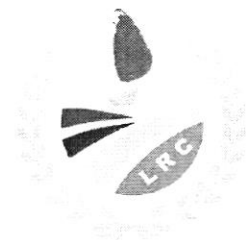
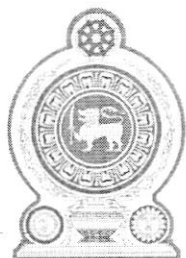




**ஓயிதி ப்ரதிபஂபீகரண ஂகாமிபிண ஂபலாப
காணிசீர்திருத்தஆணைக்குழு
Land Reform Commission**

**ஓயிதி அலாநயாஂகய
காணிஅமைச்சு
Ministry Of Lands**

**வார்கீக வார்தாப ஂா திணுமி ப்ரகாணய
ஆண்டுறிக்ஂகமற்றும் குணக்குறிக்ஂக
Annual Performance Report
2015**



LAND REFORM COMMISSION

ANNUAL PERFORMANCE REPORT

2015

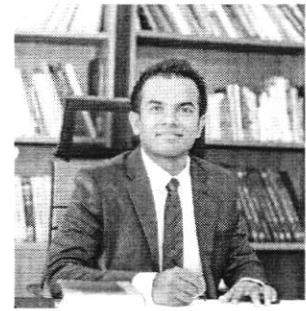
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Message of the Chairman

It is a great pleasure to add some words at this moment of presenting the progress of the Commission in year 2015 where more than four decades has lapsed from the establishment of the Land Reform Commission by the Land Reform Act No 01 of 1972 of the Parliament of Sri Lanka.

It has been a difficult task to award the ownership of lands, which has earlier under a small group, to real heirs, people of this country in a proper and reasonable manner and contributing to the development process of the country whilst making the expectation of the Late Hector Kobbekaduwa, founder of the Commission a reality. However It is a Great Pleasure to Appoint me as the new Chairman of Land Reform Commission.

Under the ongoing National Development Process , now the time has come for the people of the country to use lands, which is the most valuable resource , in proper manner and accordingly the Commission has now making a tremendous contribution to the development of the country.

During year 2015 Commission could achieve number 80% of its goals and, going beyond normal framework of the District Offices, the Commission could further identify plans and new projects for income generating, implement programmes to ensure job security of employees and enhance the welfare whilst eliminating the negative attitudes of the General Public on the Land Reform Commission and winning the confidence of people looking forward under good vision.

By this time the Land Reform Commission has carried out its functions under direct supervision of the Ministry of Lands and whilst highlighting the interest as well as corporation extended by Hon. Minister of Lands and the Secretary of the Ministry for the functions of the Commission, I take this opportunity to extend my gratitude to the entire staff including Director General of land reform commission for their collaboration to make the role of the Commission a success.

Nilantha Wijesinghe (LLB)

Chairman,

Land Reform Commission

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1. OVERVIEW

1.1 Introduction

The Land Reform Commission which was established by the Land Reform Act of No. 01 of 1972 has a history that goes back to 1972.

The role of Land Reform Commission, for a period over 44 years, has been performed by the provisions made by Land Reform Act amended from time to time as well as by policy decisions taken by the government from time to time. The top priorities of the Commission are release of statutory obligations of land owners and payment of compensation to them, utilization of lands which have been vested in productive investments and collection of revenue of the Commission, protection of lands, training of the staff and welfare.

Arrangements have been made to direct functions of the Land Reform Commission with the aim of making the programmer for distribution of more lots of lands among General Public a success in terms of the objectives and policies whilst looking forward with the revolutionary move of the Government.

Further, during this period, the program has also been launched to inculcate new spirit in order to ensure their employment security.

Especially the following priorities have been identified during year 2015.

- I. Identifying the lands belonging to the Land Reform Commission, which have not been identified so far.
- II. Recovery of the possession of lands which have been alienated for unproductive investments.
- III. Preparation of accelerated program for the purpose of distributing lands which are belonging to Land Reform Commission under the program for the distribution of one hundred thousand lots of lands and implementation of the program "Land Deeds Program" as a task of national importance whilst marking new turning point in the program implemented to regularize the lands distributed so far among the occupants.
- IV. Programs for the increase of income.
 - a) RanaviruSeva Authority
 - b) Obtaining compensation in respect of lands acquired by the government
 - c) Collecting income in respect of lands alienated to public institutions
 - d) Preparation of proper program for the purpose of collecting lease rent in respect of lands alienated to various persons on lease but the lease rent has not so far been collected.
 - e) Alienations of granite on lease and collection of relevant income.
 - f) Collecting income by imposing new regulations in respect of Gem Lands.
 - g) Collecting revenue from lands with mineral resources such as silica, dolomite and sand.

With a view to make the staff aware on these tasks and call suggestions and comments of officers, it was commenced to appoint committees consisting of officers of the institution for each such task and to conduct workshops. Further, training programs have also been conducted to train the staff of the institution.

As a timely measure to perform the role of Land Reform Commission according to government policies discussions have often been held and follow up actions have also been taken with the implementation of such decision. Further, general public was offered an

opportunity to forward their problems. Accordingly, necessary decisions were taken with immediate effect by the appointed committee conducting direct discussions.

In addition, under the direction and guidance of Hon. Minister, action was taken to provide lands for the investments identified as productive on the recommendations of advisory committee consisting of experts.

Further, under the direction and instructions of the Minister of land and Secretary to Ministry of land action has been initiated in respect of lands belonging to Land Reform Commission out of the lands in extent taken over by the Land Reform Commission. Contribution was made to the progress of the institution as well as economic and social development of the country utilizing resources which have so far not been under the control of the commission.

1.2 Vision, Mission and Objectives

1.2.1 Vision

Transformation of the Land Reform Commission as the leading institution which bears the responsibility of utilizing lands and physical resources vested under Land Reform Act for the progress of people and motherland.

1.2.2 Mission

Ensuring active contribution for the national development by way of implementing land reform process, improving productivity of lands in excess managing the ownership of physical resources ensuring their protection, giving effect to the maximum limit of ceiling on timely requirement, paying compensations, investing in productive economic fields and maintaining a reserve of lands which can be utilized for the benefit of the nation

1.2.3 Objectives

- I. Compilation of information in respect of lands.
 - a) Identification of lands which have been declared but so far not identified.
 - b) Identification of lands belonging to Land Reform Commission based on information provided by general public.
 - c) Taking over of lands alienated to other parties if such lands are not utilized for the purpose for which they have been alienated.
- II. Performance of following activities in respect of lands vested in the Land Reform Commission
 - a) Release of statutory determination and legal obligations.
 - b) Taking over of lands by the Land Reform Commission which are in excess of the ceiling.
 - c) Payment of compensation in respect of lands which were taken over by the Land Reform Commission
 - d) Return of lands to the owners which were declared but not falling under such requirements
- III. Utilization of lands vested in the Land Reform Commission in productive investments in accordance with the provisions stipulated in the act and policies made by the government with a view to achieve economic and social development of the country.

