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காணிசீர்திருத்தஆணைக்குழு
Land Reform Commission

ඉඩම් අමාත්‍යාංශය
காணிஅமைச்சு
Ministry Of Lands

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ஆண்டறிக்ஜகமற்றும் குணக்குறிக்ஜக
Annual Performance Report
2018

LAND REFORM COMMISSION

ANNUAL PERFORMANCE REPORT
2018

NO.475
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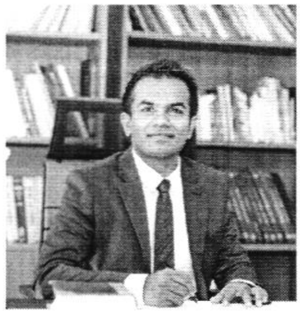


Message of the Chairman

It is a great pleasure to add some words at this moment of presenting the progress of the Commission in year 2018 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 2018 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.

NilanthaWijesinghe (LLB)

Chairman,

Land Reform Commission

Content

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 programme 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 2018.

I. Identifying the lands belonging to the Land Reform Commission, which have not been identified sofar.
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

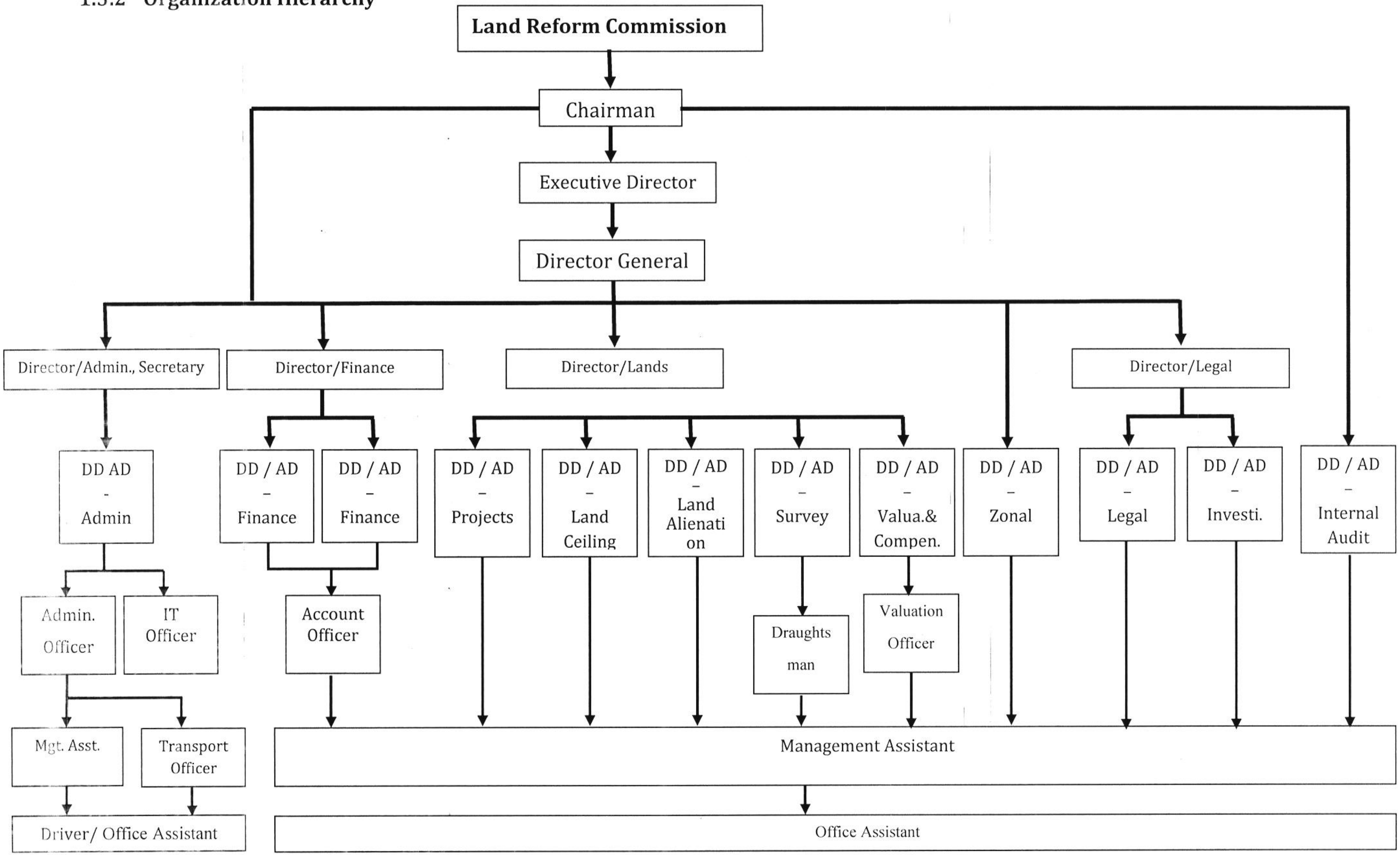
b) Entrusting duties in a proper way

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 31.12.2018 the Board of the Commission has conducted 714 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) above987,906 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 31/12/2018	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.	Director (Security and Investigation)		01	1
7.	Assistant Director (Internal Audit)	01	01	-
8.	Assistant Director(Administration)	01	01	-
9.	Assistant Director(Finance)	02	02	-
10.	Assistant Director(Legal)	03	05	2
11.	Assistant Director(Investigation)	01	01	-
12.	Assistant Director(Zonal)	20	14	(6)
13.	Assistant Director(Projects)	01	01	-
14.	Assistant Director(Land Ceiling)	01	01	-
15.	Assistant Director(Land Alienation)	01	01	-
16.	Deputy Director(Valu. and Compen.)	01	01	-
17.	Assistant Director(Survey)	01	01	-
18.	Accounting Officer	01	01	-
19.	Administrative Officer	01	01	-
20.	Information Technology Officer	01	01	-
21.	Personal Assistant	01 (Personal)	01	-
22.	Valuation Officer	03	-	(3)
23.	Staff Assistant	23 (Personal)	18	-
24.	Accounting Officer	05 (Personal)	04	-
25.	Draughtsman	02	-	(2)
26.	Transport Assistant	01	01	-
27.	Management Assistant	215 40 Personal	286	-
28.	Driver	17	21	4
29.	Office Assistant	44	64	20
	Total	**392**	**490**	

