Land Reform Commission -2024

---

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Land Reform com for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income, statement of changes in equity, and cash flow statement for the year then ended and notes to financial statements including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018, Land Reform Act No. 01 of 1972 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. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion due to significance of the matters described in paragraph , Basis for Disclaimer of Opinion, of this report.

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 Public Sector 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 Commission 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

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. However, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion due to significance of the matters described in paragraph , Basis for Disclaimer of Opinion, of this report.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliances with Sri Lanka Public Sector Accounting Standards

	Non-compliance with Reference to the Relevant Standard	Comment of the Management	Recommendation
a)	In revaluing an asset in terms of Paragraph 40 of the Sri Lanka Public Sector Accounting Standard No. 07, the entire class of assets should be revalued. However, the building in Karandeniya and the circuit bungalow in Lindula had not been revalued but the rest of the buildings had been revalued.	As the reports of assessment relating to the buildings in Karandeniya and Lindula had not been received at the time of preparing financial statements for the year 2024, adjustments could not be made for the revaluation amounts thereof.	Action should be taken to revalue all the buildings in accordance with Sri Lanka Public Sector Accounting Standards.
b)	The buildings of which the value amounted to Rs. 14,804,400 prior to the revaluation, had been revalued to the amount of Rs. 17,900,000, and the total amount of revaluation had been brought to accounts. However, due to failure in eliminating the previous value of Rs.14,800,400 from the account, cost of the buildings had been over computed by the said previous value whilst the revaluation surplus had been over computed by Rs. 10,738,876 as a sum of Rs.17,900,000 had been credited to the revaluation surplus relating to the revalued buildings although a sum of Rs. 7,161,122 should have been credited thereto. Furthermore, the matters to be disclosed when a class of Property, Plant and Equipment is stated at revalued amounts in terms of Paragraph 90 of the Sri Lanka Public	An error had occurred when computing the annual depreciation for buildings, and corrective measures will be taken in preparing the financial statements for the year 2025. Furthermore, the district offices in Monaragala, Puttalam and Ratnapura had been revalued again, and the amounts had been received by us; and, in accounting for those amounts, the total values were brought to the accounts rather than accounting only for the increased amount. It was an error occurred unintentionally and corrective measures will be taken thereon in preparing the financial statements for the year 2025. The error of not including the matters in the financial statements relating to a class of Property, Plant and Equipment being stated at revalued amounts, will be corrected through a	The revaluation result should be correctly brought to accounts, and the methods followed and significant assumptions should be disclosed in terms of Sri Lanka Public Sector Accounting Standards.

	Sector Accounting Standard No. 07, had not been so disclosed.	note in the financial statements of the year 2025.	

1.5.2 Accounting Deficiencies

	Audit Observation	Comment of the Management	Recommendation
a)	According to the land register, the extent of lands further belonging to the Commission after disposal of the lands acquired since its establishment in the year 1972, was 279,208 hectares (including the extent of 4,833 hectares given on lease). However, only an extent of 2,144 hectares had been valued and the value thereof had been disclosed as Rs. 905,285,000 in the financial statements as at 31 December 2024.	Lands should be surveyed and the plans should be provided in order to value the lands. However, all the lands have not been surveyed in that manner, and the leased lands that had been surveyed, have been forwarded for valuation. Only the values of assessment received by the Commission from the Government Valuation Department as at 31.12.2023 relating to the leased lands, have been presented in the accounts. Those values of assessment are included in accounts in the order of receipt. At present, a portion of the lands has been revalued and included in the financial statements, and accordingly, the value of the lands has been stated as Rs. 905,285,000 as at 31.12.2024. When inquiries were made from the Government Valuation Department regarding this matter, it was informed that, according to the circular of the Comptroller General, the valuation should be carried out through the Government Valuation Department.	The updated values of the existing lands should be shown in the financial statements.
b)	The compensation payable for the lands acquired from estate companies and persons in terms of Land Reform Act No. 01 of 1972, amounted to Rs. 215,488,388 as at 31 December 2024. As the Audit had not been provided with acceptable evidence in the 02 schedules (Stage I and II) relating to the payment of compensation, the accuracy of that balance could not be verified.	It is informed that information relating to the payment of compensation, would be provided whenever requested.	The registers should be updated with compensation either paid or payable on the lands acquired, and maintained accurately.

c)	Annual depreciation on buildings had been overstated by Rs. 2,703,876 in the accounts. As such, the profit of the year under review had been understated whilst the cumulative depreciation had been overstated by that amount.	An error has occurred when computing the annual depreciation on buildings, and corrective measures will be taken in the financial statements of the year 2025.	The annual depreciation should be recognized and brought to accounts.
d)	The sum of Rs. 1,460,000 obtained in the year under review as advances for the sale of lands had been included in the sales income. As such, the sales income had been over computed by that value.	It is noted to take corrective measures in preparing financial statements for the year 2025. All the divisions of the institution and the district offices will be informed to credit the land sale advance payments only in the Land Sale Advance Account hereafter.	Lease rent income of the year should be recognized and brought to the accounts.
e)	The lease rent of Rs. 660,000 received in favour of lands at Thottam, Muhamali given on lese in the years 2022 and 2023, had been brought to accounts as lease rent income of the year under review. As such, the lease rent income of the year under review had been over computed by that amount.	It was the year 2021 in which the lease notices had been sent with respect to lands in Jaffna given on annual lease under "Ranbima Navodaya", and the lease rent relating to the years 2022, 2023 and 2024 had been paid in several instances in the year 2024. The district office in Jaffna had erroneously issued receipts for the monies so paid as income from gems, but even those receipts had not been forwarded to the revenue division. Having taken corrective measures thereon, the total amount had been transferred from gem lease income account to the land lease account through journal entries as the lands had been given on annual lease basis, thus giving rise to the said error. The relevant divisions have been informed to avoid such inefficiencies in the future.	Income of the year should be correctly recognized and brought to accounts.
f)	Action had not been taken to recognize and account for the land use charges amounting to Rs. 31,688,608 receivable with respect to lands in extent of 812 acres 02 roods and 22 perches given on	Discussions are being held at ministerial level regarding the issue on those land use charges and the lease rents. It is informed that , based on the result of those discussions , action will be taken to	The land use charges should be recognized and brought to accounts.