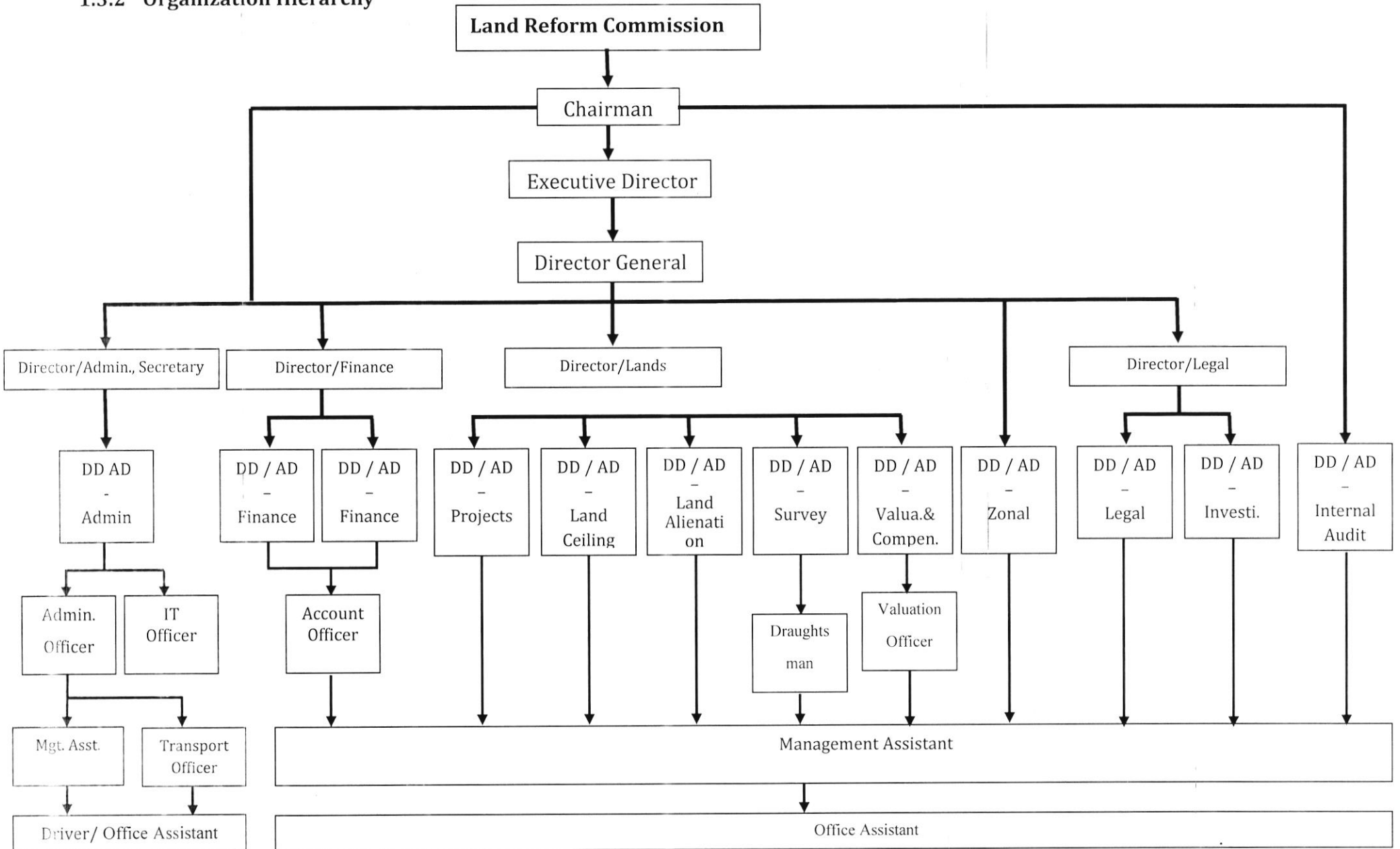
- IV. Collection of revenue which are to be collected in respect of lands belonging to the commission and making contributions for the economic development process of the country.

1.3 Functions and Organization Hierarchy

1.3.1 Functions

- I. Regularization of the maximum extent of land which can be kept under private ownership in terms of the provisions of the Land Reform Act.
- II. Identification and taking over of lands in excess of the ceiling.
- III. Release of legal obligations in terms of the provisions of the acts.
- IV. Payment of compensation to the declarants in respect of lands taken over by the Land Reform Commission.
- V. Taking actions to return the possession of lands which have been taken over but exempted from the encumbrances of the Land Reform Act.
- VI. Updating land documents and collecting information on land in coordination with the field.
 - a) Lands which have been declared but so far not been identified.
 - b) Non-declared lands which are in excess of the ceiling.
 - c) Lands which have been alienated but not been utilized in productive investments.
- VII. Making contribution to achieve the social development of the country.
 - a) Providing lands to the persons who have no lands for housing purpose
 - b) Providing lands for the projects approved by the Board of Investments.
 - c) Providing lands for religious places
 - d) Providing lands for common purposes for the benefit of people
 - e) Providing lands for Government Institutions
- VIII. Implementation of projects for collection of revenue
 - a) Collecting revenue from the resources in the lands
 - b) Collecting tax revenue on alienation of lands on lease and recovering money due from Government, Non-Government institutions and individuals
- IX. Structuring the organization structure of the institution
 - a) Creating a well-trained and efficient staff
 - b) Entrusting duties in a proper way
 - c) Entrusting duties with decentralization of powers and authority
- X. Directing staff for discussions, workshops and training programmes.
- XI. Provision of physical resources and other necessary facilities for the performance of the functions efficiently and effectively

1.3.2 Organization Hierarchy



1.4 Divisions and District Land Reform Authorities

1.4.1 Main Divisions

- I. Administration and Human Resources Development Division
- II. Land Division
- III. Finance Division
- IV. Legal Division

1.4.2 District Land Reform Authorities

Land Reform Commission consists of 20 District Land Reform Authorities

2. LAND REFORM COMMISSION

2.1 Establishment

Land Reform Commission is established under Land Reform Act No 01 of 1972.

