

## **Land Reform Commission – 2022**

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### **1. Financial Statements**

#### **1.1 Disclaimer of Opinion**

The audit of the financial statements of the Land Reform Commission for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity and cash flow statement and notes to financial statements for the year then ended 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 and Finance Act, No. 38 of 1971. My comments and observations which I consider should be presented in Parliament appear in this report.

I do not express an opinion on the financial statements of the Commission. Due to the significance of the matters described in Section, Basis for Disclaimer of Opinion, I could not obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

#### **1.2 Basis for Disclaimer of Opinion**

My opinion is disclaimed based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 disclaimed 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 determines 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 Commission'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Commission 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 Commission.

#### 1.4 Scope of the Audit (Auditor's Responsibilities for the Audit of the Financial Statements)

My objective is to issue an auditor's report on the financial statements of the Commission based on the audit conducted in accordance with Sri Lanka Auditing Standards. Due to the significance of the matters described in Section, Basis for Disclaimer of Opinion, I could not obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

#### 1.5 Audit Observations on the Preparation of Financial Statements

##### 1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

	<b>Non-compliance with Reference to the Relevant Standard</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a)	According to Section 47 of Sri Lanka Public Sector Accounting Standard 03, an entity should correct material prior period errors retrospectively. However, without doing so, adjustments had been made to the year under review. As such, the lease income from rocky lands had become a minus value of Rs. 69,742,587 in the year under review.	Due to failure in properly maintaining a rental ledger relating to rocky lands given on rent, the receivable income could not be specifically adjusted in the financial statements. Due to differences in information on project division and district offices being provided for the financial statements and audit units, attention had been brought through audit queries and at the Committee on Public Enterprises. At least the opening balances of the lessees shown under the opening balance of the year under review for which rental ledgers could not be prepared, should have been revealed in the account. However, the total value had been omitted by disregarding those balances, and hence, the income from rocky lands had become a minus value. As the rental ledger has been prepared at present, it is informed that this error will be corrected by adjusting that information in the reports of the final accounts as at 2023.12.31.	Corrective measures should be taken on prior period errors in accordance with Sri Lanka Public Sector Accounting Standards.

- (b) According to Section 07 of Sri Lanka Public Sector Accounting Standard 03, transactions, other events and conditions should be recognized when they occur and brought to accounts under accrual basis. However, a sum totaling Rs. 5,600,567 paid in this year in respect of the preceding year on fuel and vehicles obtained on rent, had been recognized as expenses of the year under review. As such, the relevant expenses had been overstated by that amount in the accounts. Corrective measures will be taken in preparing financial statements for the year 2023. Expenses should be brought to accounts under accrual basis in terms of Sri Lanka Public Sector Accounting Standards.
- (c) According to Sri Lanka Public Sector Accounting Standard 07, only in case of a direct increase in future benefits through costs incurred on Property, Plant and Equipment, such an event should be recognized as an increase in the value of Property, Plant and Equipment. Nevertheless, the expenditure of Rs. 634,441 incurred on repairing buildings that could not be recognized as such expenditure, had been included in the balance of buildings acquired in the year 2022 thereby allocating a sum of Rs. 36,662 as depreciation thereon. The district office in Monaragala had been repaired in the year 2022 at an expenditure of Rs. 754,400. As the value of the building had increased thereafter, the said value had been included in the fixed assets, thus allocating for depreciation at the end of the year. The expenditure on repairing the building should be brought to accounts in terms of Sri Lanka Public Sector Accounting Standards.
- (d) According to Sri Lanka Public Sector Accounting Standard 20, the physically non-existent non-financial assets should be recognized as intangible assets, and amortization should be done thereon throughout the useful life. However, instead of recognizing the software costing Rs. 10,120,040 as an intangible asset, it had been included under furniture and office equipment and a sum of Rs.2,024,080 had been allocated as depreciation rather than allocating for amortization. The fixed assets have been classified by the Commission in accordance with Guidelines issued by the Office of the Comptroller General. As such, the computer software in the category of intangible assets is maintained as a sub-category under furniture and office equipment. The non-physical non-financial assets should be brought to accounts in terms of Sri Lanka Public Sector Accounting Standards.

### 1.5.2 Accounting Polices

Audit Observation	Comment of the Management	Recommendation
<p>Although it was mentioned in Accounting Policy No. 1.6.2 in the financial statements that the financial statements would be prepared on accrual basis, income totaling Rs. 27,057,727 pertaining to 16 types of income such as income from coconut, minerals, and registration process except for investment income, lease rent income on lands and surcharges thereon, rental from rocky lands, and income from land acquisition and sales, had been brought to accounts on cash basis.</p>	<p>The other operating income shown under Note No. 15 to the financial statements include, administrative charges, application fees, coconut income, Commission fees, income from cultivations, issue of letters income, photocopying charges, project charges, surcharges on land taxes, surcharges on land sales, registration of suppliers, income from prawns, survey supervising charges, timber income, usage charges, sand income , soil income, income from the bungalow in Lindula, and inheritance income. As those incomes could not be specifically identified, it was not possible to follow accrual basis of accounting. Furthermore, the incomes through sources such as application fees, issue of letters, photocopying, registration of suppliers, and timber, had been received based on requests made by third parties; hence, such incomes could not be identified in advance. An encroachment fee is charged from encroachers at the time of disposing the land through a deed. As this sum is a fee charged until a deed is granted and deemed as legalizing encroachment, it is informed that forecasting the future income and adjusting such an income in the accounts would not be legal.</p>	<p>The financial statements should be prepared on accrual basis in accordance with the accounting policies.</p>

### 1.5.3 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
<p>(a) A sum of Rs. 86,586,842 out of the rocky land rental receivable in the year under review, had been debited to the rocks rental account and written off without explaining the reason to do so. The lessees of rocky lands relating to that balance had not been specifically identified.</p>	<p>Twenty one ledgers had been finalized as at 2022.12.31, and of that, the sum of Rs. 80,756,451 receivable from 17 lessees, had been adjusted in the final accounts.</p>	<p>The lessees should be specifically identified, and rental income should be correctly accounted for.</p>

- (b) A register containing details with respect to the lands acquired since the inception of the Commission in the year 1972 such as, number of acres, location of each land, from whom the lands had been acquired, information on current enjoyment and the relevant Gazette notification, and information on the disposal of lands, had not been maintained by the Commission. The Commission also failed to explain in that connection by using supporting documents. As the existence of lands acquired to the value of Rs. 676,169,345 and accuracy of assessment shown in the financial statements had not been satisfactory in audit. It was mentioned in the report presented to the meeting of the Committee on Public Enterprises held on 26 April 2023 that the Commission had possessed lands in extent of 424,809 acres as at 31 December 2022. As such, it was observed in audit that the value of an acre of land was as low as Rs. 1,591.
- The Commission does not possess a formal and up-to-date land register. What is shown in the financial statements is the land value of Rs. 890,959,772 for the year 1975. Following the disposal of lands done later, the value of lands amounted to Rs. 676,169,346 in the year 2006, and that value remains unchanged thus far. In order to solve this issue, action has been taken to prepare an updated land register under 04 stages, viz;
- (i) To computerize all the land mentioned.
  - (ii) The lands released as legal liabilities as per provisions of the Act out of the lands mentioned, will be removed from the land register thereby identifying the amount of lands owned by the Commission.
  - (iii) Elimination of lands that had been disposed by the Commission on miscellaneous affairs.
  - (iv) Identification of lands owned by the Commission through filed inspections.
- Surveying and revaluation.  
Two initial stages of those 04 stages, have been completed, and it is scheduled to complete the third stage within 03 weeks.
- (c) The balance of Rs. 215,745,462 in the suspense account (Stage I and II) payable for the lands taken over from persons and estate companies in terms of Land Reform Law No. 01 of 1972, had not been settled even by the end of the year under review, and a concise description on the nature of liability had not been disclosed through notes to the accounts as well.
- The reasons such as, verifying the rights of declarants, failure to furnish legal documents, necessity to release lands to the declarants under legal obligations, court proceedings on lands, rejection of compensation due to insufficiency after issue of the letter of compensation, appealing the Land Acquisition Review Board, and lack of interest in statutory compensation due to insufficiency, have attributed to non-settlement of balance existing under stages 01 and
- A register of acquired lands should be maintained, and updated values should be shown in the financial statements.
- Action should be taken to settle the balances in suspense accounts.

02 of compensation payable for lands acquired from persons and estate companies in terms of the Act of the Commission.

- (d) It was recognized in Note No. 5.3 to the financial statements of the year 2022 that a rental of Rs. 80,756,451 remained receivable from 17 lessees of rocky lands, but according to the rental ledger made available to the Audit on 02 May 2023, it was later recognized that a sum totaling Rs. 293,891,542 remained receivable from 93 such lessees as at 31 December 2022. Accordingly, the due rental of Rs. 213,135,091 had been omitted in the financial statements.
- Preparation of rental ledger had been completed with respect to 93 lessees as at the date of audit on the financial statements. Nevertheless, information relating to 17 lessees who had been finalized as at 2022.12.321, the date at which the financial statements should have been prepared, was used for adjustment. Accordingly, it is informed that information relating to all the lessees would be adjusted in financial statements as at 2023.12.31.
- The rental ledger should be corrected expeditiously.
- (e) The costs on buildings in the districts of Monaragala, Ratnapura, and Puttalam where the boards of authority of the Commission had been established, amounted to Rs. 1,350,000, Rs. 7,000,000, and Rs. 5,700,000 respectively. Nevertheless, the value of lands where those buildings had been located, had not been disclosed under Property, Plant and Equipment in the statement of financial position.
- Those lands in the districts of Monaragala, Ratnapura, and Puttalam have been surveyed and plans have been completed. Copies of plans will be forwarded to the Department of Government Valuation and once the assessment value is obtained, the financial statements of the year 2023 will be updated.
- Corrective measures on Property, Plant and Equipment should be taken expeditiously.
- (f) A compensation of Rs. 5,300,000 remained receivable from the Divisional Secretary, Hikkaduwa with respect to Plot No. 01 in Plan No. 4290 in extent of 0.4443 hectares located at "HadanagodaWatta" in the division of Divisional Secretariat, Hikkaduwa that had been released for a Tsunami housing project. However, that value had erroneously been accounted for as Rs. 53,000,000, and hence, the income and debtors of the year under review had been overstated by Rs. 47,700,000 in the accounts.
- The compensation of Rs. 5,300,000 receivable by the Commission had been paid by the Divisional Secretary, Rathgama on 2023.02.03. As the value had erroneously been shown as Rs. 53,000,000 under receivable income by the acquisition and investigation division, a sum of Rs. 47,700,000 had been overstated in the accounts. Instructions have been given that corrective measures be taken with respect to the ensuing year of finance.
- Corrective measures should be taken on the income and debtors.