	lease to the Coconut Cultivation Board by the Commission.	make adjustments in the financial statements of the year 2025 for the due land use charges.	
g)	Due to reasons such as, failure to enter into formal agreements relating to lease rent on rocks, land lease rent , trade and other receivable & payable balances, existence of long term dues, failure to settle the payable balances, and non-receipt of confirmation of balances relating to 54 receivable balances totalling Rs.466,314,236 and 17 payable balances totalling Rs.7,105,291, the accuracy of those balances could not be verified in audit.	The Finance Division sent 21 letters of confirmation of debtors' balances, and the copies thereof have been sent to the Superintendent of Audit as well. Replies have been received for 06 of them. In addition to that, letters of confirmation of balances have been sent by the Finance Division to the lessees relating to 32 of the 34 debtors' balances with copies to the Audit, but none of them has been replied. No such letters have been sent for the other debtors' balances due to issues relating to the relevant lands. Four letters of confirmation of balances relating to creditors have been sent with copies to the Superintendent of Audit. A reply has been received for one of those letters.	The receivable and payable balances should be confirmed, and action should be taken to settle those balances.
h)	As for balances totalling Rs. 2,134,923,858 receivable from 05 Government institutions relating to periods over 20 and 30 years, it was informed that there existed no balance payable to the Commission from those institutions. As the Commission had not possessed documents to verify that the said balances remained receivable, the recovery had become uncertain, and as no allocations had been made thereon, the accuracy of the relevant balance could not be verified.	The trade and other balance of Rs. 3,600,705,896 had been shown in the accounts of the year 2024. The Janatha Estate Development Board and State Plantations Corporation made several attempts to recover a sum of Rs.2,068,913,696 therefrom, but it was informed that such an amount was not shown in their accounts. Hence, it was proposed to write off from the accounts given the lapse of time, but absolute rights to the lands vested in the Land Reform Commission since 1972 are retained by the Commission. As such, considering the adverse impact on the institution due to writing off such a large amount, it was decided at the 811th session of the meeting of the Commission held on 28.08.2024 that the said amount	Action should be taken to recover the funds by informing the Chief Accounting Officer.

		should be maintained in the land reforms accounts. As a result of the discussions held with the Multipurpose Cooperative Societies, a sum of Rs. 354,597 had been received from 05 Cooperative Societies in the year 2024 out of the sum of Rs. 3,126,685 recoverable in the year 2023. Since the Commission is recovering funds at present, instructions have been given to take steps to recover those funds and to formally assign those lands to the e respective Cooperative Societies. The Ministry of Lands has been informed about the funds receivable. The land alienation division has informed that the Commission receives funds from the Hadabima Authority, and hence, it was decided to deduct from the accounts by the end of the year. As for the Cooperative Societies in the electorates, information would be requested by visiting the Provincial Cooperative Departments to determine as to whether electorate Cooperative Societies exist as shown in the accounts or such Societies had been liquidated; and, in case of liquidation, information on the land where such Cooperative Societies had been established would be sought, and the information so collected, would be furnished to the Commission thereby reaching a decision.	
i)	A sum of Rs. 3,600,705,896 had been shown in the financial statements of the year under review as trade and other receivable balance, and that balance comprised amounts of Rs. 307,034,880, Rs. 161,394,692 and	A sum of Rs. 8,270,355 had been allocated for doubtful debts in the financial statements in the year 1998. That allocation was made for the doubtful debts recoverable from the Multipurpose Cooperative Societies, electorate Cooperative	Allocations for doubtful debts should be made with respect to debtors' balances.

	Rs. 2,346,279,038 belonging to periods of over 05 years, over 10 years, and over 20 years respectively. Except for the allocation of Rs. 8,270,355 made in the year 1988 for the long standing balance of Rs. 2,814,708,610 the recovery of which remained uncertain, no other allocation whatsoever has been made thus far.	Societies and the shroff division. After 1998, no allocation for doubtful debts has been made thus far. In order to take a policy decision for the allocation on doubtful debts with effect from the year 2025, action will be taken to present a Commission Paper to the Commission with reference to this audit query as well.	

1.6 Accounts Receivable and Payable

1.6.1 Funds Receivable

	Audit Observation	Comment of the Management	Recommendation
a)	The sum of Rs. 2,311,017 receivable from the lessees who obtained on lease 08 land plots in the districts of Gampaha and Kalutara shown under sundry debtors in the financial statements, remained due over a period of 25 years. However, action had not been taken to recover the said lease rent.	As for the sum of Rs. 2,311,017 receivable from lessees who obtained on lease 08 land plots in Kalutara and Gampaha shown under sundry debtors, it has been identified that deeds were obtained by making payments. This matter was brought before the Commission, and approval was given through the Paper No. 12990 at the 816th session of the Commission held on 18.03.2025 to take corrective measures on this error in the accounts. Accordingly, action will be taken to correct the said debtor balance in the financial statements of the year 2025.	Outstanding lease rents should be recovered.