2.2 Composition of Commission

The composition of Land Reform Commission established under Land Reform Act No 01 of 1972 is as follows

- I. Chairman – Appointed by Hon. Minister in charge of the subject
- II. 05 members – Appointed by Hon. Minister in charge of the subject
- III. 03 ex officio members

The decision taken and approval granted by the board of the Commission are applied in the implementation of the functions of the commission. Accordingly, approval of the Board of the Commission is obtained for each task. From 1972, up to 31.12.2015 the Board of the Commission has conducted 674 meetings

2.3 Acts on Legal Authority

- I. Land Reform Act No. 01 of 1972
- II. Land Reform (Amendment) Act No. 39 of 1975
- III. Land Reform (Amendment) Act No. 14 of 1981
- IV. Land Reform (Special Provisions) Act No. 39 of 1981
- V. Land Reform (Special Provisions) Act No. 14 of 1986
- VI. Land Reform (Special Provisions) (Amendment) Act No. 18 of 1986

According to the Act Nos. indicated (1) and (2) above 987,906 acres of lands have been vested in the Land Reform Commission in the following manner.

- I. From Local Declarants - 563,449 Acres
- II. From Sterling Companies - 195,644 Acres
- III. From Rupee Companies - 228,813 Acres

In respect of the Acts indicated in (1) and (2) above,

- I. Amendments have been made by Acts No. (3) and (6) above.
- II. Provisions have been made by Acts indicated in (4), (5) and (6) above.

3. PERFORMANCE OF THE DIVISIONS

3.1 Administration and Human Resources Development Division

3.1.1 Cadre

Table No. 3.1 : Cadre Information of Land Reform Commission				
Serial No	Designation	Approved Cadre	Existing Cadre as at 31/12/2015	Excess / Vacant
1.	Director General	01	01	-
2.	Director Administration /Secretary	01	01	-
3.	Director (Finance)	01	-	01
4.	Director (Land)	01	-	01
5.	Director (Legal)	01	-	01
6.	Assistant Director (Internal Audit)	01	01	-
7.	Assistant Director(Administration)	01	01	-
8.	Assistant Director(Finance)	02	02	-
9.	Assistant Director(Legal)	03	03	-
10.	Assistant Director(Investigation)	01	01	-
11.	Assistant Director(Zonal)	20	20	-
12.	Assistant Director(Projects)	01	01	-
13.	Assistant Director(Land Ceiling)	01	01	-
14.	Assistant Director(Land Alienation)	01	01	-
15.	Deputy Director(Valu. and Compen.)	01	01	-
16.	Assistant Director(Survey)	01	01	-
17.	Accounting Officer	01	-	01
18.	Administrative Officer	01	-	01
19.	Information Technology Officer	01	01	-
20.	Valuation Inspector	01	-	01
21.	Personal Assistant	01 (Personal)	01	-
22.	Valuation Officer	03	-	(03)
23.	Staff Assistant	23 (Personal)	23	-
24.	Accounting Officer	05 (Personal)	04	01
25.	Draughtsman	02	-	(02)
26.	Transport Assistant	01	01	-
27.	Management Assistant	215	243	12
		40 Personal		-
28.	Driver	17	18	01
29.	Office Assistant	44	45	01
Total		393	371	

3.1.2 Establishment Activities

Following are the establishment activities engaged by Land Reform Commission during the year compared to the previous year.

Table No. 3.2 : Establishment activities during the year of 2015

Serial No	Description	Previous Year (2014)			Current Year (2015)		
		Number Received	Number Approved	Balance	Number Received	Number Approved	Balance
1.	Recruitments	-	-	-	10	10	-
2.	Conducting Examination	-	-	-	-	-	-
3.	Conducting Interviews	-	-	-	03	03	-
4.	Confirmation of Service	05	05	-	04	04	-
5.	Promotions	-	-	-	-	-	-
6.	Payment of Increments	304	295	09	304	300	04
7.	Extension of Service	02	02	-	02	02	-
8.	Preparation of Schemes of Recruitment	-	-	-	-	-	-
9.	Vacation of Post	-	-	-	01	01	-
10.	Interdictions	03	03	-	03	03	-
11.	Re - instatement in service	-	-	-	-	-	-
12.	Disciplinary Inquiries	02	02	-	04	04	-
13.	Approval of leave to be spent out of Sri Lanka	01	01	-	03	03	-
14.	Training	10	10	-	01	01	-
15.	Cabinet Memorandums	-	-	-	-	-	-
16.	Commencing Securities	-	-	-	-	-	-
17.	Releasing the Securities	-	-	-	06	06	-
18.	Loan Approvals						
	I - Property	-	-	-	-	-	-
	II- Vehicle	-	-	-	-	-	-
	III- Other	119	97	22	112	86	26

3.1.3 Physical Resources Management

Below table is mentioning physical resources management details of Land Reform Commission during compared to the previous year.

Table No. 3.3 : Physical resources management details - 2015					
Serial No.	Type of Asset	Position at the Beginning of the Year	Changes Occur during the Year		Position at the end of the Year
			Selling	Purchasing	
1.	Double Cabs	12	-	-	12
2.	Motor Cars	02	-	-	02
3.	Micro Kyron Jeep	01	-	-	01
4.	Van	01	-	-	01
5.	Scan Coin Machines	-	-	01	01
6.	Duplo machines	01	-	-	01
7.	Photocopiers	06	-	-	06
8.	Computers	47	-	-	47
9.	Computer Printers	31	-	-	31
10.	Laptops	01	-	-	01
11.	Fax machines	20	-	-	20
12.	Typewriters	03	-	-	03
13.	Safes	10	-	-	10
14.	Cameras	01	-	-	01
15.	Televisions	01	-	-	01
16.	Refrigerators	02	-	-	02
17.	Roneo machines	02	-	-	02
18.	Speakers	01	-	-	01

3.2 Land Division

3.2.1 Land Alienation Division

Following table No. 3.4 presents the land alienation division activities performed during the year of 2015.

Table No. 3.4: Land alienation division activities performed during the year of 2015			
Serial No	Project	Initiation of Preliminary Activities	Number Completed
1.	Lease for BOI projects	10	10
2.	Granting lands approved agricultural or agricultural development projects (submission of them to the committee of project)	30	26
3.	Sale and Lease of lands on housing purposes and livelihood necessities	6,000	845
4.	Lease / Sale of lands for public purposes to various public institution	02	02
5.	Economic Utilities relative the Timber Resources (project sales by tender)	40	40
6.	Economic projects related to the mineral Resources (silica, granite, dolomite ,Gem, and sand)	11	11

3.2.2 Land Ceiling Division

Exemption from legal obligations for the lands taken over by LRC.

