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காணிசீர்திருத்தஆணைக்குழு

Land Reform Commission

ඉඩම් අමාත්‍යාංශය

காணிஅமைச்சு

Ministry Of Lands

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ஆண்டறிக்ஜகமற்றும் குணக்குறிக்ஜக

Annual Performance Report

2019

LAND REFORM COMMISSION

ANNUAL PERFORMANCE REPORT
2019

NO.475
KADUWELA ROAD
BATTARAMULLA
SRI LANKA

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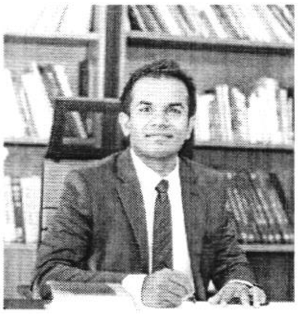
Message of the Chairman



It is a great pleasure to add some words at this moment of presenting the progress of the Commission in year 2019 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 2019 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 2019.

I. Identifying the lands belonging to the Land Reform Commission, whichhave not been identifiedsofar.
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 dilatants 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

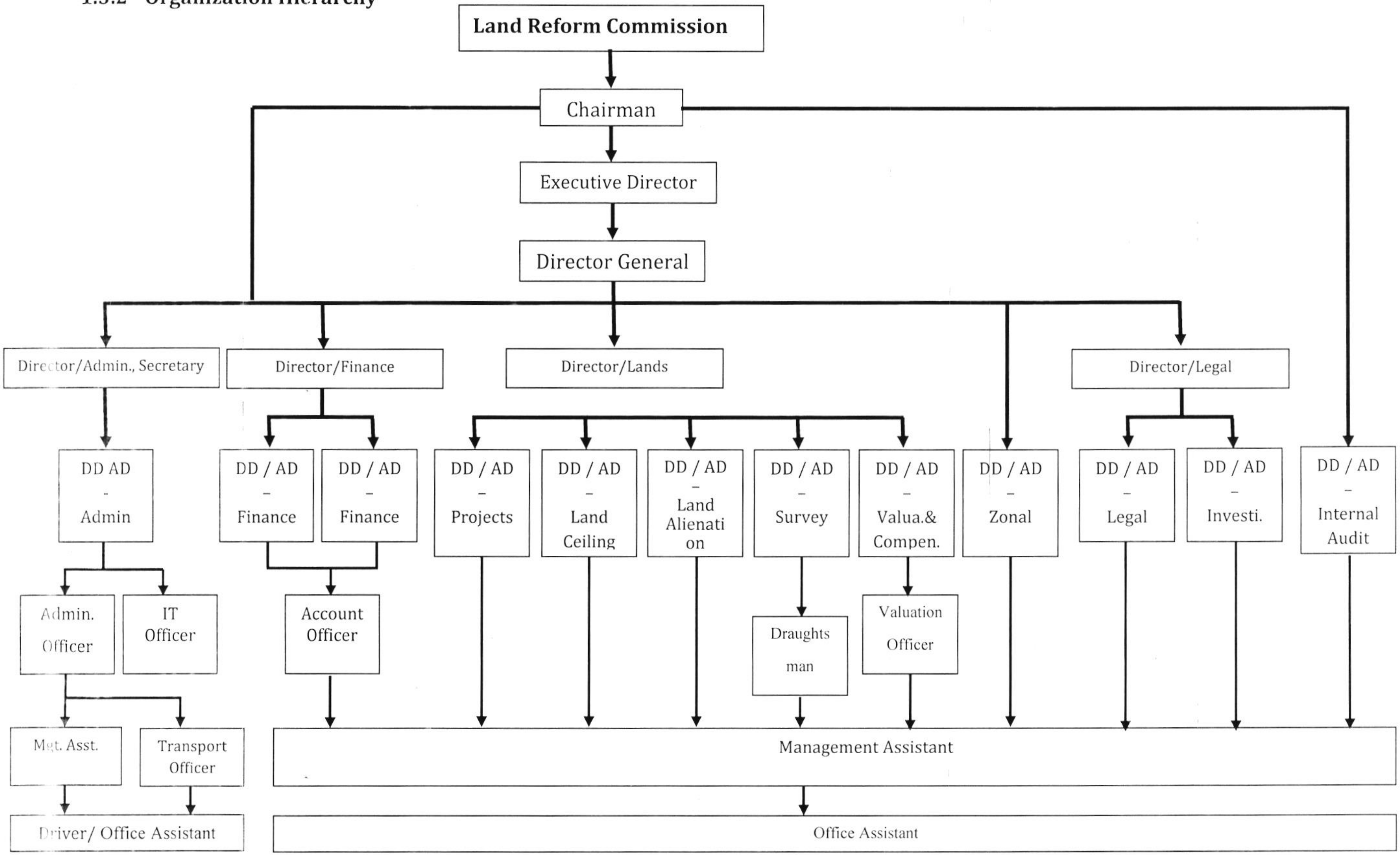
   b) Entrusting duties in a proper way

   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

1. 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 31.12.2019 the Board of the Commission has conducted 732 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.