1.6.2 Funds Payable

	Audit Observation	Comment of the Management	Recommendation
a)	The land sales advance balance of Rs. 11,322,992 comprised a balance of Rs.11,202,992 that continued to exist over a period of 12 years as at 31 December of the year under review. Action has not been taken thus far to identify and settle the lands relating to the said sales advance balance.	Action is being taken to identify the lands relating to this sales advance balance, and the balance will be settled in due course.	Special attention should be brought on the settlement of sales advance balances.
b)	The advances of Rs. 11,215,850 obtained from 269 persons included in the land lease rent advance account balance totalling Rs.	The transactions relating to the lands given on lease during the period 2002-2004 included in this balance, had been	Lease rent advances of lands should be settled.

	14,080,850 as at 31 December of the year under review, had been retained over a period of 19 years. However, the Commission had not taken action either to lease out the lands legally or settle the advances.	suspended in accordance with a Cabinet Decision. Once a Cabinet Decision is received with respect to the Cabinet Paper presented in that connection, further action will be taken as per that decision.	
c)	The balance of Rs. 6,582,904 being the legal documents stamp fee advance included under the trade and other payables in the financial statements of the Commission, was observed to have remained unsettled over a period of 03 years.	The stamp fee advances are recovered at the time of receiving monies for the land sales. The stamp advances so recovered, are brought to the legal documents stamp fee advance account; and, that account is settled only when deeds are issued. The sum of Rs. 6,582,904 maintained in that account as at 31.12.2024, did not exist over a period of 03 years. A balance of Rs. 6,139,325 existed in this account as at 01.01.2024, and of that, a sum of Rs. 1,905,070 had been settled during the year 2024 whereas a sum of Rs. 2,348,649 had been obtained anew in the year 2024. Accordingly, the fact that the balance in the legal documents stamp fee advance account had not been settled over a period of 03 years, can not be agreed upon.	Action should be taken to settle the advances.

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 44 (l) of the Land Reform Act No. 01 of 1972.	Based on the fact that the persons employed by the Commission should be provided with a provident fund, and welfare, sports facilities, houses , hostels and	Not only at present day, but land plots had been provided for the employees even during 1982-1984 as per Section 44 (l) of the Land Reform Act. It is mentioned in the registers	Action should be taken by properly interpreting the Act.

		other facilities, an employee with a continuous service period of 05 years had been provided with 20 perches each valued at Rs. 1,000 contrary to the Section of the Act. According to the information furnished to the Audit in that connection, lands in extent of 49 acres and 35.64 perches had been provided for 395 officers from the year 2009 up to the year under review. With the objective of providing lands in due course, an advance totaling Rs. 1,200,000 had been obtained at Rs. 10,000 from each of the 120 employees.	that lands in extents of over 10-20 perches had been provided based on the area during that period. In accordance with policy decisions taken by the Commission, it is informed that action has been taken to provide the employees with land plots after being identified in various areas under the program to grant lands to the employees.	
b)	Paragraph 1.1 of Chapter V of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	An officer in the Government service should be released from his current post in order to accept another post in the Government service. An officer, while serving as a Project Director of the Land Reform Commission during the period from 23 October 2020 to 31 March 2022, had been recruited on permanent basis under a probation period of one year to the post of Deputy General Manager (Administration) of the Maga Neguma Road Construction Equipment Company with effect	The officer had been recruited under the powers vested in the Minister. Despite being informed through letters that the monies be retuned, a reply has been sent by him justifying the payments so obtained. Although instructions have been sought from the Attorney General in that regard, no instructions have been received thus far.	Salaries and allowances paid negligently, should be recovered.

from 01 January 2021; and, salaries and allowances had been obtained from both institutions for the same period. As such, the Commission, by disregarding the said officer's arrival and service, had paid a sum of Rs. 2,038,979 as salaries and allowances for the period from October 2020 to March 2022. It was observed that the said amount had not been recovered even up to 31 December of the year under review.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 283,260,782 as compared to the corresponding surplus of Rs. 636,050,744 for the preceding year, thus observing a decline of Rs. 352,789,062 in the financial result. This decline had mainly been attributed by the decrease in revenue and financial income by Rs. 338,643,718.

2.2 Analysis of Trends in the Main Items of Revenue and Expenditure

a) As the land use charges had increased by 482 per cent in the year under review as compared to the preceding year, revenue through acquisition of lands, sales income, land lease rents, and interest income on fixed deposits had decreased by 7 per cent, 28 per cent, 24 per cent and 63 per cent respectively.

b) Transport allowance, overtime payments, vehicle rentals and transport charges, and legal fees had decreased by 16 per cent, 21 per cent, 92 per cent and 4 per cent respectively in the year under review as against the preceding year, but the employee gratuity had increased by 331 per cent. Furthermore, no expenses had been made on bonus for the year under review.

2.3 Ratio Analysis

a) Current ratio of the year under review was 9:1 whereas that ratio was 4:1 for the year 2023. Accordingly, the current ratio had been maintained at a higher level as against the preceding year, and it was observed that funds had been invested in current assets more than working capital requirements.

b) The gearing ratio of 34 per cent for the year 2023 had declined to 18 per cent in the year under review, but it was observed that the Commission had maintained equity capital in excess of the amount required to settle the total liabilities.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observation	Comment of the Management	Recommendation
a)	Contemporaneous with the "Urumaya" deeds awarding ceremony, the ceremony to grant "Samata Himi Bimak" deeds had been held on 30 March 2024 at the Bogambara Stadium in Kandy and 2,700 deeds had been distributed at an expenditure of Rs. 10,106,158.	Action had been taken to obtain approval of the Commission on 25.08.2023 to grant deeds by charging the fees to 2,700 persons from miscellaneous areas without having legal rights to lands. As for the disposal of lands, the Presidential Secretariat had sent a letter dated 25.05.2023 to the Land Reform Commission with a copy to the Secretary to the Ministry of Tourism and Lands under the title "temporary suspension of the disposal of lands". The second Paragraph of that letter required that if a certain activity was already in progress relating to the disposal of lands , the Presidential Secretariat be informed in that connection. Accordingly, action had been taken to forward a report on the number of deeds to be granted via the district offices, to the Presidential Secretary through the Secretary to the Ministry of Lands on 15.03.2024. Following the discussion held between the Hon. Minister of Tourism and Lands and the Hon President, instructions had been given to take measures for the distribution of deeds thereby informing this Commission to execute those activities. A discussion was held under patronage of the former President and the participation of other Heads of public institutions thus taking action to inform on the deeds awarding ceremony to be held at the Bogambara Stadium in Kandy on 30.03.2024.	In the disposal of lands, only the essential expenses should be incurred.