Table No. 3.5 : Land ceiling divisional performance during year of 2015				
Serial No.	Description	Target	Initiation of Preliminary Activities	Number Completed
1.	Releasing lands for Statutory determination under Section 19	72	09	09
2.	Distributing lands under Section 14	14	04	04
3.	Distributing lands under Section 22	10	09	09
4.	Releasing lands of the non - declared	24	-	-

3.2.3 Valuation and Compensation Division

Table No. 3.6 indicates the performance of the valuation and compensation division.

Table No. 3.6 : Valuation and compensation divisional performance during the year of 2015			
Serial No	Description	No. of declared	Amount Paid Rs.
1.	Payments of Compensation / Payment of Interest	01	28,184.51
2.	Calling valuation reports to Sale and lease of lands	55	-
3.	Calling valuation reports from Chief Valuer and reporting	71	2,440,042.00

3.3 Legal Division

3.3.1 Legal Activities

Table No. 3.7 represents entire legal case handled by the Land Reform Commission during the year of 2015

Table No. 3.7 : All the legal cases handled by commission during the year 2015					
Serial No.	Description	No. of cases as at 31-12-2014	Cases concluded/ settled during the year of 2015	No. of cases filed during the year of 2015	Cases pending as at 31-12-2015
1.	Supreme Court	27	-	-	27
2.	Appeal Court	34	02	-	32
3.	High Court	09	02	01	8
4.	District Court	460	01	11	470
5.	Magistrate Court	40	-	-	40
6.	Primary court	-	-	-	-
7.	Labour Tribunal	-	-	-	-
8.	Labour Disputes	-	-	-	-
9.	Human Rights Commission	-	-	01	01
10.	Ombudsman	-	-	-	-
11.	Civil court	23	01	03	25
	Total	593	06	16	603

3.4 Finance Division

3.4.1 Presentation of financial Statements

- Financial Statements of the Land Reform Commission are prepared in accordance with the Sri Lanka Public Sector Accounting Standards Issued by the institute of Chartered Accountants of Sri Lanka.
- All transaction values are representing in sri Lanka rupees (Rs.)
- Necessary Comparative figures have been reclassified to confirm to the Current year's presentation.
- Using accrued method to prepare the final accounts.

Presentation of financial Statements

- All the property Plant and equipment are stated at Cost less Accumulated Depreciations.

Depreciation Policy

- Assets are depreciated based on the Reducing Balance Method.
- An Asset purchased during the year will be depreciated from the date of purchase.
- Classification of Assets and Rates of Depreciation are as follows.

Asset	Depreciation Rate
❖ Buildings	10%
❖ Computer Equipment	20%
❖ Furniture Equipment	7.5%
❖ Motor Vehicles	20%
❖ Office Equipment	10%
❖ Welfare Equipment	10%

Capitalization of Recurrent Expenses

- The Capital Value of the vested land is not only the value based on the compensation payable, but a percentage of the recurrent expenses will also be added to the capital value.
- Under section 54 of the Land Reform Law the commission has approved the following recurrent expenses to increase the capital value of Land/Assents using the following percentages.

❖ Legal Fees	100%
❖ Valuation fees	100%
❖ Survey Fees	100%
❖ Translation Fees	100%
❖ Advertising Charges	100%

- This was approved on 08/02/1990 through the Commission paper No. 2918 and No. 2959.

Provision for gratuity

- Gratuity provision is made for those employees who have completed their Service for consecutive five years or more than five years.

Gratuity Provision = Basic Salary * (1/2 No. of Service Years)

3.4.2 Financial Reports of Land Reform Commission - 2015

Table No. 3.8 Statement of Comprehensive Income for the year ended 31st December 2015			
Description	Notes	31.12.2015 Rs.	31.12.2014 Rs.
Revenue	1	248,206,406.34	223,565,721.41
Other operating income	2	65,692,293.96	102,339,485.53
Total Income		313,898,700.30	325,905,206.94
Expenses			
Administrative Expenses	3	233,639,440.07	223,355,075.14
Supplies & Requisites Expenses	4	9,588,476.91	11,211,248.39
Other Operating Expenses	5	10,033,323.10	12,170,565.51
Finance Cost	6	4,929,010.27	5,193,735.10
Total Expenses		258,190,250.35	251,930,624.14
Surplus from Operations		55,708,449.95	73,974,582.80
Net Surplus for the Period		55,708,449.95	73,974,582.80
Net Surplus @ the beginning of 01/01/2015		833,056,330.43	742,789,467.89
Prior Year Adjustments		13,666,001.45	3,136,378.28
Net Surplus @ the end of 31/12/2015		902,430,781.83	819,900,428.97

Table No. 3.9: Statement of Financial Position as at 31st December 2015

Description	Notes	31.12.2015 Rs.	31.12.2014 Rs.
Assets			
Current Assets			
Cash & Cash Equivalents	7	55,909,162.43	91,409,002.83
Interest Receivable	8	22,120,214.97	20,727,959.34
Income Receivable	-	29,731,610.01	29,731,610.01
Trade & Other receivables	9	2,228,040,841.11	2,218,345,567.95
Deposits & Advances	10	61,273,578.75	59,677,971.85
Land		676,169,345.33	676,169,345.33
Inventories- Stationery	11	2,711,069.50	2,174,603.00
Non-Current Assets			
Investments	12	1,233,664,542.00	1,036,957,466.29
Property Plant & Equipment	13	39,359,200.91	45,546,228.97
Work in progress -Lindula Bungalow		641,118.00	
Work in progress -Palf Garden Watta		228,746.50	
Work in progress -DaulkurundaWatta			
Total Assets		4,349,849,429.51	4,180,739,755.56
Funds & Liabilities			
Current liabilities			
Trade & Other Payables	14	105,360,955.55	100,578,369.37
Lease Creditors	15	3,809,025.89	7,157,999.23
Non-current liabilities			
Gratuity Provision	16	61,569,030.00	58,131,775.50
lease Creditor PLC	17		3,508,486.68
Compensation Suspense-Stage I		113,053,465.06	113,276,122.66
Compensation Suspense -Stage II		109,959,492.95	109,959,492.95
Total Liabilities			
Net Assets			
Net value of assets & Equity			
Government Contribution & Treasury Grants	17	1,964,075,000.00	1,964,075,000.00
Reserves	18	1,089,591,678.23	1,004,152,080.20
Accumulated Surplus		902,430,781.83	819,900,428.97
Total Net Assets & Equity		4,349,849,429.51	4,180,739,755.56