2. 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 31/12/2019**	**Excess / Vacant**
1.	Director General	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	02	-
9.	Assistant Director(Finance)	02	02	-
10.	Assistant Director(Legal)	03	06	2
11.	Assistant Director(Investigation)	01	01	-
12.	Assistant Director(Zonal)	20	10	(6)
13.	Assistant Director(Projects)	01	02	-
14.	Assistant Director(Land Ceiling)	01	01	-
15.	Assistant Director(Land Alienation)	01	03	-
16.	Deputy Director(Valu. and Compen.)	01	01	-
17.	Assistant Director(Survey)	01	01	-
18.	Accounting Officer	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)	19	-
24.	Accounting Officer	05 (Personal)	04	-
25.	Draughtsman	02	-	(2)
26.	Transport Assistant	01	01	-
27.	Management Assistant	215 40 Personal	346	-
28.	Driver	17	27	4
29.	Office Assistant	44	62	20
	Total	**392**	**497**	

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 2019							
Serial No	Description	Previous Year (2018)			Current Year (2019)		
		Number Received	Number Approved	Balance	Number Received	Number Approved	Balance
1.	Recruitments	63	63	-	47	47	-
2.	Conducting Examination	-	-	-	-	-	-
3.	Conducting Interviews	03	03	-	-	-	-
4.	Confirmation of Service	03	03	-	168	168	-
5.	Promotions	-	-	-	-	-	-
6.	Payment of Increments	307	304	03	307	305	02
7.	Extension of Service	02	02	-	01	01	-
8.	Preparation of Schemes of Recruitment	-	-	-	-	-	-
9.	Vacation of Post	01	01	-	02	02	-
10.	Interdictions	02	02	-	01	01	-
11.	Re - instatement in service	-	-	-	-	-	-
12.	Disciplinary Inquiries	06	06	-	02	0	-
13.	Approval of leave to be spent out of Sri Lanka	02	02	-	05	05	-
14.	Training	02	02	-	13	13	-
15.	Cabinet Memorandums	-	-	-	-	-	-
16.	Commencing Securities	-	-	-	-	-	-
17.	Releasing the Securities	06	06	-	-	-	-
18.	Loan Approvals						
	I – Property	-	-	-	-	-	-
	II- Vehicle	15	10	05	09	09	-
	III- Other	85	71	14	113	113	-

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 - 2019

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	14	-	-	14
8.	Computers	102	-	29	131
9.	Computer Printers	31	-	18	31
10.	Laptops	09	-	-	09
11.	Fax machines	20	-	01	21
12.	Typewriters	03	02	-	03
13.	Safes	10	-	-	10
14.	Cameras	01	-	-	01
15.	Televisions	05	-	-	05
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 2019			
Serial No	**Project**	**Initiation of Preliminary Activities**	**Number Completed**
1.	Granting lands approved agricultural or agricultural development projects (submission of them to the committee of project)	98	62
2.	Sale and Lease of lands on housing purposes and livelihood necessities	-	3114
3.	Lease / Sale of lands for public purposes to various public institution	15	06
4.	Economic Utilities relative the Timber Resources (project sales by tender)	-	63
5.	Economic projects related to the mineral Resources (silica, granite, dolomite ,Gem, and sand)	65	64

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 2019			
Serial No.	**Description**	**Target**	**Number Completed**
1.	Releasing lands for Statutory determination under Section 19	72	01
2.	Distributing lands under Section 14	24	07
3.	Distributing lands under Section 22	24	05
4.	Releasing lands of the non – declared	12	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 2019			
Serial No	**Description**	**No. of declared**	**Amount Paid Rs.(Billion)**
1.	Payments of Compensation / Payment of Interest	19	8.61
2.	Calling valuation reports to Sale and lease of lands	130	-
3.	Calling valuation reports from Chief Valuerand reporting	636	2938.32

3.3 Legal Division

3.4.1 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 2019					
Serial No.	**Description**	**No. of cases as at31-12-2018**	**No. of cases filed during the year of 2019**	**Cases concluded/ settled during the year of 2019**	**Cases pending as at 31-12-2019**
1.	Supreme Court	39	15	14	40
2.	Appeal Court	47	15	21	41
3.	High Court	14	18	13	19
4.	District Court	443	101	110	434
5.	Magistrate Court	231	145	66	310
6.	Labour Tribunal	05	-	03	02
7.	Labour Disputes	19	07	14	12
8.	Human Rights Commission	34	18	26	26
	Total	**832**	**319**	**267**	**884**

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, LRC is categorized under "C" sub-category of State Own Enterprises.

Principal Activities and Nature of Operation of the LRC

The Principal Activities of the Commission is the 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 2019 was 493.

Date of authorization for issue

The LRC's financial statements for the year 2019 were certified by the commission on 27th February 2020.

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 2019 to 31st December, 2019.

Basis of preparation of financial statements

Statement of compliance

The financial statements of the 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 which 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 and equipment of the Commission presented in the financial statements according to SLPSAS -07. The Land Reform commission revalued all the fixed assets except land vested to the LRC under Land Reform Act of No. 01 of 1972 as at 01st January, 2019 by the Valuation Department of Sri Lanka. These financial statements property, plant and equipments value are stated in revalued basis prior to purchased 2019 and purchased assets during the year 2019 stated in purchased cost basis. Surplus or deficit of the fixed assets revaluation process stated as revalue reserve in the Statement in financial position.

Basis of recognition and measurement

Property, plant and equipment are recognized, if those are probable of future economic benefits associated with the asset flow to the Commission and the value of asset that can be measured reliably. Repair and maintenance costs 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 is not recoverable.