- (g) The compensation of Rs. 4,016,000 receivable with respect to the Plot Nos. 01, 02, and 03 in Plan No. 2736 located at the Grama Niladhari division of Lindula in the Divisional Secretariat, NuwaraEliya that had been taken over for the Police station of Lindula, was received on 17 October 2022 and accounted for. Nevertheless, the said sum was brought to accounts again as a receivable income, and hence, it was observed that the income and debtors of the year under review were overstated by that amount.
- The compensation for acquisition was received by the Commission on 2022.10.17. As the sum was again shown as a receivable by the acquisition division, the sum was again brought to accounts. Instructions have been given that corrective measures be taken with respect to the ensuing year of finance.
- Income and debtors should be computed correctly.
- (h) It is the objective of Sri Lanka Public Sector Accounting Standard 10 to prescribe the accounting treatment of revenue arising from exchange transactions and events when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably. Accordingly, the Divisional Secretary, Imaduwa had signed on 08 August 2018 the Notice in terms of Section 02 of the Land Acquisition Act under approval of the Commission in respect of acquiring an extent of 21 acres 01 rood and 10 perches from the land of Halgasmulla Kanda, MoragollaWatta located at the additional Grama Niladhari division of Deegoda in the Divisional Secretariat, Imaduwa of Galle district to be used for constructing a branch of Institute of Engineering Technology, Katunayake. However, once the decision is received from the Divisional Secretary in terms of Section 17 of the Land Acquisition Act, the entity would claim for the compensation specifically; and , although such a decision had not been given, the compensation of the land amounting to Rs. 75,000,000 had been recognized as an income of the year under review and brought to accounts
- The Commission has provided the Institute of Engineering Technology, Katunayake with an extent of 21 acres, 01 rood and 10 perches. Upon approval of the Director General of National Budget given on 2017.12.19 for payment of the sum of Rs. 75,000,000 incurred on acquisition of the said land, this compensation has been included in the financial statements. However, as no action had been taken for acquisition since the year 2018, the Divisional Secretary was queried in that connection through telephone, and we were informed that the Letter No. 4-3/2/2018/VI/32 dated 2020.06.12 had been sent by the Assistant Director (Land Acquisition ) of the Ministry of Land and Land Development to the Secretary to the Ministry of Skills Development, Employment and Labour Relations with copies to other parties by informing that the relevant Estate Manager had objected the release of 8.6250 hectares. Accordingly, the Divisional Secretary was queried as to whether this land acquisition was still in progress, and once the answer is received, further action will be taken.
- When it is probable that future economic benefits will flow to the entity and when these benefits can be measured reliably, the revenue should be determined in accordance with the Sri Lanka Public Sector Accounting Standard.

based on the letter of Secretary to the Ministry of Skills Development and Vocational Training. Furthermore, constructions on the land had been authorized in the year 2018 though, acquisition process could not be completed due to conflicts even after a lapse of 04 years by 2022.

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| (i) | Approval had been given on 05 May 2021 that Plot No. 01 in Plan No. 12820 in extent of 256 acres 01 rood and 22 perches located at Gartland Estate in Kurunegala district and Plot Nos. 01 and 02 in Plan No. 12821 in extent of 118 acres and 38 perches pertaining to the land of HawanilaWatta, be released on lease basis to the Coconut Cultivation Board in terms of Section 22 (1) (b) of the Act of the Commission. The Chairman of the Coconut Cultivation Board had been informed on the annual lease rent thereon through letters dated 2022.10.13 and 2022.11.18. However, the lease rents of Rs. 12,800,000 and Rs. 6,720,000 for the year under review totaling Rs. 19,520,000 had not been recognized as lease rent on lands, thus observing that income and debtors had been understated as at 31 December 2022. | Adjustments relating to this transfer could not be made in the financial statements as at 2022.12.31. Having prepared the ledger and informed the lessee, corrective measures will be taken in the ensuing year of finance. Due to delay of the revenue division in preparing files relating to the HawanilaWatta land and including in the ledger, this had been omitted in accounts, and at present, the ledger has been prepared and the lessee has been informed.                                                        | Income and debtors of the year under review should be correctly recognized and brought to accounts. |
| (j) | An area in extent of 08 acres 01 rood and 11.48 perches from Uranikadu land in Divisional Secretariat, Potuvil of Ampara district had been obtained on lease by a private company for a tourists' hotel project over the period 2019-2023. The total lease rent of that land for the 05 year period had been received in the years 2018 and 2020, and brought to accounts as an income of those years. As such, the land rental for the year 2022 had been understated by Rs. 748,800 whilst the sum of Rs. 748,800 received for the year 2023 had                                                                                                                                                                                                                                                                               | The area in extent of 08 acres 01 rood and 11.48 perches from Uranikadu land in Divisional Secretariat, Potuvil of Ampara district had been given on lease to Uprota and Pubra Private Company Ltd for a hotel project with effect from 2019.01.01. The lease rent for the initial 05 year period from 2019.01.01 to 2023.12.31 had been paid on 2018.07.30 and 2020.08.25, and the receipts thereon had been issued by the District Office of Ampara. As a period of 02 years had lapsed since the issue of the receipt, it | Corrective measures should be taken through accounts of the year 2023.                              |

- been understated in the financial statements.
- was not revised, and it is noted to make adjustments for the rental of Rs. 748,800.00 when adjustments are made on rental for the year 2023.
- (k) The service fee charged on the lessee for assessing the lease rent on a land being given on lease by the Commission, had not been recognized as an income of the year in which the relevant assessment had been made; instead, such fees had been brought to accounts on cash basis in the year in which the fees had been received. Due to failure in recognizing the assessment service fee of Rs. 3,890,125 as being a receivable income in terms of the rental ledger prepared for the year 2022, it was observed that debtors of the year under review had been understated by that amount.
- It is pointed out in the ledger that the assessment fee, based on the date of rental of the lessees up to 2021.12.31, should also be received along with the rental. However, based on instructions given by the Audit Division, the ledger has been prepared correctly by separately including the rentals, surcharges, and assessment fees based on the period of the year of accounts. As such, it is noted to take corrective measures in due course. Assessment fees totaling Rs. 418,475.00 have already been recovered as per the register.
- The rentals, surcharges, and assessment fees should be separately presented based on the period of accounting.
- (l) In case that lease rents on lands are not received on time, the period from due date to the date of last recovery should be computed and a penalty of 10 per cent should be recovered from the lessees in terms of Circular No. 2005/07 of the Land Reform Commission dated 06 July 2005. However, it was observed that the penalty of Rs. 21,064,409 so receivable from 31 lands given on lease, had not been recognized as receivable income for the year under review. Hence, income and debtors of the year under review had been understated by that amount.
- The following matters had generally attributed for not adjusting the surcharge on the due rental relating to 31 lessees.
- Although the due rental had been adjusted in the ledger accounts after informing the lessees to pay the rentals by giving the lands on lease, enjoyment had not been granted due to non-payment.
  - There were lessees whose rentals were recovered in installments.
  - There were lessees whose outstanding rentals were recovered through legal proceedings.
  - Attention was brought to vest the land being used by the temple over an extensive period, by selling.
  - The initial letter of lease had been sent to the lessee after 2022.12.31.
  - Surcharges were not recovered from lessees whose period of
- Receivable income should be brought to accounts after being correctly recognized.

delay was less than 15 days.

- Government taking action to acquire the entire land or a part thereof.
- Assessment of the land and rental were both related to the year 2022.

No adjustments were made for surcharges on the lease rent files relating to aforesaid matters, and adjustments have already been made on files for which surcharges should be adjusted, thus informing the lessees.

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| (m) | In examining the lease rents received by the Commission in advance, the annual lease rent totaling Rs. 7,840,369 relating to 12 lessees had been accounted twice and hence, the lease rent income of the year had been overstated in accounts by that amount.                                                                                                          | Based on the register maintained at the finance division in respect of opening balance of the lessees, amount received in the year, amount receivable as at 2022.12.31, and amount received in advance, adjustments had been made in the final accounts by the revenue division. Lease rents for the current year had been computed by the finance division using the balance as at 2022.01.01 of the register for lease rents received in advance. Accordingly, the lease rent income from those 12 lessees had been accounted twice. The Director General has been instructed to ensure proper coordination among divisions thereby avoiding lack of coordination between the finance division and other divisions in the future. | The error of double-accounting the lease rent income should be corrected.                      |
| (n) | The sum of Rs. 425,000 received in the year under review with respect to the DelgollaWatta land and the sum of Rs. 4,873,000 received for selling to allottees the land in extent of 15 acres located in PanliyaddaWatta, Kurunegala that had been chosen for a teachers village, totaling Rs. 5,298,000 that had been included in the sum of Rs. 48,330,211 being the | Corrective measures will be taken in preparing financial statements of the year 2023.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Action should be taken to account for liabilities and income after being correctly recognized. |

advances for assessment fees under trade and other payables as at 31 December 2022, had not been recognized as an income. As that value had been brought to accounts as a liability, it was observed that the income had been understated whilst the current liabilities had been overstated by that amount.

