

## **Land Survey Council - 2020**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Land Survey Council for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, 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.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Basis for Qualified Opinion**

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My opinion is qualified 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 responsibility, 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**

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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 Council'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 Council or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Council 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 Audit Scope (Auditor's Responsibility on the Audit of Financial Statements)**

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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.
- Obtained 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 internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Concluded 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 Council'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. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluated 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 Council and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Council;
- Whether 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 Audit Observations on Preparation of Financial Statement

### 1.5.1 Accounting Deficiencies

#### Audit Observations

Even though a sum of Rs. 1,789,992 had been shown as fixed deposits within the investment activities as per the cash flow statement, that balance was Rs. 1,538,872 as per the bank confirmation letters issued by the bank in respect of those investments. Accordingly, an unexplained difference of Rs. 251,120 was observed.

#### Comments of the Management

The fixed deposit balance as at 31 December 2019 was Rs.9,362,816.48 and it was Rs. 11,152,808.93\* as at 31 December 2020. Accordingly, the difference is Rs. 1,789,992 and it has been stated as investment activities in the cash flow statement.

\*It is matched to the bank statement issued by the bank confirming the investment as at 31 December 2020.

#### Recommendation

Existing differences should be identified and corrected.

### 1.5.2 Lack of Evidence for Audit

Item	Amount Rs.	Evidence not Available	Comments of the Management	Recommendation
Renewal of Survey Licenses	4,782,200	This money which was credited directly to the bank had been specified under current liabilities without taking actions to make the necessary reconciliations and account for the income and the detailed schedules pertaining to that were not submitted for audit.	Licenses are issued after confirmation of direct remittance charges and it is retained in the account until identifying the monthly basis on the date of issue. As the issuance of licenses 2021 and gazetting on 31 March 2021 will take place, source documents could not be submitted for audit.	Existing sources and schedules should be submitted for audit to confirm relevant transactions .

### 1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliance to the Laws, Rules, Regulations etc.	Non- compliance	Comments of the Management	Recommendation
(a) Survey Act No. 17 of 2002 (1) Section 38 (c)	It had failed to recruit the permanent staff to continue the work of the Council obtaining the required procedure approved by the Department of Management	Preparation of the relevant procedure to recruit the two Management Assistant appointments which were approved by the Department of Management Services has been	Actions should be taken to recruit officers to maintain the activities of the Council.

Services as decided at the 239th Council Meeting dated 03 January 2019 .

sent to the Ministry of Lands for the third time on 08 April 2021. After receiving the relevant recommendation, actions will be taken to recruit by conducting required examinations in the prescribed methodology . Until then, actions will be taken to cover the duties of the officers recruited on contract basis as approved at the meetings of the Land Survey Council.

- (2) Section 38 (f) Even though the staff has not been appointed as required by the Council, decision of the Board of Directors at Meetings No. 226 dated 22 May 2020 and No. 278 dated 23 December 2020 to establish a Social Security Scheme for its officers and employees and to provide welfare and sports facilities in accordance with the powers vested to the Council was a matter of controversy during the audit.

Although the requests have been made to the Surveyor General to improve the existing sports facilities in the Department, based on the decision taken at the 278th Monthly Meeting dated 23 December 2020, because of the land does not belong to the Council, there is a problem with the use of Council money. Even the approval was given for the insurance cover, since the NITF has said that the officials of the semi-government agencies would not be insured, it was

The approval of the Land Survey Council should be Obtained for the proposed welfare and social security schemes.

(3) Section 43 (1) (i) Although a list of all registered licensed surveyors should be published in the Gazette on or before March 31 of each year, out of 1320 licensed surveyors registered in the year 2020 , only the names of 925 persons were published in the Gazette Notification No. 2182 dated 26 June 2020 .

decided at the 285th Meeting on 07 May 2021 to discuss the possibility of another company's insurance policy and make a decision.

When the list of registered licensed surveyors is sent for gazetting on 28 February 2020 the number of surveyors who were issued licensed was 925 . A number of 1320 annual survey licenses have been issued for the year 2020 as at 31 December 2020. The full list is also available at [www.landsurveyouncil.org](http://www.landsurveyouncil.org) website. This is the methodology adopted every year and a note in the gazette notification has been stated to view the website for the names of the recipients of the Annual Survey License issued after its publication in the Gazette.