Depreciation

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

The estimated depreciation rates of the property, plant, and equipment of the commission are shown below;

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

De-recognition

An item of property, plant, and equipment was 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 of the asset was derecognized.

Investment Property

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

Inventories

Inventories of the Commission are recorded in the statement of financial position according to SLPSAS -09 issued and valued on First in First Out (FIFO) method. At the end of year 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 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. 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 deposits and treasury bills invested in government bank for short period were classified under HTM investments.

Cash and cash equivalents

The Commission cash in hand consisted three checking accounts and two saving accounts available bank balances with an integral part of the commission's cash management were 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 was 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 classified all other liabilities as non-current.

Contingent liabilities

The Commission has estimated with some of past and present legal actions against commission in future, the commission will have to pay estimated contingent liability around Rs. 450 Million to outsiders. Financial statements will make provision once received all the relevant written evidence and confirmation from the relevant authorities and parties.

Contingent assets

The Commission has estimated with some past and present legal actions taken by the commission, in future the commission will receive an estimated amount of Rs. 1,242 Million from outsiders. Also, due to the commission land acquisition related activities the commission will receive Rs. 310 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 as 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

Post employment benefits (gratuity) of the commission has calculated using **Projected Unit Credit Method** stated in the SLPSAS -19 and particular excel format has been given by the Institute of Chartered Accountants of Sri Lanka. As per the SLPSAS -19 an employee who has completed one year service in commission has made gratuity provision on last drawing his/her basic salary and cost of living allowance per month. At the yearly gratuity provision made on this policy of the commission.

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 commission contributes 15% and 3% of basic with cost of living allowance 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, are exempt from income tax under Section 7 (b) (ii) of the Inland Revenue Act No. 10 of 2006.

Other taxes

VAT, NBT and WHT are paid in respect of lease land rent and other service charges received by the commission. Therefore, no provision was 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 LRC establishment stage and later on the LRC run by utilizing the commission itself generated fund without taking government fund.

3.4.2. Financial Reports - 2019

Table No. 3.8 : Statement of Comprehensive Income for the year ended 31st December 2019

Description	Notes	31.12.2019Rs.	31.12.2018Rs.
Revenue	14	267,958,119.62	277,409,525.15
Other operating income	15	52,683,814.07	63,166,862.11
Administrative Expenses	16	(473,254,789.17)	(365,670,951.74)
Supplies & Requisites Expenses	17	(14,765,509.34)	(17,182,793.28)
Other Operating Expenses	18	(33,161,841.26)	(17,951,772.71)
Operating Surplus		**(200,540,206.08)**	**(60,229,130.47)**
Finance Income	19	207,922,114.71	184,982,065.86
Finance Expenses	20	(6,090,781.90)	(3,117,689.33)
Net Surplus for the Year		**1,291,126.73**	**121,635,246.06**
Total Comprehensive Income at the Beginning of 01/01/2019		1,341,036,849.08	1,198,823,032.51
Other Comprehensive Income for the year			
Prior Year adjustments	21	(53,929,664.04)	20,578,570.51
Total Comprehensive Income at the Ending of 31/12/2019		**1,288,398,311.77**	**1,341,036,849.08**

Table No. 3.9 : Statement of Financial Position as at 31st December 2019			
Description	Notes	31.12.2019Rs.	31.12.2018Rs.
Assets			
Non-Current Assets			
Property Plant & Equipment	3	107,869,015.55	49,176,072.40
Total Non-Current Assets		**107,869,015.55**	**49,176,072.40**
Investment Assets			
Vested land under LRC Act No. 01 in 1972		**676,169,345.33**	**676,169,345.33**
Current Assets			
Inventories- Stationery	4	4,239,701.94	2,551,709.53
Trade & Other receivables	5	2,458,255,257.17	2,401,278,675.06
Interest Receivable	6	96,987,893.91	78,749,848.35
Deposits & Advances	7	84,922,159.59	69,756,994.10
Bank short term deposit & Treasury bill deposit	8	1,919,478,420.83	1,756,679,568.40
Cash & Cash Equivalents	9	61,971,710.73	57,525,784.76
Total Current Assets		**4,625,855,144.17**	**4,366,542,580.20**
Total Assets		**5,409,893,505.05**	**5,091,887,997.93**
FUNDS & LIABILITY			
Accumulated Fund & Reserves			
Reserves	10	1,460,694,465.39	1,344,492,737.86
Fixed Assets Revalue Reserve		57,066,562.87	
Accumulated Surplus		1,288,398,311.77	1,341,036,849.08
Total Accumulated Fund & Reserves		**2,806,159,340.03**	**2,685,529,586.94**
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	281,942,345.69	103,141,870.92
Compensation suspense-Stage I		105,282,015.60	106,775,362.83
Compensation suspense-Stage II		109,959,492.95	109,959,492.95
Total Non-Current Liabilities		**497,183,854.24**	**319,876,726.70**
Current liabilities			
Trade & Other Payables	13	141,934,254.98	120,729,832.11
VAT Liability		422,215.33	960,400.22
NBT Liability		42,837.16	596,311.81
WHT Liability		76,003.30	120,140.15
Total Current Liabilities		**142,475,310.77**	**122,406,684.29**
Total Liabilities		**639,659,165.01**	**442,283,410.99**
Total Funds & Liabilities		**5,409,893,505.05**	**5,091,887,997.93**