b)	The institution had been maintained at the locations of Gregory Road, and No. 475 Kaduwela Road, Battaramulla on lease basis during the period 2016-2024. The Cabinet approval given through the Cabinet Decision No. CM/ 23/186/615/002- II on 07 November 2023 to establish the office on the 4th floor of the Ministry of Lands had been disregarded, and the building in Battaramulla where the office had been maintained on lease basis was purchased at the value of Rs. 240 million in June 2024. Due to reasons such as, the building had water pools, passages and corridors in a manner suitable for a hotel, and darkness prevailing inside the building, it was observed that the building was not suitable for an office.	The Head Office of the Land Reform Commission had been maintained on lease basis at the location of No. 475, Kaduwela Road Battaramulla since 01.12.2016. Attempts were made in several instances to shift the office to another building on lease basis by following the procurement procedure, and as per Cabinet Memorandum No. CM/ 24/1153/615/014-I , action had been taken to purchase this building on 25 June 2024 by following a formal procedure. The said building and the adjacent land had been purchased by obtaining assessment reports to the value of Rs. 240 million in addition to the premises of the building in extent of 29 perches including the adjoining bare land of 6.5 perches. This building was identified to be developed, and the relevant activities are executed with the assistance of Central Engineering Consultancy Bureau , thus it is further informed that attention was brought to maintain the record room with ample space. Approval was obtained through the Commission Paper No. 12894 at the 811th session of the Commission held on 28.08.2024 to appoint the Central Engineering Consultancy Bureau to further develop and expand the space of the building.	The premises of the building should be developed and deficiencies should be corrected.
c)	A person who declared 1723 acres of land in the Brae group Estate in Matale had been granted 50 acres through Plan Nos. 404 and 497 via the Gazette No. 191/7 under statutory determination . Then again, he had been granted 32 acres through the Deed of Exchange No. 1653 under Plan Nos. 2229 and 2230. The Commission, having	The statutory determination of Mr. Sidambaram Renganadan being Maha/403, had been surveyed at the land named Brae group under Ma/404 and an undivided extent of 50 acres had been published in the Gazette No. 178/2 dated 25.08.1975. As it was mentioned in the Plan, Ma/404 that the relevant land had been vested in the Department of Forest Conservation, the statutory determination had been revised, and an undivided extent of 50 acres in the land named Brae group in Plot No. 05 of the Plan, Ma/404 and Plot Nos. 05 and 07 of the Plan, Ma/407	An investigation should be conducted, and legal action should be taken against the parties responsible.

	approved to provide 25 acres from Colombo district by stating that the said land would be taken over for the Knuckles reservation area, an extent of 11 acres therefrom had been granted through the Deed No. 15725. Although the Commission decided to cancel the said deed of exchange relating to 32 acres, it had not been done so, and it was revealed that the land had been sold by him. When the Divisional Secretary of Laggala was queried as to whether those lands had been acquired by the Government, it was revealed that the lands had not been acquired. Action had been taken to provide lands from highly populated and costly areas such as Colombo on behalf of undivided lands declared in rural areas like Laggla. It was observed that this person's signature did not match the ones placed early.	had been granted through the Gazette Extraordinary No. 191/7 dated 06.05.1982. As the land named Brae group Estate would be acquired by the Department of Forest Conservation, approval had been granted on 1983.03.07 to provide alternative lands in extent of 32 acres from the land gazetted for the statutory determination. Accordingly, an extent of 32 acres through Nos. 2229 and 2230 had been granted to the declarant via the Deed No. 1653. The conclusion made by the Audit that the said extent of lands had been sold, is verified. Nevertheless, Mr. Sidambaram Renganadan made a request that alternative lands be provided from the land named Ganethota Estate in Colombo district on behalf of the said 32 acres. Accordingly, action had been taken to grant 11 acres through the Deed No. 15723. However, as it is stated by the District Director that the entire land of Brae group Estate is in the custody of the Department of Forest Conservation, and proposals for acquisition would be presented, the tenure of such a land can not be recovered. Furthermore, a special verification should be obtained from a handwriting expert on the signatures of Mr. Sidambaram Renganadan.	
d)	The land named Imbulgaswadiya in extent of 28.52 hectares located in Gampaha district belonging to the Commission had been vested in the Janatha Estates Development Board, and the land had been given on long term lease to the Chilaw Plantations Ltd for a period of 53 years from	An extent of 105 acres, 2 roods, and 26 perches from the land, Imbulgaswadiya in Gampaha District , had been declared to the Land Reforms Commission by Declarant Col/1717. An extent of 28.52 hectares (70 acres, 01 rood and 36 perches) from that area had been disposed to the Janatha Estates Development Board through the Gazette Extraordinary No. 468/21 dated 28.08.1987 in terms of Sections 22, 23 and 42 (h) of the Land Reform Act No. 01 of 1972. Later, that land had been transferred	An investigation should be conducted, and legal action should be taken against the parties responsible.