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 2018

Serial No	Description	Previous Year (2017)			Current Year (2018)		
		Number Received	Number Approved	Balance	Number Received	Number Approved	Balance
1.	Recruitments	84	84	-	63	63	-
2.	Conducting Examination	-	-	-	-	-	-
3.	Conducting Interviews	06	06	-	03	03	-
4.	Confirmation of Service	04	04	-	03	03	-
5.	Promotions	-	-	-	03	03	-
6.	Payment of Increments	307	304	03	307	304	03
7.	Extension of Service	02	02	-	02	02	-
8.	Preparation of Schemes of Recruitment	-	-	-	-	-	-
9.	Vacation of Post	02	02	-	02	02	-
10.	Interdictions	04	04	-	02	02	-
11.	Re - instatement in service	-	-	-	-	-	-
12.	Disciplinary Inquiries	04	04		06	06	-
13.	Approval of leave to be spent out of Sri Lanka	-	-	-	02	02	-
14.	Training	-	-	-	02	02	-
15.	Cabinet Memorandums	-	-	-	-	-	-
16.	Commencing Securities	06	06	-	-	-	-
17.	Releasing the Securities	11	11	11	06	06	-
18.	Loan Approvals						
	I – Property	-	-	-	-	-	-
	II- Vehicle	-	-	-	15	10	05
	III- Other	-	-	-	85	71	14

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 - 2018

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.	Photocpiers	08	-	06	14
8.	Computers	47	-	41	102
9.	Computer Printers	31	-	-	31
10.	Laptops	06	-	03	09
11.	Fax machines	20	-	-	20
12.	Typewriters	03	-	-	03
13.	Safes	10	-	-	10
14.	Cameras	01	-	-	01
15.	Televisions	01	-	-	01
16.	Refrigerators	01	-	-	01
17.	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 2018.

Table No. 3.4: Land alienation division activities performed during the year of 2018			
Serial No	**Project**	**Initiation of Preliminary Activities**	**Number Completed**
1.	Lease for BOI projects	25	10
2.	Granting lands approved agricultural or agricultural development projects (submission of them to the committee of project)	120	110 41
3.	Sale and Lease of lands on housing purposes and livelihood necessities	6,000	3387
4.	Lease / Sale of lands for public purposes to various public institution	14	06
5.	Economic Utilities relative the Timber Resources (project sales by tender)	40	10
6.	Economic projects related to the mineral Resources (silica, granite, dolomite ,Gem, and sand)	26	19

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 2018				
Serial No.	**Description**	**Target**	**Initiation of Preliminary Activities**	**Number Completed**
1.	Releasing lands for Statutory determination under Section 19	72	02	01
2.	Distributing lands under Section 14	24	10	04
3.	Distributing lands under Section 22	24	-	02
4.	Releasing lands of the non – declared	12	06	02

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 2018			
Serial No	**Description**	**No. of declared**	**Amount Paid Rs.**
1.	Payments of Compensation / Payment of Interest	14	28,184.51
2.	Calling valuation reports to Sale and lease of lands	213	-
3.	Calling valuation reports from Chief Valuer and reporting	199	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 2018.

Table No. 3.7 : All the legal cases handled by commission during the year 2018					
Serial No.	**Description**	**No. of cases as at31-12-2017**	**No. of cases filed during the year of 2018**	**Cases concluded/ settled during the year of 2018**	**Cases pending as at 31-12-2018**
1.	Supreme Court	33	09	03	39
2.	Appeal Court	53	13	19	47
3.	High Court	13	01	-	14
4.	District Court	402	59	18	443
5.	Magistrate Court	148	125	42	231
6.	Labour Tribunal	29	11	06	34
7.	Labour Disputes	03	03	01	05
8.	Human Rights Commission	13	13	07	19
	Total	**694**	**234**	**96**	**832**

3.4 Finance Division

3.4.1.INTRODUCTION TO ACCOUNTING POLICIES

3.4.1.1 Corporate Information

Land Reform Commission (LRC) was established under Land Reform Act of No. 01 of 1972.

To take over agricultural land owned by any person in excess of the ceiling and to utilize such land in a manner which will result in an increase in its productivity and in the employment generated from such land.

As per the Public Enterprises Circular No.PED/3/02015 dated 17th June 2015, Land Reform Commission is categorized under "C" of sub-category "C" in Other State Owned Enterprises.

Principal Activities and Nature of Operation of the Land Reform Commission

The Principal Activity of the Commission is 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.

The number of employees of the Commission at the end of the year 2018 was 477.

Date of authorization for issue

The LRC's financial statements for the year 2018 were certified by the commission on 26th February 2018

Going concern Basis

The LRC's Financial Statements have been prepared on going concern basis

Financial Period

Financial period of the commission represents a twelve months period from 01st January 2018 to 31st December, 2018.

Basis of preparation of financial statements

Statement of compliance

The financial statements of LRC have been prepared in accordance with Sri Lanka Public Sector Accounting Standards (SLPSAS 1 to 20) issued by the Public Sector Accounting Standards Committee of the Institute of Chartered Accountants of Sri Lanka. The LRC financial statements are comprised with the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and note to the financial statements in according to SLPSAS – 1.

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all periods presented in the financial statements unless otherwise stated.

Basis of measurement

The financial statements have been prepared on accrual basis and under the historical cost basis, except where appropriate disclosure are made with regard to fair value under relevant notes.

Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in order to enhance the understanding of the financial statements of the current period and immediate pass period to improve comparability, where necessary, comparative figures have been rearranged to conform to the current year's presentation.

Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately, unless they are immaterial.

Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the commission's functional and presentation currency, in the primary economic environment in which the commission operates.

3.4.1.2. Summary of Significant Accounting Policies

Property, Plant and Equipment

Property, plant & equipment of the commission presented in the financial statements according to SLPSAS -07. Even though revalued the commission property, plant &equipments except land vested to the commission under Land Reform Act of No. 01 of 1972 as at 31st December, 2018 by the Valuation Department of Sri Lanka. Commission did not receive all the physical locations valuation reports until authorized these financial statements. Therefore 2018 financial statements property, plant and Equipment state in historical cost basis. Once commission received all the valuation reports from the valuation department will make necessary adjustment and proceed to relevant officials in accordingly.

Basis of recognition and measurement

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Land reform commission and the cost of the asset can be measured reliably. Repair and maintenance cost are recognized in the statement of comprehensive income as incurred. The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable.

Depreciation

LRC property, plant and equipment depreciation policy has been changed from reducing balance method to Straight line method since year 2018 subsequent to revaluation process of the property, plant and equipment in the commission. According to new depreciation policy acquired assets are depreciating after reducing 5% of scrap value from the total acquired cost at the date of purchased. Remaining value of the assets will allocate simultaneously by using useful lifetime of the asset.

The estimated depreciation rate of the property, plant and equipment of the commission are as follows:

Asset category	Rate of Depreciation
Buildings	5%
Computer Equipment's	20%
Furniture & Fitting	10%
Motor Vehicle	10%
Office Equipment's	20%
Plant & Machinery	20%
Welfare Equipment's	20%
Bicycle	20%

De-recognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount and included in the Statement of Comprehensive Income in the year, the asset is derecognized.

Capitalized working progress

There are two working progress values were lined in the statement of financial position in several years has been capitalized with the approval of the commission.

Investment Property

Land vested to the commission under Land Reform Act of No. 01 of 1972 in shown in the statement of financial position as investment property under SLPSAS -13. This is because vested land is used for income generating process of the commission through the long term lease.

Inventories

Inventories of the commission recorded in the financial statements SLPSAS -09 issued and valued on First in First out (FIFO) method. At the yearend inventories are stated at the latest purchase cost/price of the inventories. The inventories of the commission include various forms of application, stationeries and consumables.

Financial assets – Initial recognition and measurement

Financial assets within the scope of the Sri Lanka Accounting standard 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments. The Commission initially recognizes loans and receivables and deposits on the date that they are originated.

The financial assets of the commission include receivables, Loans and advances to staff, Held-to-Maturity Financial Assets, and cash and cash equivalent. Initially, loans and receivables are recognized on the date that they are originated. Loans and receivables are stated at their cost. Loans and receivables comprise trade receivables, employee loans and advances, deposits and other receivables.

Held-to-maturity financial assets (HTM)

Reserve for compensation payment and interest receivable from the term deposit and treasury bills invested in government bank for short period have been classified under HTM investments.

Cash and cash equivalents

The LRC's cash in hand considers three checking accounts and two saving accounts available bank balances with an integral part of the commission's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents comprise cash in hand, cash at bank, deposits at bank.

Liabilities and Provisions

A liability is classified as current when it is expected to be settled in the normal operating cycle; held primarily for the purpose of day today operating, due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The commission classifies all other liabilities as non-current.

Contingent liabilities

The LRC estimated with some of past and presentlegal action against commission in future, the commission will have an estimated to pay as contingent liability aroundRs. 400 Million to outsiders. Financial statements provision will make provision once received all the relevant written evidence and confirmation from the relevant authorities.

Contingent assets

The LRC was estimated with some past and present legal action taken by the commission, in future commission will receive around Rs. 1,240 Million from outsiders. Also, due to commission land acquisition related activities commission will receive Rs. 594 Million from the outsiders.

Provisions

A provision is recognized in the statement of financial position, when the commission has a legal or statutory obligation as a result of a past event it is probable that an outflow of assets will be required to settle the obligation and the obligation can be measured reliably.

Employee benefits

Employee Defined Benefit Plan – Gratuity

The employees of the Commission, those who have completed five years consecutive service has been entitled to receive half month last drawing salary (including basic salary and cost of living allowance) per annum based on his/her number of years of service. At the yearly gratuity provision made on this policy of the commission. Further, employees those who recruited under special cabinet approval for three years contract period on yearly renewal base for special deed event did not include them for the gratuity provision.

Defined Contribution Plans- Employees 'Provident Fund and Employees' Trust Fund

Employees are eligible for Employees 'Provident Fund Contributions and Employees' Trust Fund Contributions, in line with respective statutes and regulations. These are recognized as an expense in the statement of comprehensive income as incurred. The LRC contributes 15% and 3% of basic with cost of living emoluments of the employees to Employees 'Provident Fund and Employees' Trust Fund respectively.

Taxation

Income tax

The surplus and income of the commission, other than interest earned from the short term deposit and fund management, is exempt from income tax under Section 7 (b) (ii) of the Inland Revenue Act No. 10 of 2006.

Other taxes

VAT, NBT and WHT have been paid in respect of lease land rent and other service charges received by the commission. Therefore, no provision has been made for any other taxes.

Deferred taxation

Provision has not been made for deferred tax, as surplus and income of the commission are exempt from income tax under section 7 (b) (ii) of the Inland Revenue Act No. 10 of 2006.

Government Grants

Initially, Sri Lankan treasury was provided LKR 15,000,000/- initial grant to Land Reform Commission establishment stage and later on Land Reform Commission run by utilizing commission itself generated fund without taking government fund.