Table No. 3.10 : Statement of cash flow for the year ended 31st December 2019			
Description	**Notes**	**31.12.2019Rs.**	**31.12.2018 Rs.**
Cash Flowsfrom Operating Activities			
Surplus From Operation		1,291,126.73	121,635,246.0
Adjustments			
Depreciation		11,785,496.22	7,126,430.1
Provision for Gratuity		178,800,474.77	
Finance Expenses		6,090,781.90	3,117,689.3
Operating Profit before Working Capital Changes		**197,967,879.62**	**131,879,365.5**
Changes in Working Capital			
(Increase)/Decrease in Trade & other payables		20,068,626.48	(17,780,775.92
(Increase)/Decrease in Deposits & advance		(15,165,165.49)	(4,995,949.50
(Increase)/Decrease in Interest Receivable		(18,238,045.56)	(29,982,748.28
(Increase)/Decrease in Trade & Other Receivables		(56,976,582.11)	(17,475,755.18
(Increase)/Decrease in stocks		(1,687,992.41)	(325,133.53
(Increase)/Decrease income receivable			(258,353.69
(Increase)/Decrease in Compensation payments			647,582.6
(Increase)/Decrease Provision of gratuity			11,899,472.9
Cash Generated from Operating Activities			
Gratuity Payment		(6,157,488.92)	
Compensation payments		(1,493,347.23)	
Net Cash Flows from Operating Activities		**118,317,884.37**	**(58,271,660.55**
Cash Flows from Investing Activities			
Purchase Of Property,Plant& Equipment		(7,791,338.07)	(16,276,120.22)
Investing in Fixed Deposits and treasury Bills		-	(257,954,446.61
Fixed Deposit withdrawal		(162,98,852.43)	
Net Cash Flows from Investing Activities		**(170,590,190.50)**	**(274,230,566.83)**
Cash Flows from Financing Activities			
Net Value of Land sale		116,201,727.53	99,804,773.2
Finance Cost		(6,090,781.90)	(3,117,689.33
Prior year Adjustments		(53,929,664.04)	20,578,570.5
Net Cash Flows from Financing Activities		**56,181,281.59**	**117,265,654.4**
Net Changes in Cash & Cash Equivalents		**4,445,925.97**	**(83,357,207.45**
Cash & Cash Equivalents at the beginning of the year		**57,525,784.76**	**140,882,992.2**
Cash & Cash Equivalents at the ending of the year		**61,971,710.73**	**57,525,784.7**

Table No. 3.11 : Statement changes in equity for the year ended 31st December 2019					
Description	**Government contribution Rs.**	**Treasury Grants Rs.**	**Capital Reserves Rs.**	**Accumulated Surpls Rs.**	**Total Rs.**
Balance as at 01.01.2018	**15,000,000.00**	**1,949,075,000.00**	**1,244,687,964.62**	**1,198,823,032.51**	**4,407,585,997.13**
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
Prior year Adjustment				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**
Fair value Adjustment					
Surplus for the year				1,291,126.73	1,291,126.73
Other comprehensive Income					
Total Comprehensive Income					
Net Value of Land Sale (40%)			116,201,727.53		116,201,727.53
Fixed Assets Revalue Reserve			57,066,562.87		57,066,562.87
Prior year Adjustments				(53,929,664.04)	(53,929,664.04)
Adjustment on Impairment					
Balance as at 31.12.2019	**15,000,000.00**	**1,949,075,000.00**	**1,517,761,028.26**	**1,288,398,311.77**	**4,770,234,340.03**

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 - 2019

1. Audit of AL applications along with the main file- 1133
2. Checks related to gratuity payment- 11
3. Salary check- 11
4. Acting Allowance Check- 02
5. Pre-audit of vouchers as per the instructions of the Chairman
6. Compensation and interest payment checks- 55
7. Two cab bill settlement checks
8. Inspection of the handing over of Hanthana Estate Plan No. 581 Lot No. 01 to Mr. A.M.L.B.Polgolla in the Kandy District
9. Deed section inspection
10. Audit of District Offices.

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. R. D. P. 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 2019.

Land Reform Commission - 2019

1. Financial Statements

1.1 Disclaimer Opinion

The audit of the financial statements of the Land Reform Commission for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 reported to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Commission . As a result of the important facts set out in Section for Basis for Disclaimer of Opinion I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

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 disclaimer 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

It is my responsibility to issue the Auditor's Report on the Financial Statements of the Commission, based on the audit conducted in accordance with Sri Lanka Audit Standards. However, due to the facts described in the Section for Basis for Disclaimer of Opinion, I have not been able to obtain sufficient and relevant audit evidence to provide a basis for an audit opinion on these financial statements.

1.5 Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

	Non-compliance with Reference to the Relevant Standard	Comments of the Management	Recommendation
(a)	Although the errors of the previous years should be adjusted retrospectively by restating the comparative values of the presented set of accounts in accordance with Paragraph 47 of the Public Sector Accounting Standards 03 of Sri Lanka, though a sum of Rs.53,929,664 had been adjusted to the cumulative surplus separately as previous year adjustments in the financial statements submitted for the year under review, the revised figures of comparative figures of the previous year's assets and liabilities had not been presented.	Necessary arrangements have been made to show such revisions separately for the assets and liabilities of the previous years so with comparable values from 2020 .	Financial statements should be submitted in accordance with the Standard.
(b)	Prior years adjustments amounting to Rs. 53,929,664 that had not affected on cash flow for the year under review had been shown as cash outflows under the financial activities in the cash flow statement in contrary to Sri Lanka Accounting Standards 02.	As a result of the accounting adjustments of the previous year of the Land Reforms Commission and due to the fact that the decrease in the cumulative reserve remained as at 31 December 2018 amounting to Rs. 1,341,036,849 had	The cash flow statement should be prepared for the parties using the financial statements so that they receive accurate information as per the Guidelines given in the Standard.

	decreased to Rs. 1,287,107,185 as at 31 December 2019, that declined value of Rs. 53,929,664 of accumulated reserve has been deducted from the cash inflows prepared for the year 2019 considering as a decline in cash and cash equivalent.	