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| (o) | The sum of Rs. 40,000,000 invested in REPO deposits of Bank of Ceylon by the Commission on 27 December 2022 at the interest rate of 18 per cent, was to reach maturity on 24 January 2023. Accordingly, an interest income of Rs. 79,121 should have been received for 04 days of the year under review, but that value had been shown as Rs. 454,945 in the accounts, thus overstating that income by Rs. 375,824 in the accounts.                                                                                                                                                                                                                                                                                  | Corrective measures will be taken in preparing financial statements of the year 2023.                                                                                        | Action should be taken to correctly account for the receivable interest income. |
| (p) | As for the acquisition of Plot Nos. 320, 323, 324, 325, 327, and 332 in the Plan No. 2396 located at Polonthalawa village in the Grama Niladhari division of No. 272 Track 03 Kadigawa pertaining to Divisional Secretariat Rasnayakapura of Kurunegala district in order to construct the Ujekele-Kadigawa bridge following the decision of Divisional Secretary Rasnayakapura in terms of Section 17 of the Land Acquisition Act, it had been informed on 17 February 2021 that a compensation of Rs. 274,400 should have been received by the Commission. That sum had not been received even up to the end of the year under review, nor had it been recognized in the financial statements as being receivable. | The compensation of Rs. 274,400 had not been mentioned in the closing financial statements as a receivable. Corrective measures will be taken with respect to the year 2023. | The receivable income should be correctly accounted for.                        |

- (q) Four photocopiers and a scanner of which the cost amounted to Rs. 452,000 and the value of carrying amount was Rs. 162,979 that had been disposed of on 14 March 2022, had not been eliminated from the financial statements of the year 2022. Although the 04 photocopiers and the scanner had been shown under “Disposal/Auction” in the statement of financial position, those items had been included in the category of furniture and office equipment by the finance division due to a mistake. However, that value should have been shown under machinery. It is informed that the said error will be corrected in preparing financial statements for the year 2023. Assets already disposed of, should be eliminated from the accounts.
- (r) An extent of 04 acres and 02 roods from the IngiriyaWatta land at the division of Divisional Secretariat, Ingiriya in Kalutara district had been given on lease to a person in terms of Section 22 (1) (b) of the Act of the Commission to quarry for rocks during 2004 – 2021. According to information from the Geological Survey and Mines Bureau, the royalty for that period amounted to Rs. 3,921,410. Although a sum of Rs. 850,000 had been paid by the lessee on 01 December 2022, the unpaid due rental of Rs. 3,071,410 had not been recognized in the financial statements. Moreover, this receivable rental had not been mentioned in the rental ledger made available to the Audit on 02 May 2023. As a house had been built on this plot of land, the Director Projects had been informed by the Director Survey on 2017.10.25 that a survey be done anew to measure the volume of rocks to be quarried in the future. An investigation officer of the Ministry of Public Administration had been assigned on 2023.07.12 to conduct a formal investigation on the conflicting situation that had arisen due to change in the previous extent of the land plot identified in the survey done again. As such, it is informed that necessary action will be done in this regard once the report of the investigation is received within a period of 02 months. As for the amount payable, the Director Projects on 2022.05.23, and the Director of Kalutara district on 2022.06.30, had informed the lessee. As investigations were in progress, the file was not in possession of the revenue division for preparation of the rental ledger, and at present, the ledger has been prepared by the revenue division. The lessee has been informed that the rental be paid by 2023.07.10. Receivable rentals and rentals in arrears should be disclosed in the registers.

- (s) Having misinterpreted the fact that the Commission should establish a provident fund for its employees whilst providing welfare, entertainment, sports, housing and hostel facilities for them in terms of Section 44 (1) of the Land Reform Law No. 01 of 1972, it was observed that lands in extent of 46 acres, 01 rood and 5.64 perches had been given to 373 employees with a continuous service period of 05 years each receiving 20 perches at Rs. 1,000 per perch since the year 2009 up to the year under review.
- Not only at the present day, land plots had been granted even during 1982-1984 in accordance with Section 44 (1) on employment basis. It is recorded in documents that, in that period, land plots had been granted in excess of 10 perches or 20 perches based on the area. It is informed that, once lands have been identified in different areas, employees have been provided with land plots in accordance with policy decisions taken by the Commission.
- Granting lands illegally in this manner should be stopped immediately. Lands so granted should be taken over or the value thereof should be recovered.
- (t) Based on the fact that the officers do not have lands for construction of a house, lands had been disposed to the officers through sale as pointed out in (s) above. However, it was observed in audit test checks that, once lands had been granted to certain officers, such lands had again been transferred to the Commission after 03-04 years and lands had been obtained from a different location. Thus, officers had changed their lands from time to time, and the Commission was observed to have exchanged lands based on requests made by officers.
- The entire staff has been informed that officers should give an affidavit agreeing to obtain the deed without any objection after observing the land plot before the deed is granted and the land will not be exchanged. Furthermore, action has been taken through my internal Guideline No. 2/1/145 (IV) dated 2023.05.24 to formalize the process for granting lands to the officers.
- Disciplinary action should be taken against the officers who obtained lands using forged documents.
- (u) According to decision taken with respect to the Paper No. 5930 of the Land Reform Commission dated 15 August 2005, an affidavit should have been given stating that either the husband or wife did not possess a land for construction of a house in order for the Commission to grant land plots to its employees. Nevertheless, it was observed that no such affidavits had been obtained after auditing the files maintained for granting lands to the employees from WalKotuwaWatta in Kegalle district, Wara Kanda Watta in Matale district, and WahalnduwaWatta in Galle district.
- The facts that there had been no prerequisite preventing both husband and wife from serving the Commission, and both husband and wife would be considered two independent employees, were brought to the notice of the session of the Committee held on 2018.02.27; and, approval was granted to provide both husband and wife with land plots. Although affidavits had been obtained initially to grant lands on employment basis, it is observed that it has not been so done later.
- An inquiry should be conducted on the misuse of lands, and disciplinary action should be taken against all parties responsible.

- (v) It had been planned in the year 2022 to complete 25 files on compensation paid incompletely, but only 13 files have been completed. Nevertheless, the compensation to be paid in that connection has not been computed and disclosed in the accounts. It had been planned as per the Action Plan that the assessment and compensation division should identify 25 files relating to incomplete payment of compensation thus completing those files before the end of the year 2022. Having completed 04 files during the year, the completion of the other files is in progress at present. Compensation payable had been requested from the Chief Valuer of the Government, and payment of compensation had been delayed - stated by the Director of assessment and compensation division. The payable compensation should be paid as scheduled.
- (w) It had been planned to identify 31 persons to whom compensation and interest should be paid and deposit the monies payable to 10 of them in court, but the monies payable to them had not been disclosed in the accounts. Thirty one files had been identified for which no declarants had been present to obtain compensation and interest on lands acquired by the Commission. Although it had been planned to deposit the relevant compensations in court in the year 2022, vouchers have been prepared for compensation relating to 10 files and forwarded to the legal division. Instructions have been given to the Director Assessment that action be taken to complete the other files by the year 2023. Action should be taken to pay the compensation.

#### 1.5.4 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Management	Recommendation
The Audit was not provided with letters of confirmation of balances to verify the accuracy of 37 receivable balances totaling Rs. 2,732,617,321 shown in the financial statements relating to rentals on rocky lands, lands and trade & other receivables along with 14 balances of trade and other payables.	In order to confirm the creditors' and debtors' balances, the finance division has sent letters to the Ministry of Lands, Hadabima Authority and Janatha Estate Development Board, being the debtors and the creditors of Mahaweli Authority and Attorney General's Department. The copies of the letters have been sent to the National Audit Office as well. Almost all the land reform cooperative	Confirmation of balances should be presented with respect to trade and other receivable accounts and trade and other payable accounts.

societies in the electorates mentioned herein, have been liquidated. There were multipurpose cooperative societies but, letters were sent to the Commissioner of Cooperative Development on 2023.06.20 to collect information on those creditors' and debtors' balances.

## 1.6 Accounts Receivable and Payable

### 1.6.1 Funds Receivable

Audit Observation	Comment of the Management	Recommendation
(a) Action had not been taken to recover the sum of Rs. 2,126,952,139 due over 30 years from 03 Government institutions such as Multipurpose Cooperative Society, Hadabima Authority and Janatha Estate Development Board, and the sum of Rs. 219,681,524 older than 10 years included in the trade and other receivable balance of Rs. 3,561,131,052 as at 31 December of the year under review.	An acceptable solution has not been reached after discussions with those 04 institutions. At present, a draft Cabinet Paper dated 2023.05.25 has been presented to the Ministry of Tourism and Land to eliminate from the accounts the values receivable from those institutions.	Balance should be settled without delay.
(b) The sum of Rs. 2,311,017 due from 08 persons who had obtained 08 land plots located in the districts of Kalutara and Gampaha on lease that had been shown under sundry debtors in the financial statements, remained outstanding for a period of over 23 years. Nevertheless, no action had been taken to recover the rents.	With payment made, deed of the Plot No. 07 in Plan No. 07/1997 of Borrowdail Estate in Kalutara district had been given by a person named K. A. Wasantha. The name of M. D. S. Priyantha of the Borrowdail Estate had not been mentioned in the plan. P. Thilakasiri and D. R. Hemalatha of Ilimbawatta were husband and wife. The deed had been given to them after the payment had been made. No information whatsoever on M. S. D. Senadheera of IlimbaWattahad been mentioned in the files. Although K. A. Palitha of MellewaWatta had been informed to make the relevant payment, he replied saying it was difficult to make the payment. It was verified through the Grama Niladhari of the division that there was no such person named P. L.	The outstanding rentals should be recovered.

Sarath Chandra in the land, KahatagahaWatta in Gampaha district. Having recovered a sum of Rs. 112,322 from M. D. Mary Benta of PaluWatta land, the deed had been given to her. The Committee will be informed on the allottees to whom deeds had been given by charging fees, thereby taking action to make corrections in the accounts of the year 2023. It is informed that action will be taken as mentioned above on the other persons.