Table No. 3.10: Statement of cash flow for the year ended 31st December 2015

Description	31.12.2015 Rs.	31.12.2014 Rs.
Cash Flows from Operating Activities		
Surplus From Operation	60,637,460.22	79,168,317.90
Depreciation	8,171,857.89	11,043,028.00
Finance Expenses	(4,929,010.27)	(5,193,735.10)
Operating Profit before Working Capital Changes	63,880,307.84	85,017,610.80
Working Capital changes		
Increase/(Decrease) in Trade & other payables	4,809,055.98	5,197,259.82
(Increase)/Decrease in Deposits & advance	517,272.10	(5,898,815.96)
(Increase)/Decrease in Lease Creditor	-	(1,893,848.56)
(Increase)/Decrease in Interest Receivable	(1,410,742.71)	(394,685.66)
(Increase)/Decrease in Trade & Other Receivables	(6,141.00)	300,954.00
(Increase)/Decrease in Stocks	(536,466.50)	(734,757.96)
(Increase)/Decrease in Income Receivable	-	-
(Increase)/Decrease in Compensation Payments	(222,657.60)	(5,863,792.00)
(Increase)/Decrease in Provision of Gratuity	3,437,254.50	
Acc. Depreciation Adjustment		
Net Cash Flows from Operating Activities	70,467,882.61	75,729,924.48
Cash Flows from Investing Activities		
Purchase of Property ,Plant & Equipment	(1,300,038.50)	(1,318,726.40)
Investing in Fixed Deposits	(196,698,534.23)	(154,398,576.66)
Building Working Progress –Lindula & Palm GargenWatta	(278,590.00)	
Motor vehical disposal ajustment	-	2,098,536.09
Net Cash Flows from Investing Activities	(198,277,162.73)	(153,618,766.97)
Cash Flows from Financing Activities		
Provision of Gratuity Payment		20,382,195.50
Net Value of Land Sale	85,399,655.63	76,062,779.30
Leasing	(6,756,217.35)	(6,587,442.69)
Prior Year Adjustments	13,666,001.45	3,136,378.28
Net Cash Flows from Financing Activities	92,309,439.73	92,992,910.39
Net Increase/(Decrease) in Cash & Cash Equivalent	(35,499,840.39)	15,104,067.90
Cash & Cash Equivalent at the beginning of Year	91,409,002.82	76,304,934.92
Cash & Cash Equivalent at the end of Year	55,909,162.43	91,409,002.82

Table No. 3.11: Statement changes in equity for the year ended 31st December 2015

Description	Government contribution Rs.	Treasury Grants Rs.	Accumulated Surplvs Rs.	Capital Reserves Rs.	Total Rs.
Balance as at 01.01.2015	15,000,000.00	1,949,075,000.00	833,056,330.43	1,004,192,022.60	3,801,323,353.03
Net Value of Land Sale (40%)				85,399,655.63	85,399,655.63
Prior Year Adjustment			13,666,001.45		13,666,001.45
Surplus for the Year			55,708,449.95		55,708,449.95
Balance as at 31.12.2015	15,000,000.00	1,949,075,000.00	902,430,781.83	1,089,591,678.23	3,956,097,460.06

3.5 Internal Audit Division

3.5.1 Authority for Auditing

Sub - Section 01- 03 of Section 2 of Part II of the Land Reform Commission - Finance Code Prepared in accordance with the Land Reform Commission Act No. 1 of 1972 and Finance Act. 38 of 1971, Provision for auditing.

3.5.2 Duties Performed in the Year - 2015

1. Disclosure, reporting and regularization of ledgers to confirm the ownership of the land owned by the Commission and to recover the money relevant to the year 2015 under the Land Policy for Sale and Lease to various Institutions.
2. Sending 14 files for compensation to publishers for agricultural lands assigned to the Commission under Act No. 1 of 1972 and 6 files for payment of interest for pre-audit.
3. Assessing the financial position of the District Authority and reporting on how to streamline and promote their activities.
4. Submitting 14 observations to reply to the queries made by the Auditor General.
5. Coordinating the activities of 03 Audit and Management Committee meetings.
6. Inspecting the activities of the General Purchasing Procurement Board and various payments as per the requirements of the office on a daily basis.

3.6 District Land Reform Authorities

20 District Land Reform Authorities are located island wide to cover the entire land extent vested to the Land Reform Commission by the act. District Land Reform Authorities manage, handle and coordinate all the land matters within the area. As well as that District Land Reform Authorities provide field reports for lands, land details which are available for commercial and non-commercial projects, appear for legal cases, follow up the progress of projects, collect revenue and etc.

1. Western Province	Colombo	Central Pharmacy Building, Padukka
	Kalutara	No : 220, Old Road, Kalutara
	Gampaha	Rural Development Project Building, Kachcheri, Gampaha
2. Southern Province	Galle	No : 27, Richmond Hill Road, Kaluwella, Galle.
	Matara	No :17/A, Dharmarathna Road, Uyanwatta.
	Tangalle	Court Road, Tangalle.
3. Uva Province	Monaragala	Janasavi Building, Kachcheri Junction, Monaragala.
	Badulla	No: 195, Keppetipola Road, Badulla.

4. East Province	Ampara	Kachcheri, Ampara.
	Batticaloa	Kachcheri, Batticaloa.
5. Northern Province	Jaffna	Kachcheri, Jaffna.
6. North Central Province	Anuradapura	Kachcheri, Anuradapura.
7. Sabaragamuwa Province	Ratnapura	Palm Garden Estate, New Town, Ratnapura.
	Embilipitiya	12/B, Store Road, New Town, Embilipitiya.
	Kegalle	Kachcheri, Kegalle.
8. North West Province	Puttalam	Pambala, Kakapalliya, Madampe.
	Kurunegala	No: 16, Noth Lake Road, Kurunegala.
9. Central Province	NuwaraEliya	I. R. D. P. Building, Udupussellawa Road, NuwaraEliya
	Kandy	4th Floor, New District Secretariat, Kandy
	Matale	Kachcheri, Matale.

- Administration and supervision of district offices
- Participation in discussions and seminars held at the Ministries and head Office
- Participation in mobile services held in the districts conducted by the Land Reform Commission.
- Conducting selection tests.
- Allocation of lands to Government and private institutions for effective purposes.
- Updating the list of district land and list and duties related.
- Updating the list of land disposed and unauthorized utilization
- Preparation of monthly physical and financial progress reports and submit to the head office
- Acting in accordance to the instructions given by the head office regarding the audit queries pertaining to the district
- Appearing in court for land cases pertaining to the district
- Submitting relevant information regarding requests received under the right to information Act to the Information Officer at the Head Office within the stipulated time.
- Organization of deed distribution ceremonies at district level.
- Matters related to the return of lands which have been acquired but fall outside the law.
- Coordinating and monitoring the allocation of lands for government development projects.
- Coordination of activities required for the acquisition of lands which have not been acquired properly
- Assisting surveyors to survey lands.