The names of all licensed surveyors should be published in the Gazette

(ii) Although a notice should be issued in the Gazette within one month from the date of cancellation or suspension of the

Necessary steps have been taken to publish in the Gazette in case of suspension or cancellation of the Annual License 2020 and actions will be

It should be published in the Gazette as per the Cancellation of Licenses or Suspension Act

annual license of the profession, there is a surveyor whose license has been suspended for the year 2020 and a gazette notification had not been issued informing that within one month from the date of the suspension .

taken to be included in the relevant service distribution sheet of the relevant subject officer and to be monitored without any omission.

**(b)**

**(i)** Right to Appointing of an Information officer under Act No. 12 of 2016 and making it published had not been carried out in terms of the Act.

The Secretary acts as the Information Officer of the Council and it is kindly informed that the actions to correct it if it is illegal.

An information officer should be appointed and made published.

**(ii)** Order No. 07 of the Series of Orders made under Section 41 of the Right to Information Act No. 12 of 2016. Although the Information Officer should inform the applicant in writing of the relevant form within 14 working days as soon as it is decided to accomplish the request for information as per this order, it had been taken in between 14 to 181 days to make responses to such a request in six cases.

When the Council receives a request for information, the applicant is informed that it has been accepted and the answer prepared by the Secretary should be approved by the Committee of the Council before being sent to the applicant. If there are any errors, those will be discussed at the next committee meeting, approved and actions will be taken to send a reply.

An Authorized Information Officer should be appointed and the name and telephone number of that officer should be made public to provide the requested information to the applicant within 14 days as per the Act.

Because the Council has also realized that there is a delay in this process, the focus is

now being drawn on adopting other methods to avoid these delays.

(c) Decision of the Council Meeting dated 26 March 2018. Even though it had been decided to inform the Inspector General of Police to look into the case of unqualified persons who are not registered with the Council and conduct surveys, the Inspector General of Police had not been so informed.

This is an event of 2018. The staff officers are frequently transferred and since a half works on a contract and temporary basis, it has also become difficult to carry out activities of the Council smoothly. Because the public has been informed by the newspapers I assume the Inspector General of Police is also aware of this. If it is revealed that the Inspector General of Police has not been informed it is kindly informed that the Committee of the Council will take a decision and update it.

Appropriate steps should be taken to prevent unqualified and unregistered persons from conducting surveys.

**1.7 Non-compliance with Tax Regulations**

----- <b>Audit Observations</b> -----	<b>Comments of the Management</b> -----	<b>Recommendation</b> -----
(a) The Land Survey Council was not listed as a tax-exempt institution, as mentioned in the Third Schedule of Section 9 (1) of the Inland Revenue (Amendment) Act No. 24 of 2017 and although there were	The Council is a non-profit organization established for maintaining the standards and procedures for surveying lands and maintaining professional discipline among those	If it is exempted for tax, the relevant approvals should be submitted.



no documents pertaining to such a release , it was observed in audit that the Council had not taken actions to pay income tax.

engaged in land surveying as defined by the Survey Act No. 17 of 2002. Although initially only the funds received by the government, at present the Council carries out the activities as a public institution carrying out by the funds collected from the Surveyors. Therefore, the income tax has not been paid since the date of the establishment of the Council.

**(b) Section (7) of the Stamp Duty (Amendment) Act No. 06 of 2006**

(1) Although the statements on stamp charges which were settled quarterly by 31 December 2019, 30 June 2020, 30 September 2020 and 31 December 2020 should be submitted to the Department of Inland Revenue within 15 days of the end of the quarter, the final statement as at 31 December 2019 has been submitted on 03 February 2020 in delay and the statements for the quarterly ended 30 June 2020, 30 September 2020 and 31 December 2020 had not been submitted even by April 2021.

Actions will be taken to check the information in future and provide answers.

The taxes collected within the stipulated time period should be remitted to the Commissioner General of Inland Revenue

(2) Although the stamp duty of all quarters should be remitted to the Department of Inland Revenue within 15 days from the end of the relevant quarter, the stamp duty for the last quarter of

Actions will be taken to check the information in future and provide answers.