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Even though the lease rent receivable with regard to the year under review was Rs. 5,814,278 from 21 lessees shown in the lease rental schedule, the lease rent receivable at the end of the year under review had been stated as Rs.14,829,675 in the financial statements. The reasons for showing of this lease rent receivable from these lessees as Rs. 14,829,675 in the financial statements with a difference of Rs. 9,015,397 without an opening balance in arrears lease rent were not explained to audit.	Although the lease amount receivable as at 31.12.2018 should be included in the income, the transactions related to the lease rent files identified during the year 2019 is shown in this record. In this, the lease rent entitle to the year and the lease rent receivable as at 31.12.2019 have been shown. It is kindly informed that the difference shown here is an adjustment relating to the arrears balances receivable before 01.01.2019.	Accurate information should be disclosed with financial statements.
(b) Even though the amount of compensation paid during the year from the compensation payable for the lands acquired by the Land Reforms Commission was Rs.760,309, it had been erroneously debited to the Compensation Fund Account as Rs.1,493;347. As a result, the Compensation Fund Account was understated by Rs.733,038 in the financial	The amount of Rs.733,038 overstated under the compensation for the year under review was noted for correction in the preparation of accounts as at 31.12.2020.	Actions should be taken to correct the accounting errors.

	statements. Similarly, aforesaid compensation payments had also been overstated by Rs.733,038 in the cash flow statement.		
(c)	As a result of the amount of Rs. 2,139,169 paid for surveying of surroundings of the lands out of Rs. 28,364,819 paid for the surveyors for 100 plots of land subject to reimburse at the time of surveying and regularizing the lands of the residents was included in the Comprehensive Income Statement as an expenditure, the surplus of the year under review was overstated by that amount.	It has been noted to correct in the preparation of accounts as at 31.12.2020 .	-do-
(d)	As a result of the value of investment remained as at 31 January 2020 amounting to Rs.29,988,457 had been stated in the statement of financial position instead of the balance of investment in Bank of Ceylon Treasury Bills as at 31 December 2019 valued at Rs. 29,377,805, the value of Treasury Bills remained at the end of the year under review had been overstated by Rs. 610,652 in the financial statements. Similarly, as a result of the Treasury Bill Interest Income for the year under review amounting to Rs.565,442 had been overstated in the financial statement, the surplus of the year was understated by the same amount.	It has been later identified that an error was occurred in taking the investment balance of Bank of Ceylon Treasury Bills into the financial statements as at 31 December 2019.	Transactions relevant to the year under review should be accurately identified and accounted for.

1.5.3 Lack of Evidence for Audit

Audit Observation	Comments of the Management	Recommendation
The Commission had not maintained a complete record of the number of acres of land acquired from the date of establishment of the Commission in	Due to the lack of an updated Register of Land, it has been difficult for the Land Reforms	Disciplinary action should be taken against the officials responsible for not

the year 1972, the areas in which each land is situated, from whom it was acquired, details of the current transfer of tenure and the relevant Gazette Notifications with all the details related to land disposals and also the Commission had failed to explain that through relevant documents. Accordingly, the existence and accuracy of valuation of the acquired lands amounting to Rs. 676,169,345 stated in the financial statements could not be ascertained during the audit.	Commission to be aware of the updated value of the lands belonging at present. Relevant activities have been commenced by now to update the Register of Lands.	maintaining an updated Register of Lands.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
The Commission had not made arrangements to recover the debt balances amounted to Rs. 2,135 million remained as receivable for a period of 10 to 30 years from 7 State Institutions and Rs. 2.3 million receivable from by 8 persons for leasing of lands over a period of 20 years at the end of the year under review.	Even though awareness letters have been sent regarding the recovery of income receivable for a period of 10 to 30 years, we have not received a better response for it. It has been decided that a decision should be taken in this regard with the intervention of the Secretary to the Ministry of Lands, the Chairman of the Land Reforms Commission and the Treasury. Further, the Head Office could not be able to find any detail regarding some of the transactions reported by the District Offices that some persons had made payments which had taken place 20 years ago and the Director Finance has been instructed to recover the money promptly.	Steps should be taken to recover these receivable amounts promptly.

