

Title Insurance Fund - 2022

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Title Insurance Fund for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 report to 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 2022 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 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 intend 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, the Fund 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.

1.4 Auditor's Responsibility on the Audit of 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 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.
- 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 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 the Management's use of the going concern basis of the Fund on 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.
- Evaluate the 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 Corporation 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 it has performed according to its powers, functions and duties; and
- 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.

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Registration of Title (Insurance Fund) Order No. 01 of 2009			
	(i) No. 42 (b)	Although the title registrars have to provide the reports related to title income to the Head Office once in 02 weeks, the number of reports that were not provided for the year under review was 141.	It had been informed that, this situation has been reported because some offices had not provided the relevant reports.	Incomes should be accurately reported.
	(ii) No.42 (e)	Although the amount collected by the Title Registrars at the end of every 14 days, the Registrar General of Titles should make separate debits to the Main Cash Book, a sum of the daily receipts of all Title Registrars had been debited to the cash book every day.	It had been informed that it has become practically difficult to include each office as per the bank records.	Incomes should be accurately reported.
	(iii)No.42 (h)	Although there should not be any balance in the cash book or bank account of the Registrar General of Titles at the end of every month, there were closing balances of Rs.605,070 and Rs.92,198 respectively in the months of February and March 2022, in the cash book.	It had been informed that a mistakenly credit of Rs.605,070 in February 2022 and less calculation March income by Rs.92,198 has caused.	It should comply with the referred order.

(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 per quarter, only one meeting had been held in the year 2022.	It had been informed that due to the change of Chairman of the Committee from time to time, it has not been possible to conduct the Committees properly.	It should comply with the referred order.
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2. Financial Review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs.25,466,814 and the correspondence surplus for the preceding year was Rs.21,449,550. Accordingly, an improvement of Rs.4,017,264 in the financial result was observed. The increase of title registration income by Rs.1,459,190 and increase of Treasury investment interest by Rs.2,345,445 had mainly attributed to this improvement.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) As per the audit test check carried out on the reports sent by 11 claim offices, although the reports of title income sent by 06 Title Offices to the Head Office are not in accordance with the Format "RGT/IF 03" as per Registration of Titles (Insurance Fund) Order No. 01 of 2009 42(b) and (c), the Management had not taken actions to get the reports in the correct Format.	Although a report has been requested every 15 days to maintain the relevant register, it had been informed that it has been difficult to get all the reports as scheduled.	It should comply with the referred order.
(b) Although a register in Format No. "RGT/IF.02" to enter the reports received from the offices of the Registrar of Titles to the Head Office is required to be maintained in terms of the aforesaid Order	Format RGT/IF02 is a report on money collected by Title Registrars and it had been informed that the information about all the incomes of the offices of the Registrar of Titles to be	It should comply with the referred format.

No. 42 (b) , actions had not been taken to prepare that Register also in accordance with the Format.

brought. A report is prepared the by Head Office based on those record and it had been informed that the relevant report could not be updated properly due to non-receipt of all records.

- (c) A methodology had not been introduced to reconcile the direct debits made to the current account of the Fund based on information obtained from Title Offices to recognize the title income pertaining to the year.

It had been informed that the daily incomes are credited to the official bank account of the Registrar General of Titles from each office and lack of work order to identify the relevant office has caused to this.

Accurate revenue accounting should be carried out and a proper work arrangement should be introduced in order to identify the offices which credits revenue.

3.2 Operational Inefficiencies

Audit Observation

Comments of the Management

Recommendation

- (a) Although the main purpose of establishing the Fund was to provide compensation to the stakeholders for losses, no compensatory damages whatsoever had been paid from the year 2010 when the inception of the Fund, to the year under review because of taking wrong decision regarding ownership in registration of ownership to land under Registration of Title Act No. 21 of 1998.

It had been informed that as discussions are being done to amend the Act, the public will be informed about it in the future.

Actions should be taken to achieve the primary objective of the Fund.

- (b) Even though it had been planned to hold the Management Board Meetings for 12 times as per the Action Plan of the year under review, only 04 Management Board Meetings had been held.

It had been informed that the conducting of the Management Board Meetings will be decided by the Board depending on the amount of work to be done.

Actions should be taken in accordance with the Plan.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

The total estimated income and expenditure were Rs.23,000,000 and Rs.1,555,500 respectively as per the Budget Estimate for the year 2022 and although the estimated income and expenditure had been revised to Rs.27,000,000 and Rs.1,216,600 respectively, a copy of the approved revised budget had not been submitted to the audit.

Comments of the Management

It had been informed that the Action Plan and the Budget Estimate will be submitted after obtaining the approval.

Recommendation

Approved Budget should be submitted.