ANNEXTURES

- **Report of the Auditor General on the financial statements of the LRC for the year ended 31st December 2015.**



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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

AGL/A/LRC/01/2015/15

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

30 September 2015

The Chairman,
Land Reform Commission.

Report of the Auditor General on the Financial Statements of the Land Reform Commission for the year ended 31 December 2015 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Land Reform Commission for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of financial performance and statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 Section 13 (1) of the Finance Act, No. 38 of 1971 and Section 56 of the Land Reform Act, No. 01 of 1972. My comments and observations which I consider should be published with the Annual Report of the Commission in terms Section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act, was issued to the Chairman of the Commission on 20 May 2016.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.



1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on audit conducted in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items and elements of statement of financial position, statement of financial performance and statement of changes in equity, and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements.

2.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

(a) Sri Lanka Public Sector Accounting Standard 01

- (i) Even though the accrual basis should have been followed in reporting the transactions and events in the financial statements, the income received from the district offices had been accounted on cash basis.
- (ii) The assets, liabilities, income, and expenses should be shown in the financial statements separately. However, instead of showing the total land sales income of Rs. 213,499,139 in the statement of financial performance, and the part to be appropriated under the reserves, a sum of Rs. 128,099,483 representing 60 per cent of that had been shown

under the income, whereas the rest of Rs. 85,399,656 or 40 per cent, had been shown under reserves. As such, the true nature of the income received had not been disclosed in the financial statements.

(b.) Sri Lanka Public Sector Accounting Standard 03

The total income of Rs. 13,666,001 received through the reimbursement of income from the lease lands in respect of several preceding years, and other allowances including gratuity paid prior to the year 1995, had been adjusted to the profit of the year in the year under review as adjustments of the preceding years, without adjusting retrospectively.

(c.) Sri Lanka Public Sector Accounting Standard 08

The Court of Appeal had returned the verdict in the year 2009 that a sum of Rs. 148,715,363 be paid to the plaintiffs who had filed a case against the Commission to obtain the ownership of a land. The sum payable had exceeded Rs. 200,000,000 by 31 December 2015 including the interest. However, no provision had been made in that connection.

(d.) Sri Lanka Public Sector Accounting Standard 09

The following observations are made.

- (i) Lands and property being kept by an entity for resale should be shown as stocks. However, lands valued at Rs. 676,169,345 available for sale had been shown under non-current assets.
- (ii) The aforesaid lands available for sale had been assessed for the first time in the year 1978, and except for a small adjustment made in the years 2003 and 2006, the same value had been shown from the year 2006 to 2015. Accordingly, after the adjustments being made for the acquisitions, and sales taking place yearly, it was observed that an accurate value was not indicated by those balances as adjustments had not been made in respect of a further revaluation if necessary.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a.) Surcharges receivable on the delay of paying lease rents for the year under review had been understated in the accounts by a sum of Rs. 3,602,498.
- (b.) The arrears of income receivable from the resources of mineral (granite) leased out by the Commission had not been computed and shown in the financial statements, and the granite income in arrears receivable from the *Kalutara* district alone, amounted to Rs. 20,152,185.
- (c.) The provision for gratuity with respect to 07 employees with a service period of 1-7 years, had been understated by a sum of Rs. 228,745.

2.2.3 Unexplained Differences

The following observations are made.

- (a.) According to the financial statements of the year under review, the overall liability amounted to Rs. 223,012,958 under compensation suspense stage 1, and 2. However, in accordance with the reports of the Assessment and Compensation Division, the compensation including the interest payable to the declarants amounted to Rs. 586,300,000. As such, a difference of Rs. 363,287,042 had been observed, and action had not been taken to ensure the accuracy therein.
- (b.) In comparing the income of 11 Heads of revenue included in the financial statements with the reports of revenue connected thereto, a difference of Rs. 17,891,944 was observed.
- (c.) According to the reports of the Revenue Division, the lease rental income receivable by the end of the year under review amounted to Rs. 171,128,621. However, as the amount had been shown as Rs. 87,915,051 in the financial statements, a difference of Rs. 83,213,570 was observed in the lease rental income.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a.) Action had not been taken even in the year under review either to recover or to settle from the accounts a sum of Rs. 2,132,372,712 that remained recoverable from 07 Public institutions over a period of 10 years, Rs. 748,589 of employee loans that remained recoverable from 46 employees throughout a period of 1-5 years, and lease rentals amounting to Rs. 87,915,051 that remained recoverable over a period of 02 years.
- (b.) On the basis of being reimbursed by the Ministry of Lands, a sum of Rs. 3,252,654 had been paid to a private institution in the year 2003 for planning the promotional activities of the programme implemented by the Ministry for awarding *Rathnabhoomi* deeds under the approval of the Chairman. The Commission failed even in the year under review to take appropriate action on the said sum shown in the financial statements as being recoverable for a period of 12 years.
- (c.) The value of Rs. 2,921,575 that remained recoverable from 15 sundry debtors since the year 1999 had not been recovered even in the year under review, and the source documents required to ensure the said value had not been possessed by the Commission.
- (d.) Land sales advances of Rs. 6,424,700 shown in the financial statements over a period of 10 years, advances for selling lands to the employees amounting to Rs. 3,923,492 shown in the financial statements over a period of 08 years, lease rental advances of Rs. 11,215,850 that remained payable over a period of 10 years, and balances amounting to Rs. 2,500,000 that remained payable for a period of 04 years, had not been either settled or credited to the revenue.
- (e.) The refundable tender deposit value shown in the financial statements amounted to Rs. 201,500. It was observed that Rs. 66,000 of that had remained outstanding for a period of 2-10 years whilst the remaining balance of Rs. 135,000 had remained outstanding over a period of 10 years. Furthermore,

action had not been taken to settle the deposits valued at Rs. 800,130 payable to various Public and private institutions that had remained outstanding over a period of 10 years.

2.4 **Lack of Evidence for Audit**

As the evidence stated against each item mentioned below, was not made available to audit, the accuracy of those transactions could neither be vouched nor accepted.