1.6.2 Payables

	Audit Observation	Comments of the Management	Recommendation
(a)	Out of the balance of land lease advances obtained from 270 lessees as land lease cash advances amounting to Rs.14,080,850 , although a sum of Rs.10,225,000 for more than 15 years and Rs.1,115,850 for more than 10 years had to be settled, the Commission had not taken steps to legally transfer the proposed lands or to get released from the liability by settling the advances.	This land transaction, which was cancelled by a Decision of Cabinet of Ministers during the period 2002-2004 has been submitted to the Commission for approval by the Minister in charge of the subject on repeated requests made by the institutions and individuals who had made deposits for lease the lands. Therein, if action is taken again to provide lands related to these land transactions which were banned by the Cabinet of Ministers, the approval of the Cabinet of Ministers should be obtained for that. The advances charged for lease out of the lands during the period 2002-2004 are further shown in the accounts as lease advances because of not resolving of this land issue.	Actions should be taken to ascertain the ownership of these lands finding out the lands based on lease and to write off the balances to the income which were not the responsible of the Commission furthermore .
(b)	The immovable balance of Rs.109,959,493 for more than 14 years from the year 2005 in the compensation account payable for lands acquired from plantation companies and a balance of Rs. 10,387,992 in the land sales advance account for more than 10 years have also been bringing forward without settlement.	The payment of compensation at present is being made through compensation suspense account phase 01 and compensation suspense phase 02 is being used to pay compensation to the Gold Pound Plantation Companies. Accordingly, any compensation had not been paid through the compensation suspense account phase 02 recently. The Land Reforms Commission had referred to the Cabinet of Ministers for the approval to settle the balance in the Land Sales Advance Account and will proceed accordingly after obtaining that approval. Similarly, the amounts charged for the lands given to the	Actions should be taken to find out the details on number of acres, location and original ownership of the lands stipulated to be compensated and settle the ownership of the land.

employees of the Land Reforms Commission for residential purposes also contains in the Land Sale Advance Account and is deducted from this advance account according to the number of plots of land allotted to them from time to time.

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

	Reference to Laws, Rules, Regulations , etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka from F.R 101 to F.R 104	Because of the Commission had paid a sum of Rs. 1,371,750 to the Court as a result of the issuance of a forged low-income deed by the Commission in spite of existing of a dispute case over a land alienating to the Kelani Valley Company in Kegalle District, though the actions should be taken as per the regulations to recover the financial loss occurred , it had not been so done.	The Secretary of the Land Reforms Commission has been instructed to conduct an investigation in future to find out the persons responsible for this and it is informed that upon receipt of that investigation report , it will be submitted to the Commission and act in accordance with the Decision of the Commission.	Carrying out investigations in accordance with Financial Regulations and recover losses from responsible persons.
(b)	Sections 12: 5: 4 and 12:7 of Paragraph 12 of the Chapter VII of the Establishments Code of the Democratic Socialists Republic of Sri Lanka	Even though it had been stated that the amount payable to an officer working on an acting basis in addition to the salary and allowances of his permanent post	Enquiries have been made from the Secretary to the Ministry regarding the payment of acting allowances and other allowances to the Director General appointed for the acting post and the approval	Actions should be taken to make payments to the officers as per the provisions in the Establishments Code.

		should not exceed a maximum of 25 per cent of the initial salary of the acting post, in contrary to that, the officer who had served as the Director General of the Commission had obtained Rs.700,350 as telephone, housing, fuel and entertainment allowances in addition to the acting allowance from September 2019 to May 2020.	has been given on 2019.11.07 to pay the relevant allowances as per the Establishments Code and until then, arrangements have also been made to pay the official housing allowance and entertainment allowance to the Acting Officer who had served as the Director General based on the approval of the Commission.	
(c)	Section 11 of the Finance Act No. 38 of 1971 and Section 8.2.2 of Circular PED 12	Although the approval of the Minister of Finance was required to be obtained to invest the excess money in public enterprises , a sum of Rs.1,919,478,424 had been invested without obtaining the approval.	Although the relevant documents along with the required approvals have been submitted to the Department of Public Enterprises and follow up actions have also been made, we have not received any written notification regarding the granting or non-issuance of the relevant approvals.	The relevant approvals should be obtained before investing according to the Act.
(d)	Paragraph 2 of Public Enterprises Circular No. PED 3/2015 dated 17 June 2015	Although the Chairman and the Executive Director of the Commission were not entitled to receive housing and entertainment allowances as per the circular, housing and entertainment allowances	Actions have been taken to pay the entertainment allowance of Rs.25,000 to the Director General and Rs.15,000 to the Executive Director of the Commission from the Commission Meeting held on 27.07.2017 and to pay relevant allowances to the Director General and	Actions should be taken to make relevant payments only in accordance with the circular and with prescribed approval.

		amounting to Rs.1,100,000 had been obtained in the year under review in contrary to the Circular.	the Executive Director of the Commission continuously in accordance with the approvals granted. Further, it has been reported to the Ministry on 26.06.2020 to report to the National Salaries and Cadre Commission regarding the payment of these allowances.	
(e)	Decision of the Commission dated 17 February 2017 (Paper No. 9676)	Although written lease agreements should be given with effect for a period of one year and it should be carried out on the recommendation of the Central Environmental Authority and the Geological Survey and Mines Bureau when leasing out lands with granite, the lands with granite had been leased out without the recommendations of the above institutions and written lease agreements.	There has been a certain delay in issuing annual licenses and it is informed that the agreement on removal of broken granite will be implemented obtaining the approval by submitting the annual license to the next Commission Meeting after referring and consultation of the Board of Lawyers.	The lands with granite should be leased out after obtaining the recommendations of the relevant institutions and entering into agreements. The Royalty charged should be credited to the Consolidated Fund.
(f)	Recommendations of the Committee on Public Enterprises held on 18 August 2018	The Directives made by the Committee on Public Enterprises such as listing of lands in proper manner, writing off of unidentified debtors balances	• Preparation of the Register of Lands has already been commenced to be completed in three phases. • It is expected to find a solution in future regarding the debt	Actions should be taken to implement the Directives of the Committee on Public Enterprises promptly and the progress of implementation of the Directives

