

## **Head 251 –Valuation Department**

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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 Valuation Department for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 including my comments and observations on the financial statements of the Valuation Department was issued to the Accounting Officer on 30 May 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. As per Section 11 (2) of the Audit Act, the Detailed Annual Management Audit Report related to the Valuation Department was issued to the Accounting Officer on 30 May 2019. This report will be tabled in Parliament in pursuance of Provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Valuation Department as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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

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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 qualified opinion.

#### **1.3 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements**

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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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as 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 Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Department 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.

As per Section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibility for the Audit of the 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 the summary report of the Auditor General 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 scepticism 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.
- Obtain 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 Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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 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**  
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I express the following matters in accordance with Section 6 (d) and Section 38 of National Audit Act, No. 19 of 2018.

- (a) Since there was no need for the Valuation Department to prepare financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were consistent with the preceding year.
- (b) Since there was no requirement for the Valuation Department to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

**1.6 Comments on the Financial Statements**  
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**1.6.1 Non-Compliance of the Financial Statements with the Provisions of the Circulars**  
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The following observations are made.

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
As per Paragraph 3.4 of State Accounts Circular No. 267/2018 of 21 November 2018, the financial value had not been indicated in the statement of liabilities and commitments presented under Note No. (iii)	In the preparation of the Financial Statements, the relevant formats and notes should be presented in accordance with Provisions of Circulars.	Noted down to examine whether a shortcoming had occurred in presenting information in formats and to rectify such shortcomings in the future.

### 1.6.2 Statements of Financial Performance

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The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) A total of Rs. 406,866 received in the previous years and the year under review had not been identified and not included in the income and the amount had been retained in the Deposit Account.	Action should be taken to identify the receipts which had not been identified and to record such receipts in accounts.	It is informed that it is noted down to examine in to this matter and to rectify it.
(b) Ninety (90) occasions of income amounting to Rs. 514,451 received to the bank account of the Department by 31 December 2018 had not been identified and brought to accounts.	-Do-	It is informed that necessary action is being taken to identify income.

### 1.6.3 Non-compliance with Laws, Rules and Regulations

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The following observations are made.

Reference to Laws, Rules and Regulations	Value	Non-Compliance	Recommendation	Comments of the Accounting Officer
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	Rs.			
(a) Chapter XXIV of the Democratic Socialist Republic of Sri Lanka	136,150	Loans granted to an officer prior to 03 months of his retirement had not been recovered.	Should function in compliance with the Establishments Code.	I do agree with the audit observation and noted down to avoid such occurrences in the future.
(ii) FR 231 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	503,200	Even though full details of every payment should be included in the vouchers, action had not been taken accordingly in	Vouchers should be prepared in accordance with the Financial Regulations.	In it informed that the matter is noted down to function according to these instructions in the future.

relation to a sum  
of Rs. 503,200 in  
08 occasions.

## 2. Financial Review

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### 2.1 Management of Income

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The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
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(a) An amount of RS. 58.7 million or 16 per cent had only been recovered during the year out of the arrears of income amounting to Rs.371 million prevailed as at the beginning of the year under review.	The process of recovering the arrears of income should be further strengthened.	It is informed that the amount collected out of the arrears of income should be corrected as Rs. 58,701,415.
(b) The arrears of income amounting to Rs.106.85 million included in the information presented by Provincial Offices had not been included in the half yearly arrears of income.	The reporting and accounting process of arrears of income should be systematically maintained and arrears of income should be timely reconciled.	It is informed that the matter is noted down to rectify by taking in to consideration the information of non-reconciliations revealed by the audit in this regard.
(c) The balance that had exceeded 02 years was Rs. 353.6 million out of the arrears of income amounted to Rs. 369.52 as at 30 June 2018 and 1 per cent of the amount had only been recovered during the year under review.	The process of recovering the arrears of income should be more strengthened.	It is informed that action is being taken to recover the arrears of income.
(d) A sum of Rs. 21.93 million included in the arrears of income as at 30 June 2018 had not been included in the information on arrears of income presented by Provincial Offices.	The registers should be updated after reconciling arrears in income prevailed in the Head office and the regional offices.	It is informed that the matter is noted down to rectify by examining these non-reconciliations after obtaining audit information too.

## 2.2 Management of Expenditure

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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The full provision of a Capital Object had not been utilized and it was 70 per cent out of the total capital provisions.	Action should be taken to forecast expenditure to the best possible level of accuracy.	Even though imprest had been requested from the General Treasury monthly and through sending special letters in order to make payments from these provisions, imprest had not been granted by the General Treasury and as a result, these provisions had been saved.

## 2.3 Granting Advances to Public Officers and Settling the Advances

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Even though action should be taken not to show the loan balances that had not been recovered between the Departments after 03 months of the retirement of an officer as per Paragraph 1.1.7 of the National Budget Circular No. 118 of 11 October 2004, 03 loan balances amounting to RS. 11,916 which had elapsed a period of 29 years to 32 years had been shown in the Account.	Action should be taken in compliance with Provisions of the Circulars to settle loan balances.	It is informed that recommendations had been made to write off these loan balances of these officers and information had been sent to the Director General of the Public Finance Department.
(b) The Department had failed to recover the loan balances amounting to Rs. 633,204 remained for a period of three months to 02 years after the retirement of two officers.	-Do-	It is informed that these loan balances would be recovered at the moment the retirement gratuities are paid to these officers.
(c) There were 08 loan balances amounted to Rs. 436,064 existed for a period of 04 years to 27 years that should be recovered from officers who had been interdicted and who	-Do-	Legal action would be taken against the officers who had been interdicted and these matters had been referred to the Legal Officer. The Establishments Division of the Department is taking

had vacated the post.

action in relation to the loan balances of officers who had vacated posts.

- (d) A difference of Rs.70,197 prevailed between the balance remaining as per books of the Department and the computer printed notes of the General Treasury in the year under review and the balance as per the individual balance classification summaries
- Balances should be reconciled as per the classification of individual balances and as per the Treasury books.
- It is informed that action will be taken to settle the differences in the year 2019.

### 3. Operational Review

#### 3.1 Non- accomplishments of Roles

The following observation is made.

##### Audit Observation

##### Recommendation

##### Comments of Accounting Officer

It was not possible to accomplish the activities of valuation of properties in the jurisdictions of Pradeshiya Sabhas within the specified period as expected.

Steps should be taken to carry out valuation activities timely.

Comments were not made.

### 4. Management of Human Resources

The following observation is made.

##### Audit Observation

##### Recommendation

##### Comments of Accounting Officer

Two hundred and fifty six (256) or 31 per cent posts out of the approved cadre as at 31 December 2018 remained vacant and 185 or 72 per cent out of the approved cadre were the vacancies for posts in the senior level. Further, Valuation Officers required for the accomplishment of the major role of the Department had not been recruited within a period of 06 years.

Arrangements should be made to expeditiously fill the vacancies of the Staff.

It is informed that forward action would be taken to fill relevant vacancies after the approval is granted to the Service Minute of the Sri Lanka Valuation Service.