## 1.6.2 Funds Payable

Audit Observation	Comment of the Management	Recommendation
(a) Although the land sales advance balance of Rs. 11,362,992 comprised balances continued to exist over 10 years amounting to Rs. 11,222,992 as at 31 December of the year under review, action had not been taken to settle them.	Those land sales advances that had been accounted for, are related to the transactions performed during 2002-2004. A Cabinet Memorandum has already been presented to the Cabinet with respect to those land transactions. Once approval is received thereon, action will be taken to settle the unsettled advances.	Sales advance balances should be settled without delay.
(b) The advances of Rs. 11,215,850 obtained from 269 persons included in the land rent advance balance totaling Rs. 14,080,850 as at 31 December of the year under review, had been retained over a period of 17 years, but the Commission had not taken action either to legally give those lands on lease or settle the advances.	The investigation officers have examined and verified through field inspections 1156 acres of cultivated lands out of 219 lands in extent of 11942 acres that had been vested during the period of 2002 – 2004. The draft Cabinet Paper prepared for approval of the Cabinet following the Decision No. 11738 of the Commission dated 2022.02.17, had been sent to the Ministry of Land on 2022.04.20. Before being presented to the Cabinet, the relevant lessees will be summoned to the Ministry of Land and Tourism for discussions, thereby taking further action once approval of the Cabinet is received.	Land rental advances should be settled without delay.
(c) An assessment fee advance of Rs. 48,330,211 had been shown under trade and other payables	Having examined as to whether there is an outstanding assessment fee payable to the Department of Valuation, action will be taken to settle in the financial statements of	Should be settled without delay.

in the financial statements the year 2023. of the year 2022, and the opening balance thereof amounting to Rs. 40,633,774 was observed to have remained unsettled over a period of 02-05 years.

### 1.7 Non-compliances with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, & Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
(a) Section 11 of the Finance Act, No. 38 of 1971.	Approval of the relevant Minister and consent of the Minister of Finance should be sought before investing the excess funds of the Commission. Nevertheless, the relevant approval had not been obtained for the investment of Rs. 3,564,384,482 made in the year under review.	Although letters had been sent to the Ministry of Finance requesting for approval, no replies have been received thus far.	Provisions of the Finance Act should be followed when making investments.
(b) Section 09 (1) of the Inland Revenue Act, No. 24 of 2017.	The Commission, since its inception, had not registered with the Department of Inland Revenue for income tax. Only the institutions mentioned in third schedule of the said Act, had been exempted from tax. Although the Commission is not an institution mentioned thereunder, action has not been taken to pay taxes.	Since the year 1972, the Land Reform Commission has not either registered with the Department of Inland Revenue or paid any income tax. Hence it has been deemed as an institution exempted from tax.	Action should be taken to obtain a tax exemption certificate in terms of Inland Revenue Act.

## (c) Establishments

Code of the  
Democratic  
Socialist Republic  
of Sri Lanka.

(i) Paragraph 13.3 of  
Chapter II.

An acting appointment should be made temporarily until a permanent appointment is made. However, officers had been appointed in acting capacity to the 03 posts of Director General of the Commission, Director (Lands), and Director (Administration and Secretary) in the year 2021. No action had been taken even by 31 December 2022 to appoint officers permanently to those posts.

Appointments to the posts of Director General and Director (Administration) had been approved by the Department of Public Enterprises on 2023.01.16. Notices had been published to appoint for the post of Director General and interviews had been conducted on 2023.07.11. The letter informed that, as the Secretary to the Board of Directors should act independently, appointing the Director General of the Commission or another officer as the Secretary to the Board of Directors, was not suitable. Considering the scope of the Land Reform Commission and cost benefit analysis relating to the execution of duties of the Director Secretary, observations had been presented saying that it would be suitable to obtain the services of a professional organization by following the procurement procedure. As such, a letter dated 2023.05.15 had been sent to the Department of Management Services requesting approval for splitting the post of Secretary, Director Administration into the two posts of Secretary and Director Administration.

Vacancies should be filled without delay.

- (ii) Paragraph 1.1 of Chapter V. An officer holding a certain post in Government service, should be released from that post in order for him to be appointed to a different post in the Government service. However, without doing so, an officer already in the post of Project Director of the Commission during the period from 23 October 2020 to 31 March 2022, had been appointed on permanent basis to the post of Deputy General Manager (Administration) of the MagaNeguma Construction Equipment Company subject to a probation period of one year with effect from 01 January 2021. Salaries and allowances had been received from both institutions during the same period. As such, it was observed that a sum of Rs. 2,038,979 had been paid by the Commission as salaries and allowances to him by 31 December of the year under review without considering his arrival and services rendered by him.
- In addition to the post of Project and Investigation Director of this institution, it was revealed that he had been permanently appointed to the post of Deputy General Manager (Administration) of the MagaNeguma Construction Equipment Company. Accordingly, the letter dated 2022.11.03 informed that the Lawyer of that institution Mr. P. A. Hasitha Kumara had officiated as Deputy General Manager (Administration) in accordance with the letter of the General Manager of the MagaNeguma Construction Equipment Company dated 2022.10.27 during the period from 2020.10.29 to March 2022 and salaries had been paid. Nevertheless, he had been appointed to the said institution whilst in the service of the Commission on contract basis as being pointed out in the audit query, and the Commission had not been aware in that connection. This appointment had been made by the Minister in charge of the subject in terms of Section 47 (3) of the Land Reform Law and assignment of duties had been done by me. Furthermore, duties had been performed under my supervision.
- The overpaid salaries and allowances should be recovered, and disciplinary action should be taken in accordance with provisions of the Establishments Code.

- (d) Regulation 1645 (a) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Log books of 13 vehicles owned by the Commission, had not been maintained in an up-to-date manner. Vehicle log books of the Commission have not been updated since the year 2020. The administration division maintains a separate register in view of hassle-free payments and administration, it has been informed that such information is later updated in the log book of each vehicle. Accordingly, the administration division has been instructed that the said information be correctly recorded in the relevant log books within a month. Log books of vehicles should be updated properly.
- (e) Paragraph 5.4.6 of the Procurement Guidelines 2006. Retention monies may be released unconditionally upon a non-cancellable security after successful completion of warranty period or once the works are fully completed. Nevertheless, it was observed in audit that the 10 per cent retention monies of Rs. 73,247 had been released prior to completion of the warranty period and without obtaining a non-cancellable security after completion of repair on buildings. Once being verified in writing through the Divisional Secretariat and District Director of Monaragalathat repairing the district office building of Monaragala had been done under supervision of the Divisional Secretary, Monaragala, payments had been made for the voucher presented by the Divisional Secretary. The Procurement Guidelines should be followed.

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 518,199,960 as compared to the corresponding surplus of Rs. 310,284,854 for the preceding year, thus observing an improvement of Rs. 207,915,106 in the financial result. The increase in the income from acquisition of lands, sale of lands and lands given on lease by sums of Rs. 119,884,134, Rs. 136,271,322, and Rs. 51,395,803 respectively whilst the increase in financial income by Rs. 54,214,914 had mainly attributed to the said improvement.

## 2.2 Analysis of Trends in the Main Items of Income and Expenditure

The following observations are made.

- (a) As the land sale income, land lease income, and interest income on fixed deposits had increased by 65 per cent, 24 per cent, and 46 per cent reconciliation statement as compared with the preceding year, land use charges, and lease rent income from rocky lands had decreased by 71 per cent and 160 per cent respectively.
- (b) Although expenditure on gratuity, vehicle repair costs, travelling allowances, and expenditure on rented vehicles had decreased in the range of 07 – 88 per cent in the year under review as compared with the preceding year, expenditure on fuel allowance and legal expenses had increased in the range of 31 – 50 per cent.

## 2.3 Ratio Analysis

The following observations are made.

- (a) The current ratio of the year under review was 23:1 whereas the current ratio of the year 2021 stood at 29:1. Accordingly, the current ratio had been maintained at a lower value as against the preceding year but, it was observed that funds had been invested in current assets more than the working capital requirements.
- (b) The gearing ratio of the year 2021 being 11 per cent, had been maintained unchanged in the year under review as well but, it was observed that the Commission had maintained equity capital in excess of total liabilities.

## 3. Operating Review

### 3.1 Uneconomic Transactions

Audit Observation	Comment of the Management	Recommendation
An expenditure of Rs. 21,573,583 had been incurred during April 2021-November 2022 for obtaining 10 motor vehicles on lease for 03 months for the requirement of preparing the land register in accordance with the decision taken as per the Commission Paper No. 11120 dated 22 July 2020. Nevertheless, there	Ten Cabs had been obtained for a period of 03 months in agreement to be used in preparing the land register of the Commission. Due to reasons such as, the Covid-19 pandemic in the year 2021 had prevailed up to the first half of the year 2022, and officers of the Commission had been affected by the disease, conducting field inspections to meet the people had been hindered. Furthermore, following the policy of then Government to promote the use of organic fertilizer during the same period, the Commission had conducted a pilot project for producing organic fertilizer at the Divisional Secretariats in North Central Province. The vehicles had been used to identify lands suitable for the organic fertilizer project so implemented, and the vehicles had not been used in preparation of land register for Anuradhapura district during that period. The monthly lease rents should have	Uneconomic expenses should be avoided.

was no progress in preparing the land register.

been paid although the vehicles had not been used. It is observed that at least some of those vehicles had been used in the organic fertilizer project and recovering the fees from the organic fertilizer project, had been economically productive.