with the direct intervention of the Ministry due to the deficiencies remained in the documents, approvals for maintaining investments and leasing out of 280 acres in Monarakelewatta without obtaining an approval and failure to recover the aforesaid leases had not been implemented.	balance of Rs. 02 billion. • We have not received any written notice in respect of the approval or non-issuance of investments. • 280 acres of Monarakelewatta Land has been leased out to the World View Impact Pvt. Ltd. for a period of 30 years. They have paid Rs. 1,000,000 as lease advances to the Commission and the above Company has left the tenant at present. The Company has cultivated rubber on the land and developed about 05 acres. At present, this land is also a part of the Maragala Reserve and is being surveyed by the Department of Survey at the request of the Department Forest Conservation.	should be reported to the Committee with copies to the Auditor General.

2. Financial Review

2.1 Financial Results

The operating results for the year under review was a surplus of Rs.1,291,127 and the corresponding surplus as compared to the to the preceding year was Rs.121,635,246. Accordingly, a deterioration in the financial result amounted to Rs.**120,344,119** was observed in the financial year under review. The increase in the staff salaries due to the new recruitments and the revisions in pension gratuity had mainly attributed to this deterioration.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	The Commission had not taken actions to recover an amount of Rs. 3,817,066 including administration charges and lease amounts receivable from 2009 pertaining to unauthorized possession of lands which were leased out to the Sri Kali Amman Kovil in the Badulla District on an area of 04 acres 02 Roods for a period of 31 years and an amount of Rs. 3,141,521 receivable for the 75 acres which were leased out to the Preethipura Children's Home in Kegalle District without entering into a lease agreement.	Although Sri Kali Amman Kovil has been informed to pay leases on several occasions, actions have not been taken to pay leases. Requests have been made to be treated as a charity organization and to hand over in a fair manner. It is kindly informed that the future actions will be taken enquiring from the Commission whether such a concessional procedure is followed in recovering the administration charges as well. Even though the 30-year lease period of Preethipura Children's Home has expired on 10.12.2019, the land is still in possession by paying the same amount as before the lease. Those leases have been paid until 2018. Leases and amendments to the agreement have been discussed on several occasions. The Governing Board of the Preethipura Children's Home was called for a meeting in the Head Office on 09.09.2020 and discussed and it is stipulated to submit to the Commission for approval to lease on an annual lease amount determined on the basis of a new lease agreement and a new assessment from 2009 onwards.	Legal actions should be taken within the stipulated time in respect of leasing of land, signing of agreements, levying of leases and lease defaulters as per the prescribed methodology of the Commission.
(b)	Since it had taken steps to transfer land tenure in contrary to the land leasing system for projects by the Commission from the year 2002 to	Transfers of lands made by the Land Reforms Commission from January 2002 to 31.03.2004 outside	A Register of Lands on transferred of tenant and not given possession

2004, the Commission had banned such leases by a Cabinet Memorandum of the year 2004. Out of these lands, the lands that were transferred to the possession and the lands which were not given to the possession had not been identified and documented separately. The 760 acres and 31 perches of land which had been identified by the audit as lands alienated for possession had not been returned to the Commission. Action had not been taken to refund the advance paid for 1689 acres which had not been handed over to the applicants and follow up actions had also not been done on these lands.	the method of leasing of lands for projects had been banned by a Cabinet Paper in 2004. Accordingly, documents regarding the lands handed over and the lands which had not handed over were prepared and reports regarding the relevant lands have been called from all the District Offices by now. Based on those reports, lands will be classified and a Commission Paper will be prepared according to those classifications and it will be approved at the next Commission Meeting and it is informed that the further actions will be taken regarding these lands.	should be maintained and follow up of those lands should be carried out to ascertain the ownership of those lands.

3.2 Operational Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Six acres of land at Leyland Estate in Homagama and 80 perches of Templeberg Estate had been leased out to two private companies without entering into a lease agreement in 2005 and 2003 respectively. Although it was the normal practice of the Commission to charge 6 per cent of the current assessment for this, the Commission had lost Rs. 17,200,000 and Rs. 400,000 respectively due to the charge of 4 per cent and at the end of the year under review, Rs.11,203,288 and Rs.2,940,581 had not been paid respectively to the Commission so far.	Actions have been taken to obtain instructions referring to the Legal Committee existing with regard to the preparation of the lease agreement because of this institution has paid the relevant leases without amendment before formulating the lease agreement and as soon as receive the instructions, will direct to prepare the relevant lease agreement. However, although it is the normal practice of the Commission to charge 6 per cent of the current assessment, the Ministry of Industrial Development has stated that the	Actions should be taken to enter into agreements in accordance with the existing system and to levy leases in accordance with the ordinary leasing system of the Commission.