3.4.2 Financial Report – 2018

Table No. 3.8 : Statement of Comprehensive Income for the year ended 31st December 2018

Description	Notes	31.12.2018Rs.	31.12.2017Rs.
Revenue	14	277,409,525.15	263,571,992.60
Other operating income	15	63,166,862.11	165,642,621.71
Administrative Expenses	16	(365,670,951.74)	(319,524,751.58)
Supplies & Requisites Expenses	17	(17,182,793.28)	(18,546,430.12)
Other Operating Expenses	18	(17,951,772.71)	(17,105,980.66)
Operating Surplus		**(60,229,130.47)**	**74,037,451.95**
Finance Income	19	184,982,065.86	132,974,634.52
Finance Expenses	20	(3,117,689.33)	(4,499,173.15)
Net Surplus for the Year		**121,635,246.06**	**202,512,913.32**
Total Comprehensive Income at the Beginning of 01/01/2018		1,198,823,032.51	1,042,750,525.73
Other Comprehensive Income for the year		-	-
Prior Year adjustments	21	20,578,570.51	(46,440,406.54)
Total Comprehensive Income at the Ending of 31/12/2018		**1,341,036,849.08**	**1,198,823,032.51**

Table No. 3.9 : Statement of Financial Position as at 31st December 2018			
Description	**Notes**	**31.12.2018 Rs.**	**31.12.2017 Rs.**
Assets			
Non-Current Assets			
Property Plant & Equipment	3	49,176,072.40	39,595,055.37
Work in progress -LindulaBangalow			1,003,646.00
Work in progress -Palf Garden Watta			457,492.50
Work in progress -Daulkurundawatta			7,000.00
Total Non-Current Assets		**49,176,072.40**	**41,063,193.87**
Investment Asset			
Vested land under LRC Act No. 01 in 1972		**676,169,345.33**	**676,169,345.33**
Current Assets			
Inventories- Stationery	4	2,551,709.53	2,226,576.00
Trade & Other receivables	5	2,401,278,675.06	2,383,802,919.88
Interest Receivable	6	78,749,848.35	48,767,100.07
Deposits & Advances	7	69,756,994.10	64,761,044.60
Bank short term deposit & Treasury bill deposit	8	1,756,679,568.40	1,498,725,121.79
Cash & Cash Equivalents	9	57,525,784.76	140,882,992.21
Total Current Assets		**4,366,542,580.20**	**4,139,165,754.55**
Total Assets		**5,091,887,997.03**	**4,856,398,293.75**
FUNDS & LIABILITY			
Accumulated Fund & Reserves			
Reserves	10	1,344,492,737.86	1,244,687,964.62
Accumulated Surplus		1,341,036,849.08	1,198,823,032.51
Total Accumulated Fund & Reserves		**2,685,529,586.94**	**2,443,510,997.13**
Funds & Grants			
Government Contribution & Treasury Grants	11	1,964,075,000.00	1,964,075,000.00
Total Funds & Grants		**1,964,075.000.00**	**1,964,075,000.00**
Non-current liabilities			
Gratuity Provision	12	103,141,870.92	91,242,398.00
Compensation suspense-Stage I		106,775,362.83	107,422,945.46
Compensation suspense-Stage II		109,959,492.95	109,959,492.95
Total Non-Current Liabilities		**319,876,726.70**	**308,624,836.41**
Current liabilities			
Trade & Other Payables	13	120,729,832.11	131,510,867.92
VAT Payable to IRD		960,400.22	7,792,963.08
NBT Payable to IRD		596,311.81	883,629.21
Withholding tax payable		120,140.15	-
Total Current Liabilities		**122,406,684.29**	**140,187,460.21**
Total Liabilities		**442,283,410.99**	**448,812,296.62**
Total Funds & Liabilities		**5,091,887,997.93**	**4,856,398,293.75**

Table No. 3.10 : Statement of cash flow for the year ended 31st December 2018			
Description	**Notes**	**31.12.2018Rs.**	**31.12.2017 Rs.**
Cash Flowsfrom Operating Activities			
Surplus From Operation		121,635,246.06	202,512,913.32
Adjustments			
Depreciation		7,126,430.12	7,022,772.83
Finance Expenses		3,117,689.33	4,499,173.15
Operating Profit before Working Capital Changes		**131,879,365.51**	**214,034,859.30**
Changes in Working Capital			
(Increase)/Decrease in Trade & other payables		(17,780,775.92)	22,679,772.37
(Increase)/Decrease in Deposits & advance		(4,995,949.50)	(1,206,409.78)
(Increase)/Decrease in Interest Receivable		(29,982,748.28)	(10,123,806.11)
(Increase)/Decrease in Trade & Other Receivables		(17,475,755.18)	(87,674,579.76)
(Increase)/Decrease in stocks		(325,133.53)	956,337.47
(Increase)/Decrease income receivable		(258.353.69)	665,526.87
(Increase)/Decrease in Compensation payments		647,582.63	5,061,999.17
(Increase)/Decrease Provision of gratuity		11,899,472.92	11,624,281.99
Net Cash Flows from Operating Activities		**(58,271,660.55)**	**(58,016,877.78)**
Cash Flows from Investing Activities			
Purchase Of Property,Plant & Equipment		(16,276,120.22)	(2,396,058.54)
Investing in Fixed Deposits and treasury Bills		(257,954,446.61)	(129,396,286.97)
Net Cash Flows from Investing Activities		**(274,230,566.83)**	**(131,792,345.51)**
Cash Flows from Financing Activities			
Net Value of Land sale		99,804,773.24	70,415,309.94
Finance Cost		(3,117,689.33)	(4,499,173.15)
Prior year Adjustments		20,578,570.51	(46,440,406.54)
Net Cash Flows from Financing Activities		**117,265,654.42**	**19,475,730.25**
Net Changes in Cash & Cash Equivalents		**(83,357,207.45)**	**43,701,366.26**
Cash & Cash Equivalents at the beginning of the year		**140,882,992.21**	**97,181,625.95**
Cash & Cash Equivalents at the ending of the year		**57,525,784.76**	**140,882,992.21**