### 3.2 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>(a) The Commission was informed by the Divisional Secretariat, Baddegama on 08 August 2012 that the compensation for the 16 acre land shown under Plot 01 in Plan No. 3532 of MakurugodaWatta, Baddegama that had been acquired by the Southern Provincial Ministry of Sports for construction of a youth service center and a sports complex for the southern province, amounted to Rs. 31,500,000. Furthermore, the Letter No. CSS/4/6/1/198 of the Chief Secretary of the Southern Province had been sent to the Ministry of Lands and Parliamentary Reforms on 10 May 2018 with a copy to the Commission stating that the relevant constructions had been completed at an expenditure of Rs. 72,413,609. Accordingly, a period of 10 years lapsed as at 31 December 2022 since the decision on the compensation had been taken in 2012 though, the compensation relating to the year 2012 was erroneously brought to accounts as an income of the year under review.</p>	<p>The compensation amounting to Rs. 31,500,000 has not been paid thus far. Despite being queried by the district office from time to time, they were informed that a sum of Rs. 800,000 had been deposited and the balance had not been given thus far. As such, the said value is continued in the financial statements under debtors' balance.</p>	<p>Action should be taken to recover the compensation and correct the accounting errors.</p>
<p>(b) Lease agreements had been entered into only with 152 or 28 per cent of the 530 lessees to whom lands had been given on lease as at 31 December 2022, and it was observed that no legal agreements had been entered into with 378 lessees.</p>	<p>Long term lease agreements are entered into with respect to lands disposed on lease basis. Lease agreements could not be entered into due to reasons such as, existence of files relating to lessees paying lease rents and enjoying the lands over extensive periods sans approval of the project committee, the Commission,</p>	<p>Action should be taken to enter into legal agreements with respect to lands given on lease.</p>

the Ministry in charge of the subject and the Cabinet, and some of the lessees defaulting on lease rents at present due to non-receipt of lease agreements although lease rents had been paid for the initial 05 years. As an extensive period has lapsed since those lands had been given on lease, it is difficult at present to follow the leasing process anew; and hence, a Commission Paper was presented at the 784<sup>th</sup> session of the Commission in that connection and Decision No. Peradeniya-1150 was given thereon on 2023.02.02. Nevertheless, a considerable progress has not yet been acquired in entering into lease agreements as per the said agreement. At the assembly of the Commission on 2023.07.13, an external group of lawyers was appointed in this connection in addition to the internal lawyers, and you will be informed on the progress thereof within the 03 ensuing months.

- |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                             |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| (c) | A balance of Rs. 620,015,611 remained receivable as at 01 January 2022 on lands disposed on lease basis, and a sum as low as Rs. 101,609,039 equivalent to 16 per cent had been recovered therefrom in the year under review. Furthermore, only 29 per cent or Rs. 71,140,458 had been recovered from the income of Rs. 243,225,922 receivable for the year 2022. As such, it was observed in audit that there existed inefficiency in collecting the income. | Due to decrease in the use of chemical fertilizer following the Covid-19 outbreak and economic crisis, the lessees as well as those engaged in agricultural activities had been affected. Hence, requests had been received from the lessees for grace periods on lease rents due to difficulties in paying lease rents. Accordingly, considering the situation prevailed in the country, going concern of the industrialists, and increasing the income of the Commission, measures had been taken to recover the lease rents in installments, and take legal action against the lessees defaulting on lease rents. Accordingly, it is informed that recovery of lease rents would reach a higher percentage in the ensuing years. | Action should be taken to ensure efficiency in the recovery of lease rents. |
| (d) | The Commission had purchased an integrated software for Rs.8,500,000                                                                                                                                                                                                                                                                                                                                                                                          | Retrieving information on land lease rents through the system had been done by the                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Action should be taken for                                                  |

- for accounting on 22 May 2019. Nevertheless, capability of that information system of retrieving the receivable lease rents on lands, had not been completed even by 31 December 2022.
- year 2022. Furthermore, the software needs further improvements, and prompt action is taken through discussions with the relevant company.
- installation of the integrated information system.
- (e) The Commission had not taken action even by the end of the year under review either to recover the sum of Rs. 17,000,000 paid to a private company in the year 2022 for developing and implementing a fully-integrated information system for the Commission or install the relevant system.
- This matter had been brought to notice of the meeting of the Committee on Public Enterprises held on 2022.10.21, and the Secretary of the Ministry had been directed to furnish a detailed report in that connection. Following recommendations given accordingly, an investigation had been launched by the Audit Unit of the Ministry of Lands, and they informed in their letter dated 2022.11.28 that the investigation could not be continued due to lack of equipment required for installation of the software. Thereafter, all the information on financial irregularities occurred with respect to the installation of software in the Commission, was presented before Session No. 790 of the Commission held on 2023.5.18, and the Director (Legal) was instructed by the Director General that a detailed report be sent to the Attorney General's Department requesting instructions in that connection. Action is being taken accordingly at present.
- Action should be taken to recover the sum paid for development and implementation of a fully-integrated information system. Legal/disciplinary action should be taken against the officers responsible therefor.
- (f) Only a sum of Rs. 6,142,990 had been reimbursed even by the end of the year under review out of the sum totaling Rs. 33,229,487 paid in the years 2019, 2020, and 2021 to the authorized surveyors during the surveying and regulating the lands of the Commission subject to be reimbursed by the allottees.
- The reasons that prohibition orders had been obtained against the respondent being the Commission, by petitioners of Namunukula Plantations PLC under CA(W)399/2022 and Thalawakele Plantations PLC under CA(W)161/2021 against some of the lands that had been surveyed, the Covid-19 outbreak prevailed in the year 2019, and lack of interest of allottees in making payments due to economic crisis in the country, had caused the delay to occur. However, instructions have been given to the Director( Lands) to recover those funds.
- Action should be taken to recover the charges after being surveyed at the time of releasing lands to the allottees.

- (g) The Commission had recruited 14 persons to the posts of project and investigation director, project coordinator, investigation officer, legal consultant, and lawyer that had not been included in the approved cadre. A sum totaling Rs. 4,768,944 had been paid to 11 officers by 31 December of the year under review without entering into agreements or getting a specifically assigned duty, executed.
- According to powers vested in the Minister in terms of Section 47 (3) of the Land Reform Law No. 01 of 1972 with respect to appointing a person to investigate and report on the affairs of the Commission, the services of 14 persons had been obtained by the Minister; and, the Commission had taken action to give appointments in terms of Section 47 (3) of the Law. Reports on specific duties assigned by the Minister to the appointees, should be furnished to the Minister of Lands. Nevertheless, duties had been assigned to the directors of investigation in writing on 2022.02.28 and 2022.03.22 as the said appointments had been given by the Commission, and assigning them with miscellaneous duties verbally had been done by both the Minister and me. Once the duties executed by them were reported to the Executive Director, payments were made based on those documents.
- Action should be taken to enter into service agreements, and complete the investigations on time. reports on performance should be maintained and evaluation should be done thereon.
- (h) The extent of 02 acres 01 rood and 05 perches with the tea factory from Tilton Estate, Nawalapitiya owned by the Commission, had been given on lease to a private company in terms of Section 22(1) (b) of the Land Reform Law under a 30 year lease agreement with effect from 30 August 1997 at an annual lease rent of Rs. 270,000. Later in the year 2008, the land had been transferred to a private lessee together with the brand name of the company. Nevertheless, measures had not been taken either to take legal action for recovering the lease rents of Rs. 18,403,926 due for the period of 25 years from 1997 up to 31 December 2022, or take over the land; and, no investigation had been done on the land being used by an external party without paying any rent or having an agreement.
- The extent of 02 acres 01 rood and 05 perches from the Tilton Estate in Nawalapitiya had been provided for a private company for a period of 30 years. In the year 2008, a person named Thilak Kumara Udugama had taken over the land plot and defaulted on the payment of lease rents up to the year 2022. Accordingly, an eviction order had been issued in accordance with the verdict number 79899/18 returned by the magistrate's court of Nawalapitiya on 2021.03.26. Having obtained a report from the Director (Legal) on the recovery of outstanding lease rent at the session of meeting of the Commission held on 2022.11.09, the district office had been informed. Accordingly, further action is being taken.
- Action should be taken to recover the due lease rents and take over the land.

- (i) The extent of 02 acres 02 rood and 30 perches relating to the Plot Nos. 32, 34 and 35 of the Plan No. 8749 prepared by the Surveyor General on 27 November 2005 for the Templeberg Estate in Colombo district along with the extent of 0.1877 hectares from Plot No. 31 of that land had been given on lease for a 30 year period to a factory producing and galvanizing wires in terms of Section 22 (1) (b) of the galvanizing under the condition of reviewing the lease rent in 05 year periods based on the year in which the enjoyment had been transferred. Nevertheless, no amount whatsoever had been recovered from the total lease rent of Rs. 32,475,109 receivable to the Commission as at 31 December 2022, and it was further observed that a lease agreement had not been entered into with that institution as well.
- Enjoyment of the Plot Nos. 31, 32, 34 and 35 of the Plan No. 8749 prepared by the Surveyor General with respect to the Templeberg Estate also known as Leyland Watta, had been transferred to the Rebimec Group of Companies by the Ministry of Industries. The extent was 450 perches. The revenue division had been informed that the lease rent of Rs. 32,475,109 receivable as at 2022.12.31 in respect of those 04 land plots would be settled by 2023.07.30, and it is informed that further action will be taken accordingly.
- Action should be taken to give lands on lease under a formal lease agreement and recover the due lease rents.
- (j) Approval had been granted through the Cabinet Decision No. CP/18/1126/829/002 dated 27 June 2018 to appoint 214 officers for a period of one year in order to prepare the land register of the Commission, but approval of the Department of Management Services had not been granted to appoint them permanently. However, plans had been revised and forwarded to the deeds division to prepare plans under the process of the Commission for granting lands in order to grant lands to 08 of those employees so appointed; and it was also observed that those employees had been appointed to prepare the land register though, this had been done despite the intended purpose had not been completed.
- As per the decision of the Commission to grant lands to its employees, an employee must complete a 05 year continuous period of service at the Commission with no disciplinary issues against him. Following requests made by some of the employees for lands on employment basis after identifying land plots in several districts, action had been taken to conduct preliminary activities in that connection, but no deeds have so far been given to them. As it has been proposed that approval should be sought from the Department of Management Services through the Ministry or submit a Cabinet Memorandum in that connection, it is kindly informed that further action will be taken accordingly. Furthermore, action has been taken through my Internal Guideline No. 2/1/145 (IV) dated 2023.05.24 to formalize the process
- This illegal process of granting lands to the employees should be discontinued immediately.

followed in granting lands to the employees.

