

IT AUDIT REPORT On
"REGISTRATION, VALUATION, PROCESS SIMPLIFICATION,
RECORDS AND HR MANAGEMENT"
Land Revenue Office, Kalanki, Kathmandu
F/Y 2015/16(2072/73)

1. Background

Land is one of the most important natural resource of the earth. The demand for arable, grazing, forestry, wild-life, tourism and urban development are greater than the land resource available. The value of land is being increased due to the fixed availability of it. The Government of Nepal formulated the institutional, legal & policy arrangement for optimum use of land-use for the country as a whole.

The Land Registration Process is derived from the letter of concerned local bodies qualifying the types of road, drinking water, sewerage system, building, area, Ward No. Kitta No. It helps to determine the minimum value of the land. Measurement and division of land is made by concerned Survey Office, the value of land must be as described in the land valuing Book. The registration is waived to the targeted group.

The Land and Building Valuation is taken from the total value of Land and Building, the tax revenue may be differed to VDC, Municipality and Metropolitan. The time taken to get the landlord's certification after the termination of Registration process is not satisfactory. So, it is to be reduced to the desired extent after use of software. Delegation of authority, uses of computer and IT in the simplification process will be made pertinent after the completion of the software. The total strength of Office and work division as well as rotation of staff is to be made changed at the certain interval of time. The internal control system for their presence and delayed work is to be identified. The HR is deputed as per requirement of the section.

Before 1996 BS, there were two departments viz; Land Revenue Department and Land Reform Department dealing the land related official activities. The scope of Land reforms offices is being trenched and the land revenue offices fulfilling the works of reforms offices. Accordingly, then government had decided to merge the two departments as Department of Land Reform and Management (DOLRM). It is under the Ministry of Land Reform Management (MOLRM). There are 104 Land Revenue Offices and 21 Land Reform Offices under the DOLRM.

The primary responsibility of the government is to render services in a transparent way along with promptness. For this, policies, act, rules, procedures and electronic media are being used to provide the services in a transparent, effective and economical way. For the adoption of modern electronic technology, ICT Development Project is under implementation with the grant assistance of Asian Development Bank. The project is primarily focused on Land Records Information Management System (LRIMS). The details of land related records of Fourteen Land Revenue offices (Dillibazar, Kalanki, Chabahil, Lalitpur, Bhaktapur, Kaski, Morang, Passa, Chitwan, Makawanpur, Baglung, Banke, Kavre and Dhading) are digitized and migrated for the online services of the land revenue offices.

2. Audit objectives, scope and Methodology

A. Audit Objectives: The general objective of IT Audit is to assess the compliances, appropriateness, and adequacy of general control of IT system and software application using by Land Revenue office Kalanki.

The other objectives of IT audit are to evaluate the following areas:

- Land Registration system,
- Land Evaluation system,
- Registration process simplification,
- Record Management
- Human Resource Management
- To encourage appropriate protection of IT assets.
- To assess whether there is adequate strategic direction and support for information security in terms of a security policy,
- Confirm whether there is an IT strategy in place, including an IT plan and the processes for the strategy's development & approval.
- To ensure major policy and procedures are followed by the office.

B. Audit Scope: Various softwares are developed and used for the smooth functioning of the entities as per guidance of Electronic transaction Act, 2063 & Regulations, 2064. According to Constitution of Nepal, the obligation of Auditor General is to provide reasonable assurance about the financial statement of the audited entity. To discharge this responsibility, further legal mandate is specified in the Audit Act 1991(with amendments) and ISSAI guidelines. The audit covered IT set up and the LRIMS software used in the Land Revenue office, Kalanki, Kathmandu for the year 2015/16.

C. Audit approach/Methodology – The IT audit was based on system and problem oriented approach. The following approaches are considered. In the IT audit, the test procedure was based on test of control, Analytical Procedure & test of detail. During the audit the system, process and the output of the software used by the Office also were examined.

D. Limitations - Lack of sufficient knowledge, skills to use the data, time and resources constraint, unavailability of required data, were the limitations in the audit. The audit was based on information in application used and the audit will be conducted as per our risk assessment and audit plan and programme.

3. Audit observation and findings:

3.1 Deed Registration System

a) Audit Question: How the Office introduced and implements the Registration system in LRIMS?