Table No. 3.11 : Statement changes in equity for the year ended 31st December 2018					
Description	**Government contribution Rs.**	**Treasury Grants Rs.**	**Capital Reserves Rs.**	**Accumulated Surpls Rs.**	**Total Rs.**
Balance as at 01.01.2017	**15,000,000.00**	**1,949,075,000.00**	**1,174,272,654.68**	**1,042,750,525.73**	**4,181,098,180.41**
Surplus for the Year	-	-	-	202,512,913.32	202,512,913.32
Other Comprehensive Income					
Total Comprehensive Income					
Net Value of Land Sale (40%)			70,415,309.94		70,415,309.94
Prior year Adjustment				(46,440,406.54)	(46,440,406.54)
Adjustment on Impairment					
Balance as at 31.12.2017	**15,000,000.00**	**1,949,075,000.00**	**1,244,687,964.62**	**1,198,823,032.51**	**4,407,585,997.13**
Fair value Adjustment					
Surplus for the year				121,635,246.06	121,635,246.06
Other comprehensive Income					
Total Comprehensive Income					
Net Value of Land Sale (40%)			99,804,773.24		99,804,773.24
Fixed Assets Revalue Reserve					
Prior year Adjustments				20,578,570.51	20,578,570.51
Adjustment on Impairment					
Balance as at 31.12.2018	**15,000,000.00**	**1,949,075,000.00**	**1,344,492,737.86**	**1,341,036,849.08**	**4,649,604,586.94**

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 - 2018

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 2018 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.SouthernProvince	Galle	No : 27, Richmond Hill Road, Kaluwella, Galle.
	Matara	No :17/A, Dharmarathna Road, Uyanwatta.
	Tangalle	Court Road, Tangalle.

3. UvaProvince	Monaragala	Janasavi Building, KachcheriJunction,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	NuwaraEliy	I. Building,UdupussellawaRoad,NuwaraEliy
	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 2018.

Land Reform Commission - 2018

1.1 Disclaimer Opinion

The audit of the financial statements of the Land Reform Commission for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income , statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and the Financial Act No. 38 of 1971 . My comments and observations which I consider should be report to Parliament appear in this report.

As a result of the important facts set out in Paragraph 1.5 of this report I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Due to the fact that I do not express an opinion on the accompanying financial statements.

1.2 Basis for Disclaimer of Opinion

My opinion is disclaimer based on the matters described in Paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the 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 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.

1.4 Auditor's Responsibility in Auditing Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Commission, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Commission has complied with applicable written law, or other general or special directions issued by the governing body of the Commission ;

- Whether the it has performed according to its powers, functions and duties; and

- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non compliance with the Sri Lanka Pubic Sector Accounting Standards

	Non compliance	Comments given by the Management	Recommendation
(a)	Even though the accounting policy for making provision for post-employee benefits shall be prepared as defined in Paragraph 9 of Sri Lanka Public Sector Accounting Standards 03 and in accordance with the Standards and Practices introduced by the Institute of Chartered Accountants of Sri Lanka, without complying to that a provision of Rs. 17 million had been made during the year under review as post-employee benefit considering the employee's service period and half of his last salary.	Revised provision for gratuity of employees as at 31.12.2018 was made as mentioned in Sri Lanka Accounting Standards.	Identification of a policy for post-employee benefit provisions should be made accordingly, in terms of the provisions of the Sri Lanka Public Sector Accounting Standards No.03 .
(b)	Although the fair value of assets should be stated in financial statements as per standard No.07, the buildings remained at a cost of Rs. 4,586,223 as at 31 December of the year under review had not taken into accounts revaluing to fair value.	The revalue amount will be considered whilst preparation of financial statements in the year 2019 .	The fair value of the buildings belonging to the Commission should be assessed in the financial statements in terms of Sri Lanka Public Sector Accounting Standards No. 07 .

1.5.2 Accounting Deficiencies

	Audit Observation	Comments given by the Management	Recommendation
(a)	Although the receivable interest income of Rs. 33,546,865 for the year under review and interest income of Rs. 151,435,201 should be reduced from net cash flow from the operating activities, since only a sum of Rs. 29,982,748 which was the difference between the opening and closing balances of the interest receivable account had been deducted, the cash flow from the operating activities had been overstated by a sum of Rs. 154,999,308 and the cash flow from investment activities had been understated by a sum of Rs. 151,435,201.	Steps have been taken to properly disclose the revised cash flow statement.	The cash flow statement should be prepared in accordance with the provisions of the Sri Lanka Public Sector Accounting Standards No.02 .
(b)	Since a credit balance which was not included in the financial statement valued at Rs.258,353 was recorded as working capital change in the cash flow statement, the cash flow from operating activities had been overstated by that amount.	Actions will be taken to record in the revised cash flow statement correctly.	The cash flow statement should be prepared correctly identifying the receipts and payments in cash.
(c)	Due to an income receivable from granite to the District Land Reform Authority Kalutara in the year under review amounted to Rs. 11,799,600 was not recorded in accounts, the profits for the year under review had been understated.	Accounts were prepared in accordance with the report received from the Project Unit where the granite leasing activities were carried out and will be corrected in future.	Arrangements should be made to taken in to accounts obtaining accurate information.