- (k) A decision had been taken as per the Commission Paper No. 8393 dated 30 April 2013 to give 10 acres from the HaegallaWatta land in Kalutara district to a person on lease for cultivation of tea. No lease rent whatsoever had been paid for this land by the lessee since the year 2011, nor had a formal agreement been entered into. According to the description on financial position presented as at 31 December 2022, the Commission had not taken action either to recover the due amount of Rs. 1,824,000 or take over the land.
- A sum of Rs. 50,000 out of the outstanding lease rent of Rs. 1,824,000 receivable as at 2022.12.31, had been paid to the district office of Kalutara by the lessee on 2023.01.12. The lessee has agreed in writing that the lease rent would be settled without delay. The Legal Division has been instructed either to recover the outstanding lease rent or take over the land through legal action. As such, it is informed that further action will be taken.
- Action should be taken to give lands on lease under a formal lease agreement and recover the due lease rents.
- (l) Action had been taken in the year 2014 in terms of Section 22 (1) (b) of the Land Reform Law to give on lease an extent of 08 acres from the land of "Lechchami B Watta" at Divisional Secretariat of Akmeemana in Galle district to an organization named "Sahana Children Development Foundation" for a period of 30 years under a lease rent being revised in 05 year periods at the value assessed in the year 2005. The Audit was informed that enjoyment of the land had unilaterally been taken over by the Commission in the year 2021 owing to a dispute. Furthermore, the Commission had not taken action to recover the sum of Rs. 6,998,800 due as at 31 December of the year under review from the "Sahana Children Development Foundation".
- The lease rent receivable up to 2022.12.31 amounted to Rs. 6,998,800. No lease rent whatsoever has been paid since 2005 up to the present day whereas a sum of Rs. 50,000 had been paid on 2005.08.15 with respect to the service charge on assessment. With buildings built and cultivations maintained, this land had been enjoyed by a monk, and he had passed away on 2020.05.18. It had been decided at the meeting of the Commission held on 2021.03.26 relating to the non-payment of lease rent and the demise of monk that rights to the land be taken over unilaterally. A report had been submitted by the special investigation officer, Mr. Namal Premawardana on 2022.07.20 with the objective of recovering the lease rent receivable to the Commission from this land at the present day. Accordingly, a Commission Paper has been prepared in order to be presented to the next meeting of the Commission.
- The land so taken over, should be utilized in accordance with objectives of the Land Reform Act.
- (m) The land named, Brae Group located at Divisional Secretariat, Laggala in Matale district had belonged to Mr. Sidambaram Pillai and his two

children named Sidambaram Jegadeesan and Sidambaram Raghunadan. As that land belonged to Knuckles forest reserve, the Commission took action to provide alternative lands. The following matters were observed in that connection.

- (i) Every statutory determination published in the Gazette under Section 19 of the Land Reform Law shall come into operation on the date of such publication, and the Commission shall have no right, title or interest in the agricultural land specified in the statutory determination from the date of such publication in terms of Section 20 of the Law. Nevertheless, despite the lack of provision in the Law, the Commission had provided Sidambaram Raghunadan with 11 acres on 24 November 2022 from the land of Ganemulla Kumbura or Ganethota Watta located on Chandrika Kumarathunga Mawatha in the Divisional Secretariat, Kaduwela of Colombo district in place of the 32 acre extent provided for him from the Brae Group Estate.
- Once a statutory determination is published in the Gazette in terms of Section 19 of the Land Reform Law No. 01 of 1972, and the Commission shall have no right, title or interest in the land so published in terms of Section 20 of the Law. Nevertheless, the Commission is authorized to exchange the lands in accordance with powers vested in the Commission in terms of Section 44 of the Law; and, as per Section 47 of the Law, the Minister may give such general or special directions and the Commission shall give effect to such directions. Accordingly, Mr. Sidambaram Raghunadan had brought the matter before the former Executive Director of the Commission on 2021.05.23, and approval had been granted at the meeting of the Commission held on 2021.07.08 that an extent of 25 acres 0 rood and 00 perch from the land of Ganemulla Kumbura or Ganethota Watta in Kaduwela of Colombo district be granted to him in exchange of the extent of 50 acres 0 rood and 00 perch from the Brae Group Estate in accordance with statutory determination. Consent on the said approval had been granted by the Hon. Minister on 2022.11.24.
- Sections 44 and 47 of the Law are of no relevance to the audit observation. As such, an independent inquiry should be conducted in this connection.

- (ii) The buyers of the Brae Group Estate in Divisional Secretariat, Laggala of Matale district stated that action had been taken by the Department of Wildlife Conservation to acquire the lands given to them, for the Knuckles forest reserve. According to the letter of the Director (Maximum Land Limit) dated 19 July 2021 addressed to the Land Reform Authority of Matale district, it was stated that action should be taken to provide compensation for the Commission with respect to the declarant of 03/403, Sidambaram Raghunadan to whom statutory determination had been granted, when the lands given to him from the Brae Group Estate of Matale, were taken over for Knuckles forest reserve. As such, the declarant could have obtained compensation from the Department of Wildlife Conservation, but it was observed that the declarant had no legal grounds on which compensation would be obtained from the Department of Wildlife Conservation in respect of a land which had not belonged to the Land Reform Commission in terms of Section 19 of the Law. Nevertheless, the said compensation had not been received by the Commission even by the date of audit on 09 December 2022.
- The Commission assembled on 2021.07.08 had granted approval on granting an extent of 25 acres 0 rood and 00 perch from Ganemulla Kumbura or Ganethota Watta in exchange of the plot from Brae Group Estate relating to which a statutory determination had been given for declarant, 03/403. Following that approval, the letter dated 2021.07.19 of the Director (Maximum Land Limit) stated that the Commission should be represented at the time of examining rights to receive compensation for declarant, 03/403 relating to plot of land to be taken over for Knuckles forest reserve by the District Director of Matale. Although it was possible for the declarant to claim for compensation from the Department of Wildlife Conservation with respect to the statutory declaration on the plot of land to be taken over for Knuckles forest reserve, the Commission may reserve rights to the plot of land in Brae Group Estate on which the statutory determination had been given to the declarant as the Commission had approved granting alternative lands in respect of the statutory determination. The letter of the Divisional Secretariat, Laggala, dated 2022.05.18 stated that it was proposed to acquire the entire area of the Brae Group Estate.
- An independent inquiry should be conducted.
- (iii) It had been decided following the decision taken by the Commission on 08 July 2021
- When matters were brought before the Commission relating to providing alternative lands for Mr.
- Facts should be verified in granting

to provide alternative lands in exchange of plot of land pertaining to Mr. SidambaramRaghunadan from Brae GroupEstate in Divisional Secretariat, Laggala of Matale district. Letters were sent to the Divisional Secretariat, Laggala on 19 July 2021 and 26 April 2022 in order to ascertain as to whether the land belonged to the Knuckles forest reserve. No replies whatsoever were included in the 03/403 file in that connection. As such, it was observed that a decision of controversial nature had been taken by the Commission to provide alternative lands without verifying the matter.

SidambaramRaghunadan, the report given through the letter of the District Director of Matale on 2021.04.26 and the confirmation of the Director (Survey and Demarcation) of the Commission dated 2021. 03.12 were also forwarded. A letter on the explanation requested from the Divisional Secretariat, Laggala on 2022.04.26, was given on 2022.05.18 informing that entire land area of the Brae GroupEstate was proposed to be acquired. As such, action was taken to verify the facts before as well as after the matters were brought before the Commission.

alternative lands.

- (iv) Letters had been sent to the Land Reform Commission in 07 and 06 instances relating to the Brae Group Estate by Mr. Sidambaram Raghunadan and Mr. Sidambaram Jegadeesan respectively. It was observed in audit that signatures in those letters had been different to the ones placed at the time of giving the statutory determination, and original copies of those letters were not in the files. It was observed in examining the letters that the signatures had been placed after being scanned.
- Mr. Sidambaram Raghunadan had requested for alternative lands in 07 instances, and original copies of 03 such instances are maintained in the 03/403 file. Mr. Sidambaram Jegadeesan had requested for alternative lands in 06 instances, and original copies relating to 02 such instances are maintained in the 03/419 file. As a period of 50 years has lapsed at present since the statutory determinations had been presented by those declarants, it is necessary to verify through the relevant declarant as to the differences of signatures on the declaration paper and the requests made at present.
- Accuracy of the signatures should be verified by the Commission. An inquiry should be conducted on the failure to do so, and in case of forged documents being identified, disciplinary action should be taken against the officers responsible.
- (v) Disposal of lands done in accordance with the Cabinet Decision No. CP 18/0828,738,006 dated 30 May 2018 should be suspended with immediate effect as per Recommendation (i) of the Cabinet Decision No.
- The fact that release of lands on legal liabilities should be suspended with immediate effect, has not been mentioned either in the Recommendation No. 22/Miscellaneous (063) of the Cabinet dated 2022.11.14 or the Cabinet Decision No. CP 18/0828/738/006 dated 2018.05.30. However, disposal of lands in
- Action should be taken in accordance with Cabinet Decisions and recommendations.

- 22/Miscellaneous (063) dated 14 November 2022 forwarded to the Secretary to the Ministry of Tourism and Land by the Secretary to the Cabinet of Ministers. However, an extent of 11 acres from the GanemullaKumbura or GanethotaWatta land on Chandrika KumarathungaMawatha at the Divisional Secretariat of Kaduwela in Colombo district had been granted as an alternative land to Mr. H.T. Sarath, the owner of Mr. SidambaramRaghunadan's power of attorney on 24 November 2022. extent of up to 05 acres on lease basis, has been suspended therein.
- (vi) The paddy land named GanemullaKumbura or GanethotaWatta in extent of 42 acres and 58 perches owned by Mr. K.D. N. Appuhami located on Chandrika KumarathungaMawatha at the Divisional Secretariat of Kaduwela in Colombo district, had been declared to the Commission on 28 November 2011 by the Declarant No. Colombo/1068 in terms of Section 18 of the Law. However, the Commission had taken action to exchange the said paddy land with the terrestrial land of Brey Group Estate located in Matale district. Although the land named GanemullaKumbura or GanethotaWatta located in the village of Welivita at the Divisional Secretariat of Kaduwela in Colombo district had been mentioned as GanemullaKumbura, it was clearly mentioned in the report forwarded on 2010.09.23 by the Director (Survey and Demarcation) of the Commission that the land had been used for cultivation of vegetables and maintain a brick kiln. Action should be taken by properly defining provisions of the Law.
- (vii) Having been decided that the value of 25 acres from the land named GanemullaKumbura or GanethotaWatta located on Chandrika As for the grant of alternative lands under legal liabilities of the Commission, action is taken to obtain assessment from the Government Valuer on land plots subject to be exchanged in accordance with the Lands should be disposed at the correct value of assessment.

