

Head 430 – State Ministry of Land Management, State Enterprises Land and Property Development

1. Financial Statement

1.1. Opinion

The audit of the financial statements of the State Ministry of Land Management, State Enterprises Land and Property Development for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, and cash flow statement for the year then ended, 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. The Summary Report containing my comments and observations on the financial statements of the State Ministry of Land Management, State Enterprises Land and Property Development was issued to the Accounting Officer on 30 June 2022 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 22 September 2022 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements give a true and fair view of the financial position of the State Ministry of Land Management, State Enterprises Land and Property Development as at 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Opinion

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 opinion.

1.3 Responsibilities of the Chief Accounting Officer on Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Ministry 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.2018

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control of the Department exists and carry out

periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for the Audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's summary 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, 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.

I communicate with the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

I express the following matters in accordance with Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) That the financial statements are consistent with the preceding year.
- (b) The recommendations made by me on the financial statements relating to the preceding year, had been implemented.

2. Financial Review

2.1 Management of Expenditure

The audit observations on the utilization and saving of provision of the State Ministry are as follows.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
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| (a) Although this State Ministry had got the provision allocated in full for the year 2021, the functions and duties of this State Ministry had been transferred to the Ministry of Lands by the Gazette Extra Ordinary No 2215/20 dated 16 February 2021. Further, the Director of National Budget had instructed on 15 March 2021 to incur the expenses of the first project of the first programme only till 16 of February 2021. Accordingly, a sum of Rs.27,046,825 of 15 recurrent Objects and a sum of Rs.1,572,961 of 04 capital Objects had been saved and this ranged from 22 percent to 100 percent. | It has been mentioned under 3 (iv) of the letter No BD//RE/122//09/01 dated 15 March 2021 of the Director General of the Budget that the remaining expenses should be incurred, with the activities of the Object codes 430-01-02 and 430-02-03 being transferred to the Ministry of Lands as per the provision in the Financial Regulation 208. The activities of the State Ministry of Land Management, State Enterprises Land and Property Development have been completed by 31 of March 2021, and it has been assigned to this Ministry to act on the remaining provision for the above Objects by that date as per the provision in Financial Regulation 208. However, the Objects 430-01-01 have not been transferred to this Ministry and out of the provision made for the whole 2021, the expenditure (Except Object -430-01-01-2003) incurred by the former State Ministry that existed only till 31 March 2021, only had been accounted as the total expenditure. | Annual provision should be determined based on a sound plan. The approved provision should be utilized efficiently. |
| (b) Instructions had been given by the Director of National Budget on 15 March 2021 to incur provision following the transferring of provision in project two, programme one to the Ministry of Lands. Accordingly, a sum of | Action had been taken in terms of the Cabinet decision No 21/1596/304/134 dated 28 August 2021 regarding the review of Public Expenditure to save provision in Object 430-01-02 transferred as above to the Ministry of Lands and with the abolition of the State | -Do- |

Rs.31,787,314 in 14 recurrent Objects, and sum of Rs.18, 679,887 in 6 capital Objects had been saved, and it ranged from 45 per cent to 100 per cent

Ministry, the expenses planned by that Ministry could not be incurred as had been intened. Due to the Closure of offices on account of the Covid 19 prevailed in the country and the limiting of staff called for duty, all expenses had not been incurred as expected and the other essential expenses had been incurred as required.

- (c) A provision of Rs. 500 million had been made for the implementation of the Bimsaviya Programme which was under project three, programme two. However, only a sum of Rs.240, 306,000 had been incurred and provision of Rs.259, 694,000 had been saved.

Although the expected progress couldn't be achieved owing to the Covid situation prevailed In the year 2021, and the officers having to undergo quarantine on and off, keeping the offices closed and the difficulty found in going to the field, it is informed that a sum of Rs.240, 306,000 out of the truely allocated provision of Rs.316, 000,000 or 76 per cent had been utilized.

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