1.5.3 Unauthorized Transactions

	Audit Observation	Comments given by the Management	Recommendation
(a)	Although the approval of the Commission and Cabinet of Ministers should be taken when leasing of the lands for more than 05 acres in extent as per the Decision of the Cabinet of Ministers No. 11 / Miscellaneous (015-1) of the year 2011, eighty acres belonging to Meddegedera Estate in Kalutara had been leased to four lessee for coconut, tea, palm and mixed crops in the years 2016 and 2017 , in contrary to that and due to the failure of obtaining government valuation for those lands, the annual lease amount had not been charged in addition to obtaining the initial value of Rs.1,478,000 .	Even though it was furnished to the approval of the Cabinet of Ministers, it has not been approved up to now.	Actions should be taken to obtain the approval properly and it should be leased out on an accurate assessment.
(b)	The granites in the land in extent 22 acres at Olaboduwa, Yahala Kale and Ingiriya Estates belonging to the Commission had been leased out in the years 2001, 2004 and 2005 and a rock located on a 10 acres of land in extent belonging to the Millaniya Horekanda Estate had been mined without permission from the year 2003 to the year under review. Although the Commission had cancelled the relevant agreements due to the non-payment of lease by the lessee and not obtaining the approval by the relevant institutions, actions had not been taken to stop unauthorized mining. Accordingly, the outstanding lease in due by 30 November of the year under review was Rs. 47,433,565.	Actions have been taken to suspend all the quarries maintaining in these lands without the approval of the Commission and give permission only to those who pay all the money receivable to the Commission. A survey order has been issued to take measures to hand over this granite project properly and it was instructed to do the relevant calculations as per that survey order.	It should be properly leased out on environmental approvals and follow up actions should be carried out on these projects.

(c)	From a land in extent 04 acres 03 Roods 03 perches of Meddegedara Estate belonging to the Commission has been keeping in possession by an external party since 2002 without proper authorization and the said party had built 04 rooms, 10 cabanas and a hotel with a natural pool and a large pool about 10 perches also being in under construction during the year under review. The Commission had not taken actions to acquire or to lease out the land by the end of the year under review.	Arrangements are being made to alienate the lands under the procedure for leasing of lands followed by the Commission and to recover arrears of lease since 2002 .	District officials should take actions to identify the encroaches and a prepare a proper programme to make the information available to the public for that and legal actions should be taken against the unauthorized use.

1.5.4 Improper Assessment or Estimation

Audit Observation	Comments given by the Management	Recommendation
Since the establishment of the Commission in the year 1972, a register including the full details relating to the number of acres of land existing in the acquired lands, the areas where each land is located, from whom the land was acquired, details of the transfer of land possession at present and relevant gazette notifications and all relevant details of land disposals had not been maintained by the institution and the institution had also failed to explain the matter with supporting documents . with regard to that. Accordingly, it could not be verified in the audit that the existence of lands acquired that had mentioned in the financial statements and the accuracy of the assessed amount of Rs. 676,169,345.	The lack of a properly updated Register of Land belonging to the Commission and the unavailability of the specific cost of each land in that register and impossibility of determining the cost of the lands which were sold .	An updated Register of Land should be maintained and taking action on responsible officials for not maintaining the registers in an updated manner up to now .

1.5.5 Lack of Evidence for Audit

	Item	Amount Rs.	Lack of audit evidence	Comments given by the Management	Recommendation
(a)	Buildings and Motor Vehicles	82,656,308	Survey Reports and Schedules	A sum of Rs.4,207,821 from the value of these buildings was a balance brought forward in the year 2009 without detailed information. The empirical evidences could not be found. The empirical evidences can be found for the remaining amount of Rs. 9,876,662 . Actions will be taken to renovate those buildings and to include them in the year 2019 expenditure. The value of the motor vehicle has been sent to the Department of Valuation for the assessment.	A schedule of buildings should be prepared and the value of the goods should be surveyed and ascertained the value annually.
(b)	Lease Receivable	16,708,318	Details related to the Journal Entries for the adjustments for the difference in the opening balance	The lessee pays the lease arrears to the District Office. Due to the delays in receiving the relevant receipts to the Revenue Division of the Head Office, the opening balance has changed since it has been adjusted based on the ledger balances relevant to the previous year's balances.	The relevant details should be submitted along with the journal voucher when adjusting through the Journal on the ledger balances Journal entries .

1.6 Accounts Receivable and Payable

1.6.1 Receivables

The following observations are made.

	Audit Observation	Comments given by the Management	Recommendation
(a)	The Commission had not taken action to recover a sum of Rs. 2,135,625,246 receivable from 08 state institutions that have been in existence for more than 13 years, even by the end of the year under review.	Due to the difficulty of finding the right information properly, it has been impossible to get the right information. Actions are being in progress to obtain information in respect of the amount receivable.	Action should be taken expeditiously to recover by obtaining the correct information from the relevant Divisions.
(b)	The Commission had not taken action to recover 08 debtor balances valued at Rs. 2,311,017 remained from the year 1999 .	Due to the difficulty of finding the files properly, it has been impossible to obtain accurate information. Actions are being taken to obtain information in respect of the debtor balance.	Action should be taken expeditiously to recover obtaining the correct information from the relevant Divisions.

1.6.2 Payables

	Audit Observation	Comments given by the Management	Recommendation
(a)	A sum of Rs. 777,917 obtained from 07 institutions listed under Trade & Other Payable as advances and the money obtained for other matters had been retained in the institution more than 12 years and arrangements had not been made to settle them.	Since these creditors payable are older than12 years, without obtaining a definite balance confirmation a payment could not be made and any confirmation regarding this credit balance has not been made.	Action should be taken to clear the balance by getting expeditious balance confirmation.

(b)	Even though the advances of Rs. 13,580,850 received whilst leasing out the lands had elapsed over 7 to 13 years, the Commission had not taken actions to resolve even by the year under review.	The advances obtained for lands that were leased out on lease base during the period of 2002-2004 and subsequently banned by a Cabinet Memorandum are shown further in accounts since the land issues are not properly resolved.	Actions should be taken to resolve the issues promptly and settle the advances.
(c)	Even though more than 10 years had elapsed since the completion of the work, the Commission had not taken action to settle the advance amount of Rs.11,702,992 received in selling the lands at the end of the year under review.	Cabinet approval has been requested to settle and further actions will be taken once the approval is obtained.	Arrangements should be made to settle the advance payments after obtaining the Cabinet approval.
(d)	The Commission had not taken actions to settle the credit balance of the uncertain compensation account II amounted to Rs. 109,959,493 which remained unchanged from the year 2005 to the year under review .	The fact that this is used for golden shareholders and the payment of compensation was not carried out recently.	Arrangements should be made to pay compensation to the owners by looking for information.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

The instances of non-compliances with Laws, Rules , Regulations and Management Decisions are shown below.