	the year 1992 by the Board. An extent of 25 acres from that land had been taken over again by the Commission through the Gazette No. 2239/38 dated 05 August 2021, and the extent so acquired, was granted under alternative land disposal, to 02 children of the child of a person who had requested a land from the Commission. The Act of the Commission does not contain provisions for the disposal of lands to the grandchildren, but the objections raised thereon by the President and the Secretary to the Ministry of Lands had been disregarded by the Commission; and, it was observed that lands had been provided in costly and populated areas on behalf of undivided lands in rural areas, and such lands are allotted and sold at higher prices.	to the Chilaw Plantations Ltd by the Janatha Estates Development Board. As a legal liability in terms of the Land Reform Act, it was requested that 25 acres from that land be granted to the heirs of Mrs. Malani Nanayakkara (deceased), a child of the declarant. Accordingly, as per Decision No. 11485 of the Commission, it had been decided to divest 25 acres from the Imbulgaswadiya land on 08.07.2021. The consent given by the Janatha Estates Development Board and the Chilaw Plantations Ltd in order to release the said extent of land under the Paper No. 2020-12/10/PL05 of the Board of Directors dated 17.12.2020, was forwarded to the Land Reform Commission on 31.12.2020. Accordingly, the relevant extent of land had been divested through the Gazette No. 2239/38 dated 15.08.2021. Although the Chilaw Plantations Ltd filed the Case No. CA(W)416/2022 against this divest, the case was withdrawn by the petitioner company before being heard. Later, the Commission had disposed the land plot through the Deed No. 15180 to Dhammika Mendis and Rajika Mendia, the heirs of Mrs. Malani Nanayakkara (deceased) who was a child of the declarant. Although there are provisions in Section 14 of the Land Reform Act to provide lands to the children, there are no provisions to provide lands to the grandchildren. There are instances in which the Commission , at its discretion, acted under different provisions to provide relief for practical issues relating to injustice caused to persons.	
e)	Section 02 of the Circular No. 03/2022 issued by the Secretary to the Treasury dated 26 April 2022 states that no buildings should be obtained on rent. However, a lease rent of	It was examined whether facilities were available to shift the district offices maintained in rented buildings, to Government buildings, but facilities, like ample space, could not be found. Hence , 08 district offices are maintained in privately owned buildings, and 09 district	Action should be taken to establish the district offices in Government buildings.

	Rs. 37,811,393 had been paid by 06 district offices of the Commission for maintaining their offices in buildings owned by private parties during 2023-2024. Although a period of 50 years has elapsed since the inception of the Commission, it was further observed that the management had been unable to maintain their offices at their own lands.	offices are maintained in Government or semi-government buildings whilst 03 district offices are maintained in buildings belonging to the Commission. However, the Public Enterprises Circular, No. 01/2024 of the Secretary to the Treasury dated 28.02.2024 suspended the new buildings from being obtained on lease without approval of the Department of Public Enterprises, but it was also stated that the buildings already being used under lease agreements could be further used upon approval of the Board of Directors by evaluating the cost effectiveness.	
f)	The district office in Galle had not been maintained at the land with a building in extent of 31.5 perches in Kurudugahahatemma, Galle belonging to the Commission; instead, a building in a land of 9.79 perches located close to Galle town had been obtained on lease and the office had been maintained therein, thus incurring a futile expense of Rs. 5,805,000 as building rent for the period from 2018 up to 31 December 2024. By that time, the building of the Commission located in Kurudugahahatemma, Galle had been given on lease to maintain the office of the Department of Land Title Settlement at a monthly rental of Rs. 22,000.	As the pilot project of the "one million deeds" programme had been implemented in Galle district in the year 2018, the building of the Commission located in Kurudugahahatemma, had been used as a sub-office for its operations. Due to reasons such as, lack of ample space for the entire staff of the Galle district, the distance of 39 km along the normal road from Galle town to the sub-office at the building in Kurudugahahatemma, reaching there along the Southern Expressway from Galle via Pinnaduwa interchange was a journey of 37 km and lack of transport facilities for that route, extreme difficulty for people in the Divisional Secretariats of Yakkalamulla, Neluwa, Thawalama, Nagoda and Waduraba to reach there, and transport problems faced by the officers in reaching the office, maintaining the district office of Galle at that location was problematic. As it was necessary, in executing the official duties, to have a location in Galle town that would be easily accessible to the public as well as to officials, and as the premises did not exceed the government valuation and were also situated in proximity to other state institutions, the building in which the Galle District Office is presently established was selected on a	Action should be taken by ensuring minimum costs are incurred.

		monthly rental basis. At present, the building has been given on lease on Government valuation to maintain a divisional office of the Department of Land Title Settlement.	
g)	The integrated accounting software of the Commission had been purchased from a private institution on 22 May 2019 at a value of Rs. 8,500,000, but it was observed that action had not been even up to 31 December of the year under review to retrieve information through the system relating to land lease rents.	Requests had been made several times from that institution to develop the software in a manner that information on receivable lease rents could be retrieved. They have visited our institution quite a few times and finetuned the system. However, this process is not yet completed.	The integrated accounting software so installed, should be improved to retrieve information on receivable land lease rents.
h)	The Committee on Public Enterprises was informed in 2022 to take legal action for the recovery of the sum amounting to Rs. 17,000,000 paid to a private institution in the year 2002 in order to design, develop, and implement a fully integrated computer system for the Commission. However, it had not been so done even by the end of the year under review.	A letter had been sent to the Attorney General's Department on 24.08.2023 seeking legal assistance in that regard, and the Attorney General's Department sent a letter dated 06.09.2023 to the Commission. According to that letter, a telephone conversation had been held with the counsel of the Government on 03.11.2023, and later on 14.11.2023, the information that had been requested by her, was forwarded to the counsel. The counsel of the Government pointed out on 20.12.2024 that the funds could not be recovered legally in terms of Section 06 of the Prescription Ordinance. Furthermore, as the said Infosat Company had not been incorporated anew as per the new Companies Act, it was pointed out that there was no legality therefor.	Action should be taken to recover the amount paid.
i)	Out of the sum totaling Rs. 33,229,487 paid to the licensed surveyors in the years 2019, 2020 and 2021 subject to be reimbursed from the allotters at the	A sum of Rs. 33,229,486.36 had been paid to the licensed surveyors in the years 2019, 2020 and 2021 who surveyed the lands under a project implemented to expedite the surveying of un-surveyed lands in Galle district relating to the	Survey charges should be recovered at the time of lands being given to the allotters.