Payments should be made within the stipulated time period as per the Act.

2019 and all quarters of the year under review had been remitted in delay. Although the amount of Rs. 21,075, had been shown as the stamp duty payable as at 31 December 2020 it had only been remitted a sum of Rs. 2,475 on 19 February 2021 and although the amount of unpaid stamp duty which is a stamp duty liability up to December 2020 amounting to Rs. 18,600 should be paid on or before 15 January 2021, it had not been so paid.

## **2. Financial Review**

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### **2.1 Financial Result**

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The operating result for the year under review was a surplus of Rs. 3,868,355 and the corresponding surplus for the preceding year was Rs. 1,188,879. Accordingly, a growth of Rs. 2,679,476 was observed in the financial result. The increase in license fees, registration fees, fixed deposit interest income and other income etc. by Rs. 3,529,882 had mainly attributed to this improvement .

### **2.2 Trend Analysis in Major Revenue and Expenditure Items**

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Due to the opening of a new fixed deposit and the increase in the initial investment value of fixed deposits in previous years, interest income on fixed deposits had increased by 93 per cent in the year under review as compared to the preceding year. As a result of new revenue streams such as net income on smart licenses and advance income the other income had grown by 632 per cent in the year under review over the previous year and due to the decrease in workshop income over the previous year, the workshop net income had dropped by 55 per cent.

### **2.3 Ratio Analysis**

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The current ratio of the institution was 1: 0.5 and 1: 0.4 in 2019 and 2020, respectively as per the financial position statement submitted. Accordingly, the reason for the lower current ratio the year under review as compared to the previous year was the existence of a new liability in the year under review named the money collected for Survey Day.

### 3. Operating Review

#### 3.1 Management Inefficiencies

##### Audit Observations

Although a Secretary should be appointed to the Council by the Directive of the Meeting of the Committee on Public Enterprises dated 05 July 2012, the Council had failed to fill the vacant post of Secretary even by the April 2021.

##### Comments of the Management

Although it was passed at the Committee Meeting No. 277 considering that it should be a first class post in an island wide service, the Secretary to the Ministry of Lands has instructed on 08 April 2021, in reply to the letter dated 15 March 2021 requesting approval for the revision of the procedure to recruit, according to the existing Scheme of Recruitment procedure to convert the approved MM-1-1 salary scale to the old salary scale HMI-1 and to attach a first class officer of the Sri Lanka Survey Service on the Secondment Basis. Accordingly, actions will be taken to recruit in future .

##### Recommendation

Actions should be taken to fill the vacancy in the post of Secretary.

### 3.2 Operational Inefficiencies

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#### Audit Observations

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Even though the total number of complaints received from the public in the year 2020 was 113, on the professional misconduct of surveyors, the number of complaints resolved during the year was only 33 . Although the number of complaints to be resolved annually has been gradually increasing, a special programme had not been implemented to increase the efficiency of resolving those complaints.

#### Comments of the Management

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Although it has been observed a gradual decline in resolving complaints by the years 2017, 2018 and 2019 , those activities have been carried out as scheduled. Due to delays in the participation of the plaintiff or the defendant, a long time has to be spent to complete them. Arrangements will be made to take necessary positive steps to increase the progress of resolving complaints in future.

#### Recommendation

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The efficiency in resolving complaints should be improved.

## 4. Accountability and Good Governance

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### 4.1 Budgetary Control

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#### Audit Observations

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The variances in the registration fee for the year 2020 amounting to Rs. 508,000 or 1210 per cent and other income amounting to Rs. 1,558,385 or 204 per cent were observed in between the budgetary revenue and the actual revenue of the existing Budget. Accordingly, it was observed that the budget had not been used as an effective management tool.

#### Comments of the Management

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A case of issuing annual licenses to government surveyors was being proceed in the Court of Appeal and since the Court decision was received after the budget was prepared and accordingly, as it was decided by the Surveyor General to recommend and submit the applications for annual survey license to the Land Survey Council , the registrations of the Council

#### Recommendation

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The budget should be used as an effective management tool.

have also increased. This has mainly attributed to the changes in the existing revenue and actual income in the Budget 2020 and there was also a variance in revenue that exceeded the limit. Accordingly, the Budget of this year could not be used as a management tool.