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments given by the Management	Recommendation
(a)	**Financial Regulation of the Democratic Socialist Republic of Sri Lanka**			

(i)	Financial Regulations 756 and 757 of the	A Board of Survey had not been carried out to ascertain the accuracy of the stationery balance amounted to Rs. 2,551,710 at the end of the year under review.	The details relating to the stationery stock can be verified by the ledgers maintained at the stores.	The physical existence should be verified by conducting Board of Surveys with regard to the stationary in terms of Financial Regulations.
(ii)	Financial Regulation 371 (5)	Although the ad hoc sub imprest should be settled within 10 days of the completion of the task, a period from 16 days to 397 days had elapsed to settle the value of the advances amounted to Rs. 3,210,180 obtained at 02 instances in the year 2017 and a sum of Rs. 3,210,180 obtained at 59 instances in the year under review .	The advance payment has been delayed because of the business of the officers and the conducting of the deeds awarding ceremony and the officers were advised to comply with the Financial Regulations relating to advance payment and settlement in future.	The advances should be settled immediately after completion of task in accordance with Section 371 (5) of the Finance Regulations.
(c)	Paragraph 2.5.3 of Chapter V of the Establishme .nts Code of the Democratic Socialist Republic of Sri Lanka	Although an officer working on a secondment basis is not entitled to housing allowances or entertainment allowances, a sum of Rs.540,000 had been paid as housing and entertainment allowances for an officer recruited on a secondment basis in the year under review .	It has been provided with the approval of the Commission on the need to perform duties whilst implementation of the Accelerated Deed Awarding Programme.	Actions should be taken in accordance with the provisions of the Establishments Code.
(c)	Section 2 of the Public Enterprises Circular No. PED 03 / 2015 dated 17 June 2015	Although the Chairman and Executive Director of the Commission do not entitle for any housing and entertainment allowance as per the Circular, a total of Rs.1,200,000 as those allowances had been paid to the Chairman and the Executive Director during the year under review.	It has been provided with the approval of the Commission on the need to perform duties whilst implementation of the Accelerated Deed Awarding Programme.	Actions should be taken in accordance with the provisions of the Circular.

(d)	Public Finance Circular No. PF / PE 5 dated 11 January 2000	A special allowance of Rs.10,293,933 for the non-staff officers with Rs.2,000 per each month, a special allowance in addition to holiday pay for the staff officers and an allowance totalled to Rs.8,450,714 for number of hours working in addition to approved overtime hours for non-staff officers had been paid without obtaining the relevant approval as per the Circular .	The payments made for the duties after office hours and on weekends for the contribution of the entire staff to the Accelerated Deed Awarding Programme.	The approval should be obtained as per the Circular.
(e)	Public Enterprises Circular No. PED 25 of 29 July 2004	Although the approval of the Minister of Finance should be obtained to invest the excess money in public enterprises, without obtaining such approval the Commission had invested an excess amount of Rs.1,756,679,568 in the banks during the year under review.	Even though the approval from the Department of Public Enterprises has been requested in writing on several occasions, the approval has not been received up to now.	Action should be taken to obtain the relevant approval to invest the excess money in terms of the Circular .
(f)	Commission Decision dated 17 February 2017 (Paper No. 9676)	Although it had been stated that the written lease agreements should be given as in force for a period of one year and leasing should be made on the recommendation of Central Environmental Authority, Geological Survey and Mines Bureau and other agencies when leasing of granite lands , the granite lands had been leased out without lease agreements and related recommendations even by the year under review.	Without the recommendations of these institutions, the Commission Papers are not be submitted to obtain the approval of the Commission for the relevant projects at present. Arrangements have been made to enter into agreements with effect for a period of one year.	The granite lands should be leased out after the agreement has been obtained with the recommendation of the relevant institutions

(g)	Directives of Committee on Public Enterprises, dated 18 August 2018	The following Directives made by the Committee had not been implemented even by August 2019 . I. Since the 10 lakhs acres of lands in extent which were documented at present were not accurate, establishment of a Special Task Force to list the lands formally. II. To present a report on the actions to be taken in respect of the outstanding balance of Rs.2 billion occurred due to shortcomings in the documents.	Actions are being taken in respect of the debtor balances .	The Directives of the Committee on Public Enterprises should be implemented within the relevant time frame.

1.8 Fund Management

The following matters were observed.

	Audit Observation	Comments given by the Management	Recommendation
(a)	As per the Treasury Operations Circular No. 1/2008 dated 03 March 2008, although it was stated that the money should be deposited in fixed deposits for a period of two years or more, the Commission had invested a sum of Rs.1,562,268,068 under 97 fixed deposits for a maximum period of one year.	It has been requested from the Department of Public Enterprises to invest a part of this money which has been invested for one year period or more than one year and the approval has not been received by now .	Actions should be taken to deposit as per Circular provisions.
(b)	Due to investment of Rs. 110,000,000 in Fixed Deposits for a period of less than one year at a minimum interest rate in 7 instances, if it was deposited for one year the opportunity of the earning of interest amounted to Rs. 825,000 approximately had been lost.	If the Commission has to pay compensation in any case, invest a portion from the fixed deposits for a period of less than one year to withdraw the fixed deposits without keeping until maturity.	Investments should be made to be able to generate higher interest income.