- ❖ Observation: We observed that the LRIMS system is in operation from the beginning of the fiscal year on 2072/4/26. It was in pilot phase and introduced in Registration Section 2 out of 5 sections of the Office. We observed manual and LRIMS both in the office. The system is dual and time consuming, duplication in work. Due to lack of online system, user cannot make an entry in the process. The office had the Token machine but, remained uninstalled. There is lack of token and reconciliation of Moth. The system lacks the uploading documents related to Deed Registration. The data of DLIS system are not migrated in the new system, so, the required data are not available. So, all the data should be entered.
- ❖ Risk: The service seeker cannot get immediate service related to Deed Registration due to delay in document uploading. The system does not have full data that are to be migrated. This is medium risk.
- ❖ Impact: Service simplicity is not in place, process is lengthy, and work is duplicated.
- ❖ Recommendation: The Token Machine must be installed and operated, processes should be simplified and shortened, and document should be uploaded and data must be migrated in the system.
- ❖ Management Response: Not received.

(b) Audit Question: How does the office follow the Procedure of land registration system?

- ❖ Observation: We observed that the beneficiary should come into the Service Centre with the documents pertaining to Citizenship, Landlord owner certificate and others required documents. After making an entry into the system, it goes to the computer operator's desk where the photo and thumb prints are taken through the system and it goes to junior officer's desk, after his/her approval, it eventually, goes to the Senior Officer for the finalization of the transaction.
- ❖ Risk: The service seeker cannot get immediate service related to Deed Registration due to delay in document uploading. The system does not have full data that are to be migrated. There is rush in the system due to the overflow of service seeker. It is lower risk.
- ❖ Impact: Service simplicity is not in place, process is lengthy, and work is duplicated.
- ❖ Recommendation: The processes should be simplified and shortened by minimising duplication of works, and required document should be uploaded.
- ❖ Management Response: Not received.

3.2 Land Valuation System

(a) Audit Question: How the Office follow the Valuation system in LRIMS?

- ❖ Observation: We observed the land valuation system is manual to more extent, but in some cases the minimum valuation entered into the system and compared with the proposed amount (Thaili Anka) and the proposed amount is entered by correction. There is no valuation system of building. When the entry of place and area of land is entered into the system, it shows the minimum valuation of the land. The minimum valuation may affect the capital gain tax. Many service seekers come up with valuation nearby Rs.

30 Lakhs. Examples of such cases have been shown in the financial audit report relating to 51 Deed Registration amounting to Rs.152 million .

- ❖ Risk: There is risk in the valuation of building, apartment, Guthi land etc. This is of high risk.
- ❖ Impact: When there is risk in the valuation of building, apartment, Guthi and chances of correction of the proposed amount it enhances the role of Computer operator that affects the valuation of the land and building as well as computing land revenue.
- ❖ Recommendation: There must be a separate place for entering the proposed amount of the valuation and actual minimum valuation. The valuation of Building, Apartment and Guthi land should be made appropriately.
- ❖ Management Response: Not received.

3.3 Registration process simplification

(a) Audit Question: How the Office adopted the policy in registration process simplification in LRIMS?

- ❖ Observation: We observed manual and LRIMS. The system is dual and time consuming with some duplication in work. Due to lack of online system, user cannot make an entry in the process. The system is based on intranet. Though the office had the Token machine and it remained idle without installation. There is lack of token and reconciliation of Moth. The system lacks the uploading documents related to Deed Registration. The data of DLIS system are not migrated in the new system, so, the required data are not available. It makes delay in the process. We found that there are 150 service seekers in daily average; it takes 15 minute to enter the single data into the system. There are 5 Deed Registration section, it takes 7 and half hours to enter the data without interruption.
- ❖ Risk: The service seeker cannot get immediate service related to Deed Registration due to delay in document uploading. The system does not have full data that are to be migrated. The system doesn't have the Land revenue calculation system related to building, apartment and Guthi. There is provision of Astaloha and Dirsitibandhaka of Financial institutions. This is medium risk.
- ❖ Impact: The service seekers could not get the service in time.
- ❖ Recommendation: The processes should be simplified to more extent so that the rush in land revenue office can be reduced.
- ❖ Management Response: Not received.

(b) Audit Question: How does the office follow the process improve in registration system?