		4 per cent of the assessed value was charged because of the Annual lease levied on leasing of government lands on long term leases for establishing factories as per the regulations and directives imposed under the State Land Ordinance and it is informed that the relevant calculations have been done for the percentage of 4 per cent accordingly.	
(b)	Providing a portion of 10 acres of land in the Mahahenthenna Estate in the Galle District to a Social Welfare Society in the upper area of Elpitiya for the construction of houses without any Cabinet approval and a sum of Rs. 1,000,000 had been given by the Commission in March 2019 on a 6 month repayment basis at 10 per cent annual interest to develop the infrastructure facilities in the land. However, the housing development project had not yet been implemented and the Commission had not taken actions to recover the amount or interest so far.	It had been proposed to provide 10 Acres of land at Mahahentenna in the Elpitiya Divisional Secretariat area owned by the Commission to the landless and homeless members under the name "Enterprises" Sri Lanka Loan Scheme at the request of the members of the Self-Employed Social Welfare Society in the Elpitiya Upper Area in the Galle District. As the beneficiaries have not been selected by then, the cost which had to be incurred has been paid by the Commission subject to the approval of the Commission on the basis of recovery from the beneficiaries subsequently. Lateron, the land has been surveyed and plan No. 1501/2019 has been prepared. Although the plan has been referred to the Elpitiya Pradeshiya Sabha and the National Building Research Institute for approval, the housing project has not been implemented due to delays in approval.	Actions should be taken to recover the advance and to take actions to dispose of in accordance with the existing procedures of the Commission before the development of the land .

		It has been proposed to use this land for the legal obligations of the Commission and it is proposed to recover the money spent on land development activities from the parties who will be provided the lands under legal obligations.	
(c)	Out of the land called Hanthana Estate, 859 Acres, 02 Roods, 09 Perches had been transferred to the Janatha Estate Development Board by a Gazette Notification in the year 1982 for its management and agricultural activities only. Nevertheless, 20 Acres 2 Roods 16 Perches of the land had been leased out to a Hotel Project at an annual rent of Rs.300,000 and a portion of 29 Acres 10 Perches of land valued at Rs. 1,395,000 had been transferred to two persons without the approval of the Commission.	The Commission has been allotted 859 acres, 02 Roods and 09 perches from Hanthana Watta Land in Kandy District under Special Number Ko/765. Subsequently, the management of the Hanthana Watta land has been transferred to the Janatha Estate Development Board by the Gazette Notification No. 183/10 dated 12.03.1982 . However, it is kindly informed that the Janatha Estate Development Board has leased out 20 acres, 02 Roods and 16 perches of this land for a Hotel Project and 29 acres, 00 Rood and 10 perches had been handed over to two persons and the approval of the Land Reforms Commission has not been obtained for that purpose. It is further informed that this land had been given to the Janatha Estate Development Board by the Land Reforms Commission only for agricultural activities.	It should act in terms of the provisions in the Gazette Notification regarding this illegal transaction and it should be ensured that the lands are used only for the relevant purposes.
(d)	A 05 acre 20 perch land in Ulapane Industrial Estate had been leased out to a private Company and a lease amount of Rs. 1,722,121 had to be collected from this Company from 2009 to June 2019 for this land. Similarly, even though the Commission had been informed on April 2016 that it was decided to	The issues on recovery of leases and preparation of agreements were referred to the Legal Committee which was appointed to be discussed and providing advices for taking legal actions. The Legal Committee has instructed to send a summons to	Legal actions should be taken within the stipulated time period in respect of leasing of land, signing of agreements, levying of leases and lease defaulters as per

sell the property at auction on the non-payment of the loan obtained from Sampath Bank by pledging the leased property, the Commission had not taken actions to get settled the land and recover the arrears in discussion with the Bank in this regard even by now .	the relevant institution and the summon has also been sent with the advice of the Legal Director.	the prescribed methodology of the Commission and actions should be taken to ascertain the ownership of lands.

3.3 Transactions in Contentious Nature

	Audit Observation	Comments of the Management	Recommendation
(a)	Lease agreements had not been signed for 04 Roods of lands leased out to 04 institutions established in Ulapane Industrial Estate. Accordingly, the amounts of lease receivable from 2008 had not been collected and it had been impossible to compute the lease receivable due to the unavailability of a Lease Agreement.	Since certain problems arose in these plots of land due to the changes in the boundaries, re-surveying of the land on which the relevant industrial park is located and the issuance of the new plan was delayed. Since the actions such as preparation of Commission Papers using that plan, calling Government Assessment were essential for the formulating of lease agreement, those decisions could not be made. However, providing the assessment as per the letter sent to the Department of Valuation on 07.10.2019 by obtaining the approval of the Commission after receiving the plan has been delayed due to the Covid-19 epidemic.	Legal actions should be carried out within the stipulated time period in respect of leasing out lands, entering into agreements, levying of leases and lease defaulters.
(b)	A sum of Rs. 28,364,819 had been paid to the Authorized Surveyors who had surveyed the lands subject to reimburse at the time of surveying and regularizing the lands of the Commission. Despite	The District Offices have been instructed by now to charge a preliminary survey fee from all those who can be regularized as per the plans surveyed and circulars	Since there is no special advantage to the Commission by incurring payments as such without being surveyed and

an expedited deed issuance programme of the Commission had been implemented, only a sum of Rs. 2,886,048 out of that had been reimbursed by the end of the year under review. Accordingly, it was observed during the audit that it will take about 30 years for the Commission to reimburse the balance and the institution would not have had to bear such a large sum of amount when the land is being surveyed and reimburse at the time of issuing the deeds.	under the Special Deed Programme in the Galle District.	reimbursed at the time of allotment of lands, transactions should be carried out more carefully .