	time of surveying and regulating the land of the Commission, only a sum of Rs. 9,954,378 had been reimburse by the end of the year under review, and the balance further receivable amounted to Rs. 23,275,108 as at that date.	programme for distributing 01 million deeds. Of the said amount, a sum of Rs. 9,954,377.00 had been reimbursed, and action is being taken to recover the sum of Rs. 23,275,109.36 that remained further receivable.	
j)	An extent of 02 acres 01 rood and 05 perches from the Tilton estate with the tea factory in Nawalapitiya owned by the Commission, had been given on lease for 30 years to the Super Industries and Exporter Pvt Ltd Company in terms of Section 22 (1) b of the Land Reform Act since 30 August 1997 at the annual lease rent of Rs. 270,000. Later in the year 2008, a person had taken over the land together with the brand name of the said institution. Thus, the Commission had allowed to use the land improperly without entering into an agreement sans an approval of the Commission. As such, the lease rent of Rs. 18,403,926 receivable for 27 years from 1997 to 31 December 2024, had not been recovered from the relevant lessees.	Due to failure in paying lease rent up to 2022 after taking over this plot of land in the year 2008, an eviction notice had been issued as per verdict of the Case No. 79899/18 of the Magistrate's Court, Nawalapitiya dated 26.03.2021. Possession of the land had been recovered in terms of the verdict , and the land had been given on lease to the Multipurpose Cooperative Society of Nawalapitiya. The Attorney General's Department had been referred on 10.01.2024 with respect to the recovery of lease rent due from Mr. Thilak Kumara Udagama. Attention was brought on several occasions through the telephone, and the senior counsel of the Government had been informed in writing on 04.11.2024. Further action will be taken once instructions have been received from the Attorney General's Department.	Outstanding lease rents should be recovered.
k)	Action had been taken in terms of Section 22(1) (b) of the Land Reform Act in the year 2014 to give on lease an extent of 08 acres	The monk who had obtained this land on lease, had died. Matters relating to the defaulting on lease rents and the demise of the monk had been explained to the meeting of the Commission held on	The land that has been taken over, should be utilized in accordance with the objectives of the Act, and action

	from Lechchami B estate in the Divisional Secretariat of Akmeemana, Galle for a period of 30 years to the "Sahana Child Development Foundation" at the assessment value of the year 2005 subject to review the lease rent in every 05 years. Due to issues relating to the land, tenure of the land had unilaterally been taken over by the Commission in the year 2021, but the Commission had not taken action even by 31 December of the year under review to recover the sum of Rs. 6,998,800 due from "Sahana Child Development Foundation".	26.03.2021, and it was decided to take over the tenure of the land unilaterally. As per the decision of the Commission, tenure of the land had been taken over by the Commission. Further action will be taken after obtaining instructions from the Attorney General relating to the recovery of outstanding lease rents.	should be taken for the recovery of outstanding lease rents.
l)	Of the land named Bangalawatta , Hegalla watta, Wewala in Horana and the undivided land of 14 acres 01 rood and 9.9 perches in the Grama Niladhari Division of Mahena North 615 B of the Horana Divisional Secretariat in Kalutara district, owned by the land Reform Commission, 05 acres had been improperly enjoyed by a monk (deceased) and another 66 perches had been illegally used by another private land owner. However, legal action had not been taken in that connection in terms of Section 16 of the Act.	The land, Hegalla Watta located in the Divisional Secretariat of Horana, was declared to the Commission. The Commission had lodged a complaint with the Police against the said monk and legal action was taken to evict him from the land. Eviction notices signed by the Chairman, have been sent in terms of Section 03 of the State Lands (Recovery of Possession) Act No. 7 of 1979 to evict the encroacher monk. The date specified in the said eviction notice was 28.04.2025. However, due to an issue arisen on the enjoyment of the land, the practical scenario was looked into, and further action will be taken accordingly. Although a case had been filed at the appellate court by a person named Sujatha Weerakoon against the Commission, a verdict was returned in a manner favorable to the Commission. Since she has filed a case at the supreme court, taking further action has come to a halt.	Legal action should be taken against the encroachers.

m)	An extent of 01 rood and 9.79 perches from the Jakotuwa Watta land in Wellampitiya, Kolonnawa of Colombo district, had been given on lease to a person at an annual lease rent of Rs. 1,590,000 in terms of Section 22(1) b & d of the Act of the Commission. Although this land had been valued at Rs. 26,500,000 based on its market value, the lessee informed that the lease rent calculated on that valuation was excessively high and could not be paid. Accordingly, no lease rent has been recovered thus far.	Although a valuation had been requested in order to give on lease a portion of the Jakotuwa Watta to Mr. Sarathchandra, it was again requested to do a valuation as the earlier one was said to be higher. The relevant valuation has not yet been received. However, the Case No. CAW34/2024 had been filed against the lessee and an allotter of this land making the Land Reforms Commission a respondent thereof. Further action will be taken once the verdict is received.	Lease rents should be recovered based on the valuation of the Government.
n)	Subject to the approval of the Minister in charge approval had been granted through the Commission Paper No. 7751 dated 18 October 2011 in order to give on lease an extent of 70 acres from the land, Ragedara Watta belonging to the Commission and located in the Divisional Secretariat of Ibbagamuwa in Kurunegala district to a private company for a period of 05 years for plumbago mining at the assessment value of the Government valuer. Nevertheless, the sum of Rs. 8,937,144 received up to 31 December 2024 for this plumbago-rich land that had been given on lease in the year 2011, was	A valuation had been requested from the chief valuer on 18.08.2022 for this land, but following the non-receipt of the valuation, a reminder had been sent to the provincial valuer on 29.03.2023. Accordingly, as the Government valuation had not been received, a sum of Rs. 8,937,144 has been recovered thus far based on a gross estimate. As such, the necessary adjustments will be made once the valuation reports are received, and the lease rents in arears will be recovered with a new lease agreement being entered into.	Action should be taken to recover lease rents based on Government valuation by entering into a formal lease agreement.

