

The Institute of Valuers of Sri Lanka – 2014

The audit of financial statements of the Institute of Valuers of Sri Lanka for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014, statement of comprehensive income, statement of changes in member's funds and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 31 of the Institute of Valuers of Sri Lanka Law, No.33 of 1975 of the National State Assembly . My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 14(2) (c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures are selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements 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 Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Institute of Valuers of Sri Lanka as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Compliance with Sri Lanka Public Sector Accounting Standards

Member fee of Rs.141,920 had been accounted on cash basis, without complying with the provisions in the Public Sector Accounting Standard No. 01.

2.2.2 Accounting Deficiencies

The following observations are made.

- a) Seminar expenses paid for the year 2012 amounting to Rs.24,265 had been charged to the revenue for the year under review instead of being treated as prior period item.
- b) A sum of Rs.14,000 received for an international seminar had been credited to the donation account and seminar income account as Rs.10,000 and Rs.4,000 respectively instead of being credited to the international seminar income account.

2.3 Non-compliance with Laws, Rules, Regulation and Management Decisions

The instances of non-compliance observed in audit are given below.

Reference to Laws, Rules, Regulations and Management Decisions etc.

Non- compliance

- a) Institute of Valuers of Sri Lanka Law, No.33 of 1975 of the National State Assembly.
Section 5(2) of Schedule "A"

Even though five members of the Institute had not paid the membership fee for last 2 years, action had not been taken to expunge their membership.

- b) Council decision of 06 January 2014. Even though the Council had decided to transfer Rs.500,000 from current account to two fixed deposit accounts by Rs.250,000 each, this had not been implemented during the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Institute for the year under review had resulted in a net surplus of Rs.561,874 as compared with the corresponding net surplus of Rs.143,801 for the preceding year thus, indicating an improvement of Rs.418,073 in the financial results as compared with the preceding year. The significant increase in income from seminars, conferences and courses was the main reason attributed for this improvement in the financial results.

4. Operating Review

4.1 Performance

No action had been taken to achieve the following objectives which mentioned in Section 04 of the Institute of Valuers of Sri Lanka Law, No.33 of 1975 during the year under review.

- a) To promote the acquisition, dissemination and interchange of knowledge relating to or connected with the Science of Valuation by establishing and maintaining libraries.
- b) To conduct or provide for the conduct of a qualifying examinations for membership of the Institute, and to provide or approve course of study for such examinations and to engage and remunerate lectures and examinations.

4.2 Uneconomic Transactions

The following observations are made.

- a) A sum of Rs. 342,400 incurred for preliminary works of the Head Office building had been brought to the financial statements under work- in progress since 2009. However, the Urban Development Authority (UDA) had decided to cancel the lease agreement as the Institute had failed to construct the building on the land within the stipulated time period. Therefore, the expenditure incurred thereon had become fruitless. *Although the President of the Institute had informed me that the UDA had released an alternative land in Colombo for this purpose, no documentary evidence in this regard had been submitted to audit.*

- b) A sum of Rs.31,500 had been paid to a private company to design a website for the Institute during the years 2013 and 2014. Nevertheless, the amount paid had become a fruitless expenditure, due to non operation of the private company.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Contrary to provisions in the Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements of the Institute for the year 2014 had been submitted to audit only on 28 September 2015 after delaying 08 months and it had been amended and re-submitted on 01 April 2016.

6. Systems and Controls

Deficiencies observed in systems and controls during the course of audit were brought to the notice of the President of the Institute in time to time. Special attention is needed in respect of the following areas of control.

Control Areas	Observations
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a) Accounting	There were several classification errors in the accounts.
b) Budget	A budget had not been prepared.