

Institute of Valuers of Sri Lanka – 2016

The audit of financial statements of the Institute of Valuers of Sri Lanka (“the Institute”) for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016, statement of comprehensive income, statement of changes in member's funds and statement of cash flows 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 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

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters describe in paragraph 2.2 of this report.

2. Financial statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters describe in paragraph 2.2 of this report, 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 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) Even though only the income and expenditure relating to the period for which the financial statements prepared should be brought to accounts, audit fees relating to previous years amounting to Rs. 201,691 and web renewal charge amounting to Rs.21,760 relating to forthcoming years had been treated as expenditure for the year under review.
- (b) Fixed deposit shown in the financial statements had been overstated by Rs.102,706 due to erroneous accounting of interest income on fixed deposits.

2.2.2 Accounts Receivable and Payable

Receivables aggregating Rs. 207,800 had remained in the accounts for more than one year without being recovered.

2.2.3 Lack of Evidence for Audit

Invoices to the value of Rs. 43,400 had not been furnished to audit.

2.3 Non –compliance with Laws, Rules, Regulations and Management Decisions

Even though the Council of the Institute had decided on 25 January 2016 to deposit a sum of Rs.1,000,000 in a fixed deposit account and establish a Gratuity Fund on behalf of Administrative Assistants, the Institute had not complied with this decision even up to 31 December 2017.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, the operations of the Institute for the year under review had resulted in a net surplus of Rs. 675,695 as compared with the corresponding net surplus of Rs. 957,662 for the preceding year thus, indicating a deterioration of Rs. 281,967 in the financial results as compared with the preceding year. Increase of administration expenses and decrease of operating revenue were the main reasons attributed for this deterioration in the financial results.

Even though the operations of the Institute during the year under review had shown only Rs.675,695 as a surplus, the value addition of the Institute for the year under review after taking into account the personal emoluments and depreciation was Rs. 970,970. However, the value addition for the year under review had decreased by Rs 254,708 as compared with the previous year due to increase of administration expenses and decrease of operating revenue for the year 2016.

4. Operating Review

4.1 Uneconomic Transactions

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 had decided to cancel the lease agreement and taken over the land which the preliminary works carried out and handed over another land for this purpose. Therefore, the amount incurred for preliminary works had become a fruitless expenditure.

“The president of the institute had informed to audit that, the amount spent by the Institute on this property will have to be written-off, as it is unlikely the UDA will reimburse it.”

5. Accountability and Good Governance

5.1 Corporate Plan, Action Plan and Budget

The Corporate Plan, Action Plan and Budget will help to forecast the future activities and give the directions to achieve the expected targets effectively. Nevertheless, these were not prepared by the Institute by targeting the year 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 control over accounting of expenditure properly.