintain the relevant register, it has been difficult to get all the reports as scheduled.	It should comply with the orders referred.
(b)	Although a register should be maintained as per the Format No. “R.G.T/I.F. 02”, the said Order No. 42 (b)to enter the reports receive from the offices of the Titles Registrars to the Head Office, actions had not been taken to prepare that register as per the relevant Format.	The Format R/G.T/I.F. 02 is a record of money collected by Title Registrars and arrangements have been made to bring information about all the incomes of the Title Registration offices. Based on those reports, the Head Office prepares a report and the relevant record could not be updated accurately due to non-availability of all records.	It should comply with the Format referred.

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| (c) | Although the premises of the Registrar General's Department and its resources are used for the functions of the Fund, actions had not been taken to include the electricity, water and telephone expenses incurred for that purpose in the administrative expenses of the Fund . | The premises and resources of the Registrar General's Department is used for carrying out the functions of the Fund and the Management Board has been informed that it was practically difficult to calculate the functions of the Insurance Fund separately. | Accurate expenditure should be accounted for. |
| (d) | Since there is an unidentified income totalled to Rs. 6,292,564 in the statements of registration of titles income for every month of the year under review, actions had not been taken to identify the purpose for which the income was received. | The Offices of the Titles Registrar provide an income record once in 02 weeks and this situation has recorded due to non-submission of relevant records by some offices. | Accurate income should be accounted for. |
| (e) | Without taking actions to adjust the rectification of the error pointed out by the audit in the preceding year to the statement of net assets, the balance after making those adjustments amounting to Rs. 91,409,664 had been shown as the opening balance of accumulated fund in the statement of changes in equity. | Because of an amount to be credited to the account of the Registrar General in the year 2019 had been credited to the account of the Title Registrar General by a mistake, it had been rectified at the beginning of the year 2021 and adjusted in the accounts accurately. | Data should be accurately entered in the financial statements. |

3.2 Operating Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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(a) Although the awarding compensation by the Government for losses incurred to the stakeholders due to giving wrong decision in respect of registration of ownership of land titles under the Registration of Titles Act No. 21 of 1998 is the preliminary objective of the	The Department of Land Settlement carries out the activities of informing the general public regarding the Title Registration Programme. Because of the determination of awarding compensation	Actions should be taken to realize the preliminary purpose of the Fund.

Fund, the activity related to that purpose whatsoever had not been consisted of the Action Plan and any compensatory damages had not been paid since the commencement of the Fund in 2010 to the year under review.

from the Title Insurance Fund is done by the court, it has not been able to include the information regarding the award of compensation in the Annual Action Plan .

(b) A number of 37,558 title certificates had been registered by the Titles Registrar General in the year 2021 and the total number of certificates issued from the inception of the Fund to the end of the year under review was 746,416 .

The number of registered land plots in the year 2021 is 37,558 and a number of 746,416 plots of land have been registered from the date of commencement of registration of titles up to 31.12.2021 .

It should maintain an adequate level of performance.