	brought to accounts as advances. Although a period of 13 years had elapsed by the date of audit, the Commission had been unable to recover the lease rents after being assessed and computed, and enter into a lease agreement between the two parties.		
o)	The Plot No. 01 of 12 acres, 02 roods and 4.48 perches with a rock at the Galimure Watta land in the Divisional Secretariat of Divulapitiya, Gampaha, had been given on lease to a person on lease through the Commission Paper 7628 dated 26 July 2011. As at 31 December 2024, a sum of Rs. 5,590,000 remained receivable for the land. Although a period of 13 years had elapsed since the date of lease, the lessee has not yet removed the rock. As such, it was observed that an income that would have been earned therefrom, had been lost due to failure in taking necessary action.	The lessee has been informed to pay the lease rent, but it has been reported that the rock has not been excavated and removed. A letter of demand had been sent to the lessee on 01.11.2024 relating to taking legal action. As no lease rents have been paid in accordance therewith, it is scheduled to take legal action by cancelling the lease agreement.	Action should be taken to inquire into the rocky lands given on lease and recover the lease rents.
p)	The quartz rock spanning over 04 acres in Plot No 01 of the Plan No.801 relating to Thalpitiya Watta land in the Divisional Secretariat of Kandaketiya, Badulla district, had been given on lease through the Commission Paper No.	Consent had been given in writing on 13.09.2024 by Mr. N. D. R. S. Dasanayake, the son of the lessee, that 50 per cent of the due amount would be paid initially and the balance would be paid in 03 installments each valued at Rs. 500,000. Accordingly, two installment payments of Rs. 500,000 each were made on 13.09.2024 and 31.01.2025 including VAT. The lessee to whom the land had	The fee structure relating to the recovery of fees should be decided , and the lease rents ,including the dues, should be recovered in accordance therewith.

	7928 dated 28 March 2012, and by 31 December of the year under review, a sum of Rs. 5,653,566 remained receivable for the land. However, due to failure of the Commission in adhering to a specific procedure for the recovery of lease rents with respect to mineral resources given on lease, the revenue earned by the Commission from that mineral deposit had not been recognized in the financial statements despite the lapse of 12 years by the year under review since the date of lease.	been given on lease, had been deceased, and the legal division will be contacted as to the possibility of taking legal action thereby taking further action.	
q)	Of the 211 lessees to whom rocky lands in extent of 645 acres and 10.58 perches had been given on lease as per the land registry, only the revenue receivable from 103 of them had been shown in the financial statements of the year 2024. Thus, it was observed that action had not been taken to properly recover the lease rents through follow up action on rock mining- a mineral belonging to the Commission.	Requests had been received from persons and institutions with respect to 211 lease files relating to rocky lands. However, no further action had been taken on all those projects due to reasons such as, non-receipt of institutional recommendations, objections raised by the villagers, legal matters, and other reasons. Since a ledger on lease rent had not been maintained by the revenue division relating to the leasing of rocky lands, no adjustments for lease rents had been made with respect to all the rock mining businesses. Following the approval of the Commission dated 15.09.2023, the necessary adjustments had been made through proper recognition by updating the accounts. Action is being taken to correct the information maintained in the land registry with respect to the rocky lands being given on lease at present.	Revenue from the rocky lands given on lease should be correctly recognized and brought to accounts.
r)	The organic fertilizer project, which had been commenced in 2021 with an investment of Rs. 350	Following recommendations of a Committee appointed by the Ministry, all the machinery and equipment used to manufacture fertilizer, had been handed	An investigation should be conducted and legal action should be taken against the parties

million, had generated only about Rs. 22 million in income. Accordingly, the project was terminated in 2022 as an unsuccessful venture. Office equipment and machinery worth over Rs. 31 million had been purchased for the project, and a portion of these assets had been distributed among Government institutions. The Cabinet Decision No. CM/ 23/383/615/017 dated 28 March 2023 relating to the project, informed that a three member Committee be appointed on 29 April 2023 by the Secretary to the Ministry of Lands in order to conduct an independent inquiry into the reasons for the project to become unsuccessful and the parties responsible therefor, and the report be furnished within a period of 02 weeks. However, that report had not been furnished even up to 30 May 2025. Goods and machinery of the project had been handed over to the Air Force, Civil Security Department, and the Pradeshiya Sabha of Ella through a Committee appointed by the Secretary to the Ministry on 14 November 2023. It was observed that 05 fertilizer yards of the size 40 * 100 feet built at an expenditure of Rs. 22 million, remained idle.

over to the Sri Lanka Air Force, Civil Security Department, and the Divisional Secretariat of Ella. The contribution of Rs. 367,625 payable to the Employees' Provident Fund and Employees' Trust Fund in favor of several employes recruited in the project could not be made due to problems of the personal information of those employees. This payable amount has been credited to the account relating to the organic fertilizer project. The affairs of this project which had been terminated, were forwarded to the Line Ministry on 14.07.2022, and hence, further action will be taken on the buildings based on decisions to be taken by the Ministry.

responsible.