KumarathungaMawatha at the Divisional Secretariat of Kaduwela in Colombo district, was Rs. 24,500,000, the Director (Assessment and Compensation) had valued the land at Rs. 86,012,150 as at 19 August 2022 following a general policy decision. Accordingly, the value per perch amounting to Rs. 6,125 in the year 1996, had been assessed to be Rs. 21,503 by the year 2022, but the present value thereof is observed to be much higher than that.

decision taken at the 603<sup>rd</sup> session of the Commission held on 2009.12.22. Accordingly, action had not been taken to obtain assessments for the Brae Group Estate and the alternative land to be exchanged, GanemullaKumbura or GanethotaWatta. Alternative lands are disposed for declarants based on the said general policy decision up to this day.

- (n) It was observed as per the file that extents of 05 acres and 66 perches had been encroached by the incumbent monk of Isipathanaramaya of Horana and a private land owner respectively from the undivided plot of 14 acres 01 rood and 9.9 perches at the land of Horana, Wewala, HegallaWatta of BangalaWatta owned by the Commission located at the Grama Niladhari division of Mahena North 615 B pertaining to Divisional Secretariat of Horana in Kalutara district. Nevertheless, legal action had not been taken in terms of Section 16 of the Land Reform Law No. 01 of 1972 to evict the encroachers.
- Following the request made by Venerable ThanjamthenneDhammaransi to obtain a plot of land on lease to establish a leadership training center for clergy and laymen, the Survey Order No. 15/6/3626 dated 2021.11.08 had been issued to survey a plot in extent of 04 acres 02 roods and 00 perch from the Plan No. 1581 under the name of the Commission. Nevertheless, the Case No. CA(W)576/2021 had been filed at the appellate court by Sujatha Weerakoon against the Commission, and hence the surveying could not be done thus failing to proceed with the lease.
- Legal action should be taken to evict the encroachers.
- (o) An extent of 04 acres 02 roods and 12.60 perches from the land of GallidagawaWatta in Galle district had been used by a private company. The lease rent of Rs. 597,924 payable until 31 December 2022 based on the revised assessment since the year 2016, had not been recovered even by the date of audit in June 2023.
- The extent of 04 acres 02 roods and 12.6 perches from the land of GallidagawaWatta in Galle district had been given on lease to Intex Mode (Pvt) Ltd. for a period of 30 years under the Lease Agreement No. 625, and lease rents had been paid based on temporary assessment. Assessment for the year 2016 had been received on 2021.12.05 and
- Outstanding lease rent should be recovered.

difference of lease rent for the 05 year period had been adjusted (252,000 – 164,700 = 87,300). Accordingly, the lessee had been informed on 2021.12.21 that the outstanding lease rent be settled, and a part of the lease rent had been paid. He was informed on 2023.03.10 again to pay the due. A reminder had been sent on 2023.07.06 and it is informed that legal action will be taken for recovery in case of failure to make the payment.

- (p) An extent of 01 rood and 9.79 perches from the Ja KotuwaWatta land located at Kolonnawa, Wellampitiya in Colombo district, had been transferred to a person at an annual lease rent of Rs. 1,590,000 in terms of Section 22 (1) (b) of the Act of the Commission. Based on the market value, the Chief Valuer of the Government had assessed the land to be worth Rs. 26,500,000, but given the fact that the lease rent computed on that value would be much higher, the lessee had informed on 02 January 2022 that such an amount would not be paid. The process of reassessing the land and giving it on lease again, had not been completed even up to the date of audit in June 2023.
- Although the lessee had been informed on 2021.07.19, a request was made saying that the assessment was much higher and paying the lease rent from the income earned through the business could not be done thus, the lease rent needed revising. Accordingly, the Department of Valuation was informed in that regard on 2022.01.07 by the Director (Assessment and Compensation), but the Department of Valuation replied that the assessment could not be revised. The lessees again made an appeal to the Commission saying that the assessment could not be accepted, and forward the request to the Department of Valuation again. The request was again sent to the Department of Valuation. On 2023.07.04. Once the report of assessment is received, a final decision will be taken and informed to you.
- Action should be taken to assess and lease the lands.
- (q) The lands given on lease by the Commission should be assessed in 05 year intervals thereby renewing the agreements. It is a condition imposed by the Commission when giving lands on lease that value of lease rents would be changed based on the assessments. Hence, it is the responsibility of the Commission to obtain the assessed value for lease rents. Nevertheless, reports on revised assessments relating to the lands given on lease to Divulapitiya
- A reminder had been sent on 2022.09.20 by the Director (Assessment and Compensation) relating to the delay in receiving the assessment,
- Action should be taken to assess properly and recover the lease rents.

Smart Shirt Lanka and Mirigama Plantations had not been obtained.

- (r) It had been decided at the 9676<sup>th</sup> session of the Commission held on 07 February 2017 that rocky lands should be given on lease under written agreements to be effective for a period of one year following the recommendations given by the Central Environmental Authority and Geological Survey and Mines Bureau. According to the ledger on the income from rocky lands, the rocky lands of the Commission had been given on lease to 93 lessees. However, the deficiencies such as, non-availability of agreements entered into between the lessee and the Commission in the lease files, failure in obtaining the annual recommendations from the Central Environmental Authority and Geological Survey and Mines Bureau, failure to obtain the trade licenses from the relevant Local Authority annually, and failure to recover the lease rents on rocky lands due as at 31 December 2022, were observed in the audit test check conducted in that connection.
- The lease rent ledger has been prepared by including accurate information on 93 lessees. A lease agreement should be entered into following consent of the parties on the conditions. As the lessees had delayed to reach a final decision relating to the agreement on the value of number of cubes assessed by the Commission and the Geological Survey and Mines Bureau, having further discussions in that regard would further delay the process of entering into agreements, the Director (Project) had been informed that action be taken within a period of 03 weeks to sign the lease agreement based on the said information subject to be finally revised by the Commission. The methodology of “One Stop Shop” effective at present, requires the annual recommendations to be obtained from the Central Environmental Authority and Geological Survey and Mines Bureau, and those institutions issue the recommendations through the letter of agreement given by us under the Format No. 02. As such, those recommendations are not given by our institution. Accordingly, trade licenses are also obtained by the Geological Survey and Mines Bureau under the same methodology, and hence the copies thereof are not received by us. A formal methodology had been prepared and put in place relating to the recovery of outstanding lease rents due as at 2022.12.31, and it was the decision of the Commission that discussions should be held in that connection at the audit and management committee meeting of the institution thereby presenting the methodology again together with the recommendations of the committee. Accordingly, the matter was taken for discussion at the committee, and recovery
- The outstanding lease rents should be recovered.

of outstanding lease rents is in progress based on the decisions taken therein. It is scheduled to apprise the next session of the Commission.

- (s) According to sample tests conducted in the year under review on 06 rocky lands given on lease, a lease rent of Rs. 37,909,196 remained receivable, but action had not been taken to recover those lease rents. Chaminda Jagath Kumara had been informed to settle the outstanding lease rents. In case of failure to do so, instructions had been given to the Director (Legal) and Director (Projects) that legal action be taken after being verified by the Revenue Division. The Revenue Division had informed the Director (Projects) that outstanding lease rents should be recovered before issuing licenses for land plots of the lessees named, Samantha Kumara Wijesiri, W. L. Sandhayani, Dhanapala Wanniarachchi, and Lalith Wanniarachchi, and the issue of license should be suspended if they fail to do so. The Director (Projects) had been instructed with respect to the recovery of sum receivable from Priyanka Ekanayake. Outstanding lease rents should be recovered.
- (t) According to the letter dated 13 December 2022 relating to the lease rent of a quarry rock crusher installed at an area of 01 acre and 03 roods in the rocky land of Deegalla Estate located in the division of Divisional Secretariat, Dodamgoda of Kalutara district, it was verified as per the file that an outstanding lease rent of Rs. 144,000 remained receivable. However, that balance had not been mentioned in the lease ledger. Approval had been granted to give the land on lease to Mr. S.W.P.P. Sugathadasa to be used for a period of one year for a rock mining project and 30 years for installing the quarry rock crusher. Accordingly, the lessee had been informed on 2022.12.13 that the lease rent be paid based on the assessment relating to the year 2020. The lease rent receivable as at 2022.12.31 amounted to Rs. 144,000. As the payment has not been made thus far, the Director (Projects) has been informed that the outstanding lease rents be recovered by revoking the transfer of land. Lessees should be mentioned in the supporting documents, and action should be taken to recover the outstanding lease rents as well.
- (u) Despite the lack of any legal provision, a sum of Rs. 1,176,000 had been paid as housing and entertainment allowances to the Chairman and Executive Director in the year under review. The Department of Public Enterprises had been queried as to the payment of housing and entertainment allowances to the Chairman and Executive Director of the Commission; and, the reply stated that payment of housing and entertainment allowances paid despite being approved, should be recovered.

allowances to hose officers could not be agreed upon. After the matter being brought to the 784<sup>th</sup> session of the Commission held on 2023.02.02, payment of those allowances had been suspended.