Item of Account -----	Balance ----- Rs.	Evidence not made available -----
Lands	676,169,345	Schedules / Registers containing information on lands
Buildings	4,586,223	} Board of Survey Reports
Computers and Accessories	7,771,227	
Furniture and fittings	857,543	
Motor Vehicles	68,571,828	
Office Equipment	20,977,190	
Welfare equipment	1,031,996	
Stocks of Stationary	2,711,069	
Compensation Suspense Account	223,012,958	Detailed Schedules

2.5 **Non-compliances with Laws, Rules, Regulations, and Management Decisions**

The following non-compliances were observed.

Reference to Laws, Rules,
Regulations, and
Management Decisions

Non-compliance

(a.) Cabinet Decision No. 12/1237/501/030, dated 18 December 2014	A Committee should be appointed comprising 04 officers named for submitting a detailed report including matters presented by the Cabinet of Ministers in respect of the lands
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given to the other parties by the Commission during the period from 01 January 2002 to 31 March 2004, to the Cabinet of Ministers within a period of 02 months. However, it had not been so done.

- (b.) Public Enterprises Circulars, No. 25, dated 29 July 2004, and No. 25 (i), dated 10 August 2004.
- (i) A sum of Rs. 1,228,664,542 had been invested in fixed deposits and Treasury Bills by the Commission since the year 2004 without the approval of the Minister of Finance.
- (ii) A sum of Rs. 7,000,000 had been invested in a private institution on 30 December 2010 without the approval of the Minister of Finance.

(c.) Section 7.4.2 of Public Enterprises Circular, No. PED/12, dated 02 June 2003.

In order to operate, and take decisions relating to the institutional operations and activities, all Public enterprises should establish senior management committees. Nevertheless, the Commission had not appointed those management committees.

(d.) Section 3 of the internal Circular, No. 2000/26, dated 08 December 2000 for the recovery of usage income

The district offices should prepare a list containing names of the encroachers, with a copy being sent to the Director (Administration). However, it had not been so done.

(e.) The Commission Circular, No. 2008/0304/1, dated 17 April 2008

- (i) Sections 01(i), and (ii)
- The recovery of outstanding usage income of the relevant year should be completed within the same year. However, the usage income had been recovered at the time of selling the lands in many instances.

4. Operating Review

4.1 Performance

In terms of Section 02 of the Land Reform Act, No. 01 of 1972, the main objectives of the Commission includes : to fix a ceiling on the extent of agricultural land that may be owned by persons, to provide for the vesting of lands owned in excess of such ceiling in the Land Reform Commission, and for such land to be held by the former owners on a statutory lease from the Commission, to prescribe the purposes and the manner of disposition by the Commission of agricultural lands vested in the Commission so as to increase the productivity and employment. The following observations are made on the accomplishment of the objectives of the Commission.

- (i) Due to non-availability of a Register on the lands owned by the Commission for development, accurate information had not been updated.

According to the information made available to the COPE meeting held on 23 March 2016, land sales, and extents of lands that had been leased, had gradually decreased, and it was observed that the decrease was 73 per cent as compared with the preceding year.

- (ii) Even though there had been 106 files of unconfirmed ownerships at the beginning of the year for which gazette notifications had been published on the payment of compensation under Section 29 of the Land Reform Act, No. 01 of 1972, compensation could be able to pay only for 2 of those files within the year under review. It was observed that information was yet to be obtained for about 550 files.

4.2 Management Inefficiencies

The following observations are made.

- (a.) (i) Even though the lessee of the plot No. 04 of the *Kalawilawatta* land, had agreed to purchase the said land at its commercial value of the year 2002, the said person had occupied the land for over a period of 20 years without paying rentals due to failure in taking substantial measures.

(ii) In terms of Section 24 (2) of the Act, action should be taken to reacquire the lands that had not been developed. Nevertheless, action had not been taken to acquire the plot numbers 05 and 07 of the *Kalawilawatta* land that had not been occupied by the lessee at present nor been used for any development activity whatsoever.

(iii) This land is occupied by the encroachers with bogus deeds. The Commission had not taken action either to take legal action against them or to evacuate the encroachers in terms of Sections 1, 2, 3, 4 of 42(d) of the Amendment Act, No. 39 of 1975.

(b.) In terms of Section 33 of the Act, where any compensation payable to any person under this Law is not accepted by him when it is tendered to him, or where such person is dead or is not in existence or is not known, it shall be paid to any appropriate court of civil jurisdiction to be drawn by the person or persons entitled thereto. Nevertheless, action had not been taken up to the date of audit, on 30 April 2016, to deposit the compensation in the court in respect of 127 files.

(c.) As the persons whom the compensation is payable to, from the Compensation Suspense Account (II) had not been specifically identified, compensations had remained unsettled over a long period of time, and the balance amounting to Rs. 109,959,493 had remained unchanged throughout many years.

4.3 Operating Inefficiencies

 The following observations are made.

(a.) In accordance with the Commission Paper, No. 6873, dated 02 April 2009, action should have been taken to assess the land in extent of 04 acres, 02 roods, and 05 perches given to the *Skandha Kumara Kovil* on lease basis, and recover lease rents therefrom with effect from the year 1978. Nevertheless, no lease rent whatsoever had been recovered from this land owned by the Commission for a period of more than 35 years.

- (b.) Certain lands of which the leases had been cancelled by the Commission, were being encroached, and no income whatsoever had been received from those lands by the Commission.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a.) Even though an allotment in extent of 04 acres, 02 roods, and 16.96 perches from the *Nugedolawatta* land, had been given on 30 year lease basis for cultivation of mixed crops and fruits, it had been confirmed by a field inspection that a driving school for heavy vehicles had been maintained on the said land. Accordingly, following the deviation from the objective of obtaining the land as per Section 13 of the Internal Circular, No. 2/1/145 (iii), dated 23 May 2002, it was observed that action had not been taken in accordance with Section 24 (2) of the Act thereby revising the tax rates to be in line with the change in the basis.
- (b.) Plot numbers 01, and 02 of the Plan No. 53 in extent of 16 acres, 0 rood, and 22 perches from the *Pinnalanda* Estate, had been leased out to the Department of National Zoological Gardens so as to maintain an orphanage for elephants. The following observations are made in that connection.
- (i) Even though it had been recommended in accordance with the Commission Paper 6751 of the 587th session of the Commission dated, 18 December 2008 that this land, given to the Government Agent of *Rambukkana* since the year 1974 for a temporarily- decided lease rent without the approval of the Minister in charge of the subject, be leased out on the approval of the Minister in charge of the subject, for a period of 30 years from the year 2009 , neither deeds of transfer, nor lease agreements had been prepared in that connection.