2. Financial Review

2.1 Financial Results

The Operating results for the year under review was a surplus of Rs. 121,635,246 and the corresponding surplus as compared to the to the preceding year was Rs. 202,512,913. Accordingly, a deterioration in the financial result amounted to Rs. 80,877,667 was observed in the financial year under review. The decline in the granite revenue and surcharge had mainly attributed to this deterioration in the year under review .

3. Operating Review

3.1 Management Inefficiencies

	Audit Observation	Comments given by the Management	Recommendation
(a)	About 40 acres portion of the Iranawilawatta land belonging to the Land Reforms Commission of Puttalam District had been used unauthorized by 10 people for prawns farming from the year 2000 and although it has been decided to alienate the land on lease basis from 17 January 2001 to charge Rs. 10,000 for one acre based on the approval of the Chairman and on assessment of the year 2000 in terms of Section 22 (1) (a) of the Act, until the above land is legally alienate to long term lease basis, that decision had not been implemented up to December 2018.	It will be decided to take legal action against individuals and institutions who have failed to pay their lease amount through negotiations.	The institution should take appropriate action to recover the lease in due and the actions should be taken the in respect of the officials responsible for it.
(b)	Although 59 acres in extent of Kusala B Estate in Puttalam District had been leased out to a private company in the year 1994 for a prawns farming the project, the amount remained in arrears from the year 1999 to 2002 was about Rs. 850,000 and the company had obtained a loan mortgaged its lease agreement in the year 2004 and as the loan was not repaid to the bank, though the	It has been decided to take legal actions against individuals and institutions who have failed to pay their lease amount through negotiations.	Leasing out of land according to the prescribed methodology of the institution, follow up actions, taking legal action against lessee within the prescribed time.

	lease right had been acquired by the bank in the year 2011, the Commission had not taken steps to take legal actions with regard to that and the lease amount of Rs. 8,166,687 to be received by the year 2018.		
(c)	A 74 acres 2 rood and 23 perches of land in extent called Kumbutukuliya Watta in Puttalam District had been granted on a lease to a private company for a Prawns farming on 10 November 2009 for a period of 30 years. As the above project was not implemented by 2010, although only the possession of the land has been taken back to the Commission, arrears lease in due amounted to Rs. 8,250,000 from the year January 1998 to August 2014 had not been recovered up to 30 May 2019 .	The District Court case has been pending against the Company.	The money receivable should be obtained promptly by supervising of lands in the respective Districts by District Offices and carrying out follow-up actions.
(d)	The lands had been alienated outside of leasing out of lands for projects of the Commission from the year 2002 to 2004 and the process had been banned by a Cabinet Paper. Those lands had been listed in two categories as a transfer of possession of land and non-transfer of possession. Out of the lands handed over to possession, land in extent 760 acres and 31 perches had not been returned. Actions had not been taken to return the advances which were taken from the applicants for 1689 acres of the lands not alienated and the follow up actions on the land had also not been done.	Actions are being taken as per the Directives given by the Committee on Public Enterprises dated 23.08.2018 .	The decision of the Committee on Public Enterprises should be implemented.

(e)	As per the matters observed at the field inspection in Kalutara District Authority, although 467 people had applied for deeds from the year 2016 to September 2018 according to the deed requesting register, only 24 deeds had been issued during the relevant period. Further, necessary actions had not been taken against 4213 unauthorized residents in that District by the year under review .	The number of deeds provided under various programmes amounted to 2027. The further actions relating to regularizing the unauthorized persons, will be expedited under the procedure for issuing deeds.	Deeds should be given to the persons who requests the lands. Actions should be taken to remove encroached persons and to prevent access for unauthorized persons to lands belonging to the Commission.
(f)	Five acres of land in Nuwara Eliya District had been cultivated with fruit for 10 years without proper permission and although the encroacher had requested for a lease agreement in the year 2002 by a letter, since it was the failure to legally transfer the possession of the land or to acquire the ownership of the land, the Commission had lost about 16 years of income from the land.	A clear answer was not given.	Actions should be taken against the officers responsible due to not taking necessary inspections and for not taking appropriate actions for relevant lands .

3.2 Operating Inefficiencies

	Audit Observation	Comments given by the Management	Recommendation
(a)	Under the programme to award one million land deeds, a sum of Rs. 219 million was estimated for offering of 60,000 Deeds within a 03 years period and by 30 April 2019 the Commission had awarded only 2712 Deeds and the expenditure incurred was Rs. 90,915,043. Accordingly, although the estimated cost of awarding a deed was Rs. 3650 , the cost incurred by the Commission was Rs. 33,523 .	Arrangements are being made to distribute more deeds at a lower cost in awarding of deeds at present by overcoming previous weaknesses.	Incurring of expenditure in thrifty manner as per plans and estimates and fulfilling of Performance efficiently with regard to that.

4. Accountability and Good Governance

4.1 Annual Action Plan

	Audit Observation	Comments given by the Management	Recommendation
(a)	Although an Action Plan should be prepared including the plans such as Annual Budget, Annual Procurement Plan, Human Resource Development Plan and Internal Audit Plan as per Public Finance Circular No. 1/2014 of 17 February 2014 , those plans were not included in the Action Plan for the year 2018 .	It is informed that the officials were made aware to prepare a proper Action Plan considering all relevant matters as indicated by the audit in preparation of the Action Plan for the future years.	The Action Plan should be prepared in accordance with the Public Finance Circular No. 1/2014 of 17 February 2014.
(b)	Although the Annual Report should be tabled in Parliament within 150 days of the end of an accounting year, the annual reports for the years 2015, 2016 and 2017 had not been tabled even by 30 April 2019 as per the Treasury Circular No. 01/2004 dated 24 February 2004 .	Annual reports for the year 2015 and 2016 have been submitted to the Ministry and the translation of 2017 is in final stages.	The Annual Report should be tabled in Parliament as per the Circulars.