### 3.3 Management of the Fleet of Vehicles

Audit Observation	Comment of the Management	Recommendation
(a) There existed 05 vehicles withdrawn from use, and the Audit was informed by the Commission that 03 of those vehicles were not in running condition. Nevertheless, 02 vehicles were in use for 02 months in the year 2022, and one of those vehicles was sent for repairs, but after a period of over 10 months since then, it was observed that no action was taken to complete the repair.	The fault occurred in the engine of Cab, PC-6653 in late 2021 had been repaired at the cost of Rs. 485,380 by a garage in the area identified through the telephone directory. However, a fault occurred in the engine again during the warranty period itself, and the vehicle was sent to another garage under agreement of the garage that initially did the repair. However, that garage did not agree to do the repair. Hence, letters were sent to the garage stating that legal action would be taken against them if they failed to do the repair. The vehicle No. 251-7256 had been sent for repairs in the year 2022 though, the repairing had delayed due to reasons such as, scarcity of fuel in the country during that time, crisis in the country, limitations on expenses, and the repair of the vehicle had not been included in the Procurement Plan. Nevertheless, the repair on that vehicle has been completed at present in accordance with the Procurement Plan of the year 2023.	Vehicle should be repaired without delay.
(b) Although 15 vehicles had been owned by the Land Reform Commission, it was observed in the examination on vehicles that there were 25 Drivers.	Although there are 25 Drivers in the drivers pool of the Land Reform Commission, there are only 15 vehicles in the pool of vehicles. Some of those pool vehicles did not remain in running condition previously and hence, the number of Drivers exceeded the number of vehicles. However, salaries were paid to them monthly. As such, more than one Driver was attached per vehicle. Furthermore, two of the excess Drivers were attached to the Ministry of Lands. Repairs on the vehicle not in running condition are in progress at present in accordance with the procurement procedure, and this situation would be minimized after the repair.	Excess Drivers should be assigned to duties ensuring productivity.

### 3.4 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
(a) The Commission had not taken action by the end of the year under review either to fill 02 vacancies for officers in the senior level, or revise the cadre based on requirements.	The Circular No. 03/2022 was released on 2022. 04.26 relating to restriction on Government expenditure. All recruitments were postponed as per that Circular as well as Public Enterprises Circular, No. 04/2022 issued on 2022.08.22. For essential recruitments, special approval should be obtained from the Department of Public Enterprises or Department of National Budget. Accordingly, approval of the Department of Public Enterprises was obtained on 2023.01.16 for making recruitments to the posts of Director General and Director (Administration). Notices were published for recruitment to the post of Director General, and interviews were held on 2023.07.11.	The Commission should take action either to revise the approved cadre based on requirements or fill the vacancies.
(b) A number of 147 officers comprising 03 officers of the middle level, 126 Management Assistants, and 18 officers of the primary level, had been recruited contrary to the approved cadre, but approval of the Department of Management Services had not been obtained thereon.	Following the meeting of the Committee on Public Enterprises held on 2022.10.21, a discussion had again been held with the Department of Management Services relating to the absorption of excess employees into the approved cadre. According to the decision taken at that discussion, a Cabinet Paper had been submitted seeking approval to absorb the staff so recruited, into the permanent staff based on official requirements of the Commission. Accordingly, the Cabinet Memorandum No. CP 23/0293/615/008 dated 2023.02.06 had been presented, and the Cabinet Decision No. 23/0293/615/008 dated 2023.04.04 had been given thereon.	Approval of the Department of Management Services should be obtained on the excess cadre.
(c) The Cabinet Decision No. CP//18/1126/829/002, stated that 214 officers would be recruited for a period of one year, and based on their performance, the service would be extended for a period of 03 years. However, after lapse of the	Following the meeting of the Committee on Public Enterprises held on 2022.10.21, a discussion had again been held with the Department of Management Services relating to the absorption of excess employees into the approved cadre. According to the decision taken at that discussion, a Cabinet Paper had been submitted seeking approval to absorb the staff so recruited, into the permanent staff based on official requirements of the	Approval of the Department of Management Services should be obtained on the relevant cadre.

said period and without Commission. Accordingly, the Cabinet being approved by the Memorandum No. CP 23/0293/615/008 dated Department of 2023.02.06 had been presented, and the Management Services, Cabinet Decision No. 23/0293/615/008 dated permanent appointments 2023.04.04 had been given thereon. had been given to 138 Management Assistants, 10 Drivers and 16 Office Assistants.

#### 4. Accountability and Good Governance

##### 4.1 Tabling of Annual Report in Parliament

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
According to Paragraph 6.6 of the manual for good governance of public enterprises issued with the Public Enterprises Circular, No. PED/01/2021 of the Secretary to the Treasury dated 16 November 2021, the annual reports of the Commission should be presented to Parliament trilingually within a period of 05 months from the end of the year of finance. Nevertheless, the annual reports relating to the period 2015-2021 had not been tabled in Parliament even by the end of the year under review.	As for the presentation of annual report of the year 2021 in Parliament, a draft Cabinet Memorandum dated 2023.05.03 along with 05 trilingual copies of the annual report of the year 2021 and 02 CDs had been sent to the Ministry of Lands on 2023.05.16. Furthermore, the annual reports of the years 2015, 2016, 2017, 2018, 2019 and 2020 had been sent to the Land Reform Commission on 2023.06.23. Accordingly, the annual reports of the years 2015, 2016, 2017, 2018, 2019 and 2020 revised in accordance with instructions given by the Ministry of Lands, had been tabled in Parliament after being sent to the Ministry of Lands and Tourism on 2023.06.26.	The annual report should be tabled in Parliament in terms of Public Enterprises Circular.

##### 4.2 Corporate Plan

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
The strategic plan had not been prepared in accordance with Paragraph 2.3 of the manual on good governance for public institutions issued with the Public Enterprises Circular, No. 01/2021 dated 16 November 2021.	The draft Corporate Plan for the period 2023-2027 has been prepared on Guidelines of the Sri Lanka Institute of Development Administration in compliance with the programme for restructuring the Commission. Once approval of the Commission is obtained, a copy of the draft Corporate Plan will be sent to you within a period of 03 weeks.	The strategic plan should be prepared within the specified period, and a copy thereof should be presented to the Auditor General.

### 4.3 Annual Action Plan

Audit Observation	Comment of the Management	Recommendation
(a) Having scheduled to distribute 20,000 Ranbima deeds among the recipients in the year 2022, a number of 2,422 deeds, as less as 12 per cent of the scheduled number, had been distributed	Although it was mentioned that the number of deeds distributed in the year 2022 was 2,422, the Commission now has 2,450 deeds waiting to be distributed after completion including the deeds prepared in the year 2022. Furthermore, 448 grants had been given subject to provide deeds in the year 2022. Action had been taken in the year 2023 to distribute the 183 grants prepared in the year 2022 relating to Galle district.	Action should be taken in accordance with the annual plans.
(b) Twenty three of the 290 deeds scheduled to be distributed under the “Shasanabhiwandana” programme implemented to grant deeds to Buddhist religious places, had been distributed representing 08 per cent.	Although it was scheduled to grant deeds to 290 religious places in the year 2022, the criteria taken into consideration for granting deeds is whether the religious place is a registered institution. As only 23 registered places had been willing to obtain the deeds after paying the assessment value, it is informed that action had been taken to accredit them.	Action should be taken in accordance with the annual plans.
(c) Although it was scheduled to conduct 44 mobile services for solving the land issues in the year, only 02 had been conducted. Hence, the progress thereof remained as low as 05 per cent.	The scheduled target of conducting 44 mobile services could not be achieved within the year though, it is informed that stating under the performance that the number of mobile services conducted was 02, is not correct.	Action should be taken in accordance with the annual plans.
(d) Issue of lease agreements after being revised in order to increase the lease rent income, and transferring lands on lease to suitable persons and institutions in accordance with policies, laws, and rules, had not been done in the year.	A long term lease agreement is given to the lessees to whom lands had been disposed on lease basis. Due to reasons such as, existence of files without project committee approval, Commission approval, approval of the Minister in charge of the subject, and Cabinet approval relating to lessees paying leases rents whose enjoyment continued over extensive periods, and some of the lessees defaulting on the payment of lease rents due to non-	Lease agreements should be given properly, and action should be taken to dispose lands on lease basis.

receipt of lease agreement although lease rents had been paid by them for the initial 05 year period, granting lease agreements could not be done. In addition to the internal lawyers, a panel of external lawyers had also been appointed in this regard at the meeting of the Commission held on 2023.07.13.

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| (e) | The number of statutory determinations shown in the performance plan was 4 for the year at one per each quarter, and activities under 03 of them, had been executed. It was not satisfactory in audit as to whether the number of statutory determinations executable within a year, would be 04. | As showing the boundaries for surveying lands and preparation of plans are beyond scope of this Commission, it is informed that performance-related targets could not be achieved. Nevertheless, the number of persons to whom the statutory determinations should be provided, had been recognized as 260; and, files relating 05 of them, have been completed. According to the way the said matters are resolved; these activities will also be completed. | The number of statutory determinations that would be executed within a year should be correctly decided. |
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#### 4.4 Sustainable Development Goals

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
According to “Year 2030 Agenda” of the United Nations on sustainable development and provisions of the Circular No. NP/SP/SDG/17 issued by the Secretary to the Ministry of National Polices and Economic Affairs, the Commission should have identified the targets to be achieved in order to fulfill the sustainable development goals, deviations in the achievement of such targets, and indicators to measure the achievement of targets. Nevertheless, the Commission had not identified the targets achieved, deviations, and miscellaneous areas needing attention, by identifying such indicators.	Preparation of the draft Corporate Plan for the period 2023-2027 in coordination with the Sri Lanka Institute of Development Administration has been completed. During preparation, the sustainable development goals had been taken for consideration. Furthermore, such targets could not be reached in the year 2022 due to scarcity of fuel, and economic and political instability; hence, the Action Plan for the final quarter of the year 2022 had been revised by taking that into consideration thus obtaining approval of the Commission. Nevertheless, the Action Plan for the ensuing period will be prepared by taking into consideration the areas of low performance covering all the areas.	Sustainable development goals should be recognized and implemented.