- ❖ Observation: We noticed that The LRIMS system is in operation from the beginning of the fiscal year on 2072/73. It was in pilot phase and introduced in Registration Section 2 of the Office. The entry of the land records is being taken.
- ❖ Risk: The entry of the land records and migration of the data from the old system is not being taken. This is low risk.
- ❖ Impact: It disturbs the works that eventually goes to the manual system.
- ❖ Recommendation: The entry of the land records and migration of the data from the old system is maintained so that the Deed Registration system is in full operation.
- ❖ Management Response: Not received.

3.4 Record Management

(a) Audit Question: How the Office adopted the policy in record management system in LRIMS?

- ❖ Observation: We observed that the land related data are being kept in the new system. All the data of the old system are not fully migrated in the new system.
- ❖ Risk: Due to the lack of all data entered in the old system, there is delay in work. It is of low risk.
- ❖ Impact: The service seekers could not get the service immediately due to the unavailability of records and it takes long time (5 to 10 minutes and even more) to get the records.
- ❖ Recommendation: The records should be made up-to date so that there is no delay in work due to the unavailability of records.
- ❖ Management Response: Not received.

3.5 Human and Other Resource Management

(a) Audit Question: How did the Office adopt the policy of human resource management?

- ❖ Observation: We observed that there were 51 approved posts but, 54 are fulfilled. There are 6 IT based staff. Only two staff got the system oriented training. The refresher training was provided to all the staff. The new staffs entering into the office were not getting the training.
- ❖ Risk: There is lack of trained staff for the operation of the system. This is of lower risk.
- ❖ Impact: Due to the lack of trained staffs, there is delay in work and lack of competency and skill to perform the work.
- ❖ Recommendation: The training should be provided to all of the staff.
- ❖ Management Response: Not received.

3.6 Review of Application and General Control

(a) Audit Question: How the application control is managed in the Office?

- ❖ Observation: We observed that there is no IT strategic plan, policy and procedure, plan for regular maintenance of equipments, Operation Manual of emergency change. IT operation Manual is not found in the office. There is no input output control mechanism. The report is not produced as per requirement. There is no error handling procedures and integrated log system.
- ❖ Risk: There is problem in IT Operation. It is of lower risk.
- ❖ Impact: The system may not run properly.
- ❖ Recommendation: There should be IT strategic plan, policy and procedure, plan for regular maintenance of equipments, operation plan and manual for emergency, error handling procedures. The Integrated log is to be established.
- ❖ Management Response: Not received.

(b) Audit Question: How the general control is managed in the Office?

- ❖ Observation: We observed that there is no IT security policy, IT organization structure, IT environment control, Password policy, Session termination procedure, User, ID management, access authority Management.
- ❖ Risk: There is problem in IT Operation. It is of lower risk.
- ❖ Impact: The system may not run properly and uninterrupted.

- ❖ Recommendation: There should be IT strategic policy, IT security policy, IT organization structure, IT environment control, Password policy, Session termination procedure, User ID management, access authority Management.
Management Response: Not received.

Conclusion and Recommendation

Deed Registration starts from the qualifying letter of concerned local bodies mentioning the types of road, drinking water, sewerage system, building, area of land, Kitta No., Ward No. to determine the minimum value of the land. There are transactions of land with or without involvement of concerned Survey Office. If the division or integration of land is required, it is mandatory to get in touch with the concerned Survey Office. The value of land is mentioned in the Minimum Land Valuing Book which is updated annually.

The deed registration is concerned with the land revenue, capital gain tax. The revenue is waived and reduced to the targeted group. The Coding and decoding of land records and their protection by using computer technology. The Land and Building Valuation is taken from the total value of Land and Building, the tax revenue may be differed to Village Development Committee, Municipality and Metropolitan cities. The time taken to get the landlord's certification after the termination of Registration process is not satisfactory. So, time taken for service delivery is to be reduced to the desired extent after use of software. Delegation of authority, uses of computer and IT in the simplification process will be made pertinent after the completion of the software. The total strength of Office and work division as well as rotation of staff is to be made changed at the certain interval of time. The internal control system for their presence and delayed work is to be identified. The Human Resources is to be deputed as per requirement. For the full adoption of LRIMS, the supporting IT environment is to be managed in the office for the proper use of the software.