- (ii) According to the new assessment for the period from the year 1974 up to 31 December 2014, a sum of Rs. 6,178,731 had been shown as the balance of tax in arrears. Due to non-availability of a deed of transfer or a deed of lease agreement, it was observed that taking legal action for recovering those outstanding balances would be impossible .

Owing to reasons such as granting on lease basis is not legal as the Zoological Garden is a Government institution , and failure to make payments despite being granted on lease basis so far, the audit had been informed by the Chairman that, following a decision taken at the discussion, action had been taken to acquire and hand over on the basis of compensating the Commission by obtaining provisions from the budget in the year 2017.

- (c.) A land in extent of 02 roods had been vested in the Department of Textiles at *Pinnawala Watta* in *Kegalle*, but no legal document whatsoever had been prepared in that connection.

4.5 Idle or Underutilized Assets

An area of 23 acres, 03 roods, and 15 perches at the *Wewalthalawa Watta* in *Nuwaraeliya* district had remained idle from 18 March 2004 up to the date of audit, on 31 December 2015.

4.6 Identified Losses

The following observations are made.

- (a.) The following matters were observed during the physical audit inspection carried out on the Plot No. 09 of the *Kalawilawatta* being occupied by a hotel company.
- (i) A Cabinet Memorandum had been presented by the Minister of Investment Promotions, in collaboration with the Minister of Fisheries and Aquatic Resources for the implementation of *Beruwala* Town Development Plan in the year 2014. As a hotel project had also been included therein, the Sri Lanka Board of Investment and a private

leasing company had entered into an agreement without approval of the Commission for implementing the said project.

(ii) At the time of the land being vested in the private leasing company , a hotel had been illegally operated for a period of more than 30 years by a private hotel company, but the Commission had not taken any action whatsoever in that connection.

(b.) The following matters were observed during the inspection carried out on the vesting of a 06 acre land from the *Layland* Estate industrial park in a private company on a 50 year lease with effect from 09 September 2005.

(i) In accordance with the Commission Paper, No. 7931, dated 28 March 2012, the tax income should be collected by revising taxes once in 05 years, but the tax for the ensuing 05 years had been computed by adding 50 per cent to the amount determined previously. Nevertheless, the company had not agreed to pay that amount.

(ii) In accordance with the Administrative Circular, 2005/09 of the Commission, a fine of 10 per cent should be charged on the delay of making payments. However, it had not been so done, and the sum deprived, amounted to Rs. 960,000.

(iii) Even though it is the usual procedure of the Commission to levy a tax percentage of 4 per cent from the assessed value and 6 per cent from the industrial sector when the Commission leases out agricultural lands, only 4 per cent had been levied from this institution which related to the industrial sector. As such, a sum of Rs. 8,000,000 had been undercharged up to the year 2015.

- (c.) Even though an income of Rs. 306,850 had been received in the year under review from the coconut cultivation being maintained at the *Dawulkurunduwatta* land in the *Madampe* district land area of authority, a loss of Rs. 138,547 had been sustained as allowances of the watchmen, and other expenses totalling Rs. 445,397 had been incurred. Hence, attention had not been drawn to improve the income received by further developing such lands being administered by the Commission.

4.7 Personnel Administration

The post of Director (Finance) of the Commission had remained vacant for a period of more than 07 years, whilst the posts of Director (Legal), and Director (Lands) had also remained vacant for a period of 02 years. Appointments for those posts had been made on acting basis, and accordingly, it was observed that there had been a possibility of affecting the decision making process of the Commission.

5. Accountability and Good Governance

5.1 Corporate Plan

In terms of Section 5.2 of the Public Enterprises Circular, No. PED/ 12, dated 2003 June 02, the operating results of the 03 preceding years had not been reviewed in the Corporate Plan prepared for the period 2015 – 2019.

5.2 Annual Action Plan

- (a.) None of the activities such as, identification of lands that had exceeded the maximum limit shown in the Action Plan, identification of lands to be released as per Buddhist Temporalities Ordinance, registration of lands vested in the Commission and registration of rights and registers, preparation of the main warehouse properly, computerization of the main warehouse, and conducting 02 day programmes on the subject of lands, had been executed.

- (b.) Out of the 14 targets mentioned in the Action Plan, a progress less than 50 per cent had been acquired.

5.3 Internal Audit

An internal audit had not been conducted in the year under review relating to the matters stated in the Internal Audit Plan, such as the maintenance of ledgers and recovery of tax in arrears at the Revenue Division, identification of cases based on the type of court at the Legal Division, and examination of expenditure. Half yearly internal audit reports had not been presented to the Auditor General.

5.4 Procurement and Contract Process

A main Procurement Plan had not been prepared in accordance with the Public Finance Circular, No. 01/2014, dated 17 February 2014.

5.5 Budgetary Control

As significant variances from 34 per cent up to 84 per cent in income and 30 per cent to 6141 per cent in expenditure were revealed while comparing the budgeted income and expenditure and the actual income and expenditure in the year under review, it was observed in audit that the budget had not been made use of as an effective instrument of management control.

5.6 Tabling of Annual Reports

Action had not been taken to table annual reports for the years 2013, and 2014 in Parliament even by 31 March 2016.

5.7 Unresolved Audit Paragraphs

A sum of Rs. 17,000,000 paid in the year 2002 in a transaction identified as being fraudulent, for purchasing a computer software package, had been shown as advances for computers in the financial statements. Accordingly, it was decided at the audit committee meeting on 17 June 2015 that action should be taken to raise the issue with the Treasury after having discussions with the Commission on the settlement of monies erroneously shown in the accounts as advances. Action had not been taken to resolve this accounting entry even up the date of audit, on 29 April 2016.



6. Systems and Controls

Deficiencies in system and controls observed during the course of audit were brought to the notice of the Chairman of the Commission from time to time and special attention of the Commission is needed in respect of the following areas of control .

Area of Systems and Controls	Observations
(a) Accounting	Non-coordinating of all the Divisions including Revenue Division, Land Transfer Division, and Project Division, with the Accounts Division.
(b) Control of Debtors	(i) Failure to update the statement of arrears of revenue . Failure to take action to recover arrears income. (ii) Failure to account the monies receivable by the Commission from Public Institutions as the relevant Divisions had not informed. (iii) Failure to prepare Age Analyses in respect of receivables. (iv) Failure to obtain confirmation of debtor balances.
(c) Non maintenance of Registers	Non-availability of a Land Register, and registers on the leased lands, and the lands transferred by sale.
(d) Lease of Lands	Non-preparation of a proper methodology for leasing the lands.

H.M. Gamini Wijesinghe.

Auditor General