s)	With the objective of paying compensation for lands acquired by the Commission, 40 per cent of the revenue generated from the disposal of lands, and sale of lands and paddy lands, had been retained annually without formal approval, thereby establishing and maintaining a reserve fund. The balance thereof amounted to Rs. 2,474 million as at 31 December of the year under review, but having deviated from the objective of establishing that reserve, a sum of Rs. 2,535 million had been spent from time to time.	Contributions to the reserve fund equivalent to 40 per cent being allocated annually, had been reserved for paying compensation, and those funds had been maintained in fixed deposits of the institution until the year 2020. However, in several instance since the year 2021, a sum of Rs. 1,465 million had been released to the Treasury on their request. Furthermore, a total of Rs. 2,535 million comprising Rs. 500 million as compensation for a legal case of the institution, Rs. 250 million for purchasing the Head Office building, and Rs. 320 million for paying income tax of the institution, had been incurred. Accordingly, it is informed that a considerable balance does not exist in the reserves of the institution at present.	Approval of the Treasury should be sought to establish a reserve fund.
t)	An extent of 49 acres 03 roods and 30 perches from the land in Athhodagala Nindagama, had been given on lease to a certain company through the Lease Agreement No. 495 dated 01 September 2006. It was observed that the lease agreement had been revoked on 11 August 2018 due to failure in settling the outstanding lease rents. Owing to a case filed against the company relating to the default on lease rents, the due lease rent had been settled in full by the end of the year 2022, and the case had been withdrawn on 10.03.2023 subject to the right of filing the case again. Nevertheless, the	It is informed that legal action would be taken in case of defaulting on due lease rents, and the Commission bears no liability towards Dole Lanka Company.	Action should be taken to recover the outstanding lease rents, and follow-up action should be taken on the lands given on lease.

Commission had not taken action to recover the lease rent of Rs. 5,604,252 due as at 31.03.2024, and the land so obtained by that company under the said lease agreement, had been sub-leased to another company.

3.2 Human Resource Management

	Audit Observation	Comment of the Management	Recommendation
a)	Particulars on approved and actual cadre of the Commission as at 31 December of the year under review, are as follows.		

Category of Employees	Approved No.	Actual No.	No. of Vacancies
Senir Management	5	5	-
Middle Management	33	31	2
Technical	6	3	3
Junior Management	4	3	1
• Personalized posts	28	20	-
Management Assistant	215	135	80
• Personalized posts	40	40	-
Primary	61	37	24
Total	392	274	110

(i)	In order to achieve the objectives such as, release of agricultural lands of the Commission, release of lands for investments, and release of lands for statutory determination, approval had been given through the Cabinet Decision No. CM/ 18/1126/829/002 dated 27 June 2018 to recruit 214 officers for a period of one year whose services would be extended for a period of 03 years based on their performance. Accordingly, approval had been given for 11 posts in the senior management , 09 posts in the middle level management, 21 posts in the junior	The Cabinet Decision No. CM/ 24/0689/615/013 had been given in that connection on 12.06.2024, but nothing was mentioned therein about the contract employees. Approval had been given through that	No. of cadre should be revised under approval of the Department of Management Services.

management, 153 posts of management assistants, 10 posts of office assistants, and 10 posts of drivers as the approved cadre. However, 12 management assistants and 08 offices assistants had been appointed in excess. Furthermore, without achieving those objectives, permanent appointments had been given for 138 management assistants, 10 drivers and 16 office assistants after the end of the 03 year period without approval of the Department of Management Services.

Cabinet Decision to appoint the employees whose services had been made permanent under 25/2014 and 25/2014 (i), to the parallel posts remaining vacant. The said Cabinet Decision had been presented to the Commission through the Commission Paper No. 12797 dated 02.07.2024, and approval was granted according to 25/2014 select the permanent employees by examining their educational qualifications based on seniority. Accordingly, a Committee was appointed and the personal files were examined. Together with the report given by the internal auditor, the files were presented at the 814th session of the meeting of the Commission; and instructions were given that eligible candidates should be selected through an interview, action should be taken to appoint a board of examiners and a marking scheme should be proposed

		and presented to the Commission. Thus, the relevant information was presented to the 816th session of the Commission held on 18.03.2025, and it was decided that the information be presented to the Committee chaired by the Secretary to the Prime Minister via the Ministry. A letter had been sent on 31.03.2025.	
(ii)	Although recruitments had been made for 34 posts of management assistants and 04 primary posts (contract basis) in accordance with Paper No. 11384 of the Land Reform Commission dated 26 March 2021, approval of the Department of Management Services had not been obtained therefor.	Owing to the then duty requirements of the Commission, a Paper had been presented to recruit for the posts of management assistants and primary posts. However, approval of the Department of Management Services had not been obtained thereon. Following discussions held with that Department on many occasions in that connection, instructions had been given that a Cabinet Paper be presented to obtain the relevant approval. Accordingly, the Cabinet Paper No. CM/23/0293/615/00	No. of cadre should be revised under approval of the Department of Management Services.

		8 had been presented, and a decision was reached that consent could not be given for granting the covering approval of the Cabinet on recruitments made under approval of the Commission Papers as mentioned above. The contract period of the staff, so recruited, would expire as at 31.08.2025.	
(iii)	Although the objectives of recruitment had not been achieved, 16 officers recruited through the Cabinet Decision No. CM/18/1126/829/002 dated 27 June 2018, had been given permanent appointments without being approved by the Department of Management Services, and lands in extent of 20 perches had also been granted to them at Rs. 1,000 per perch. Furthermore, one of them had vacated his service in the Commission in February 2025.	The basic qualification for granting lands on employment basis is a 05 year continuous and satisfactory service in the Commission and not being involved in disciplinary misconduct. Employees who had fulfilled such qualifications, reported to the Commission from time to time and obtained approval. However, instructions were given at the session of the Commission held on 16.09.2020 that land plots should be granted to the employees with a 05 years service period under a waiting list.	The Act should be followed.