

## **Head 251 - Government 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 Government Valuation Department – Head 251 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 statements 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 Government Valuation Department was issued to the Accounting Officer on 17 June 2022 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018 and the Annual Detailed Management Audit Report relating to the Department was issued to the Accounting Officer on 17 September 2021 in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018. 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 financial statements give a true and fair view of the financial position of the Government Valuation Department as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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

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My opinion is qualified based on the matters described in paragraph 1.6 of this report. 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 Responsibility of Chief Accounting Officer and the Accounting Officer for the Financial Statement**

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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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as management 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 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 of the Department.

As per Sub-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 an auditor's 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 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, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

## **1.5 Report on Other Legal Requirements**

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As required by Section 6 (1) (d) of the National Audit Act, No. 19 of 2018, I state the followings.

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

## **1.6 Comments on Financial Statements**

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### **1.6.1 Collection of Revenue relating to other Revenue Accounting Officers**

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The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
In terms of paragraph 7.2 of the Guidelines of the Department of State Accounts No.2021/03 of 26 November 2021, a sum of	It is agreed with the audit observation.	Financial statements should be prepared in compliance with Guidelines issued by the Department of State Accounts.

Rs.119,601,489 collected on behalf of other Revenue Accounting Officers should have been adjusted in the imprest reconciliation statement. However, that value had been indicated in the statement of financial performance as receipts of other major ledger accounts. As such, the balance as at 31 December 2021 in the statement of financial performance had been overstated by Rs.119,601,489.

#### 1.6.2 Non-financial Assets

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the letter No.SA/MAA/02/01/01 of 30 December 2021 of the Director General of State Accounts, it had been instructed to attach the report on non-financial assets generated by the CIGAS web application, to the Format ACA-6 after making revisions thereto. Nevertheless, it had not been so done in the financial statements submitted to Audit.	The SA 82 report on non-financial assets had not been attached to the account by mistake.	Financial statements should be prepared in compliance with the Guidelines issued by the Department of State Accounts.

- (b) Computer equipment had been purchased in the year under review by spending a sum of Rs.29,078,410. The value of the said assets had been accounted in the Treasury computer printout SA 82 as Rs.25,463,960, thus understating the assets by Rs.3,614,450 in accounts.
- There is no difference between the BOS report of the CIGAS programme and the ledger and the reason for this difference is that even though non-financial assets are uploaded to the Treasury at the end of each month by the CIGAS software, the said assets had not been accounted in the Treasury due to a computer error. The Department of State Accounts has been briefed in this regard on several occasions and it has been informed that action will be taken this year to rectify the said error.
- Assets purchased should be accurately accounted for.
- (c) Even though a vehicle of the Department had been disposed of in July 2021, the value of the said vehicle had not been indicated under disposal of non-financial assets. Quotations had been called for sale of the vehicle and 03 bids had been received. The two bidders who had made the highest bid from among the said bids, had refused to purchase the vehicle. Accordingly, the vehicle had been transferred to the bidder who had made the lowest bid of Rs.1,958,980.
- The assessed value as at the date on which it was decided to sell, amounts to Rs.1,050,000.00 and out of quotations received after calling for quotations for sale of the motor vehicle, the first two bidders have informed in writing, the inability of purchasing the motor vehicle. As such, the motor vehicle has been transferred to the third highest bid.
- Assets to be disposed of, should be accurately accounted for.

### 1.6.3 Balance of the Deposit Account

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) The balance of the Deposit Account as at 31 December 2021 had been Rs.4,107,308. Even though deposit balances totalling Rs.622,517 of that balance had been brought forward over a period of two years, action had not been taken in terms of Financial Regulation 571 relating to a further a sum of Rs.308,179 of those lapsed deposit balances.	After taking action in terms of Financial Regulations, a payment of Rs.312,400 had been made in the months of March and April and a sum of Rs.1,938 has been credited to the Government Revenue. Reminders have been sent relating to other deposits and action will be taken to settle according to response made therefor.	Action should be taken in terms of Financial Regulations relating to lapsed deposits.
(b) Assessment revenue of Rs.1,935,608 and Rs.395,667 of the years 2020 and 2021 respectively had been retained in the Deposit Account even by the end of the year under review without accounting as revenue.	Even though direct deposit has been made to the bank account of the Department, these amounts have been transferred to the Deposit Account as information relating thereto was not available. Action will be taken to account as assessment revenue once identifying the depositor.	Revenue of the Department should be identified without delay and brought to account.

#### 1.6.4 Expenditure incurred by other Institutions

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The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
A sum of Rs.5,340,931 had been spent under the Expenditure Head of the Department Object by other institutions and the said expenditure had been indicated as Rs.5,343,789 in the imprest reconciliation statement. As such, the imprest reconciliation statement had been understated by Rs.2,858.	This sum of Rs. 2,858 is a note made by the Department of Treasury Operations for rectifying an over accounting in accounting imprests. The said sum has been rectified in recording the imprest. Accordingly, indicating the expenditure incurred by other departments as Rs.5,343,789, is correct.	Correct values should be included when submitting financial statements.

#### 1.6.5 Imprest Adjustment Balance

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The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
According to the statement of financial performance of the year 2021, the imprest balance as at 31 December 2021 had been Rs.6,526,337. According to the imprest reconciliation statement mentioned in Format ACA – 7, the imprest adjustment balance as at 31 December 2021 had been Rs.6,526,337. In adjusting that balance with the imprest balance in	According to the statement of financial performance (ACA -7), the balance as at 31.12.2021 after adjusting all revenue and expenditure, is indicated as Rs. 6,526,337 and after deducting the sum of Rs. 6,526,337 which is the balance of the imprest adjustment account, it has become a zero value.	According to instructions mentioned in the letter of the Director General of State Accounts, figures should be presented logically.

the statement of financial performance, it amounts to Rs.13,052,674. Even though the imprest adjustment should have been a negative (-) balance of Rs. 6,526,337, it has not been accurately indicated in the revised Format ACA – 7. As such, according to notes indicated in the statement of financial performance, the balance of the imprest account had not been presented logically as a zero value.

#### 1.6.6 Cash flow generated from operating Activities

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Even though the Department had spent a sum of Rs.9,362,692 for other Expenditure Heads, it had been indicated as expenses of Rs.18,751,392 under operating activities in the cash flow statement, thus overstating by Rs.9,388,700.	As the cross entry also should be included in the preparation of the cash flow statement according to the direct method, a sum of Rs.229,903 recorded in the Advances B Account through cross entries on behalf of other departments and a sum of Rs.9,158,796 accounted by other departments on behalf of the Department have been indicated as expenses under operating activities.	Action should be taken in terms of paragraph 7.6 of the Guidelines issued by the Department of State Accounts.



- (b) In terms of paragraph 7.6 of the Guidelines of the Department of State Accounts No.2021/03 of 26 November 2021, the cash flow statement should have been prepared using the direct method taking into consideration both the cash and cross entries. Accordingly, sums of Rs.31,861,642 and Rs.36,353,927 should have been indicated as receipts and payments of advances respectively in the cash flow statement. However, they had been indicated as Rs.34,139,173 and Rs.36,124,024 respectively in the cash flow statement. As such, receipts and payments of advances had been understated by Rs.2,277,531 and Rs.229,903 respectively.
- According to the summary of transactions relating to advances as indicated in the Treasury print out SA – 52, receipts and payments of advances are Rs.34,139,173 and Rs.36,124,024 respectively.
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- (c) Even though a sum of Rs.119,601,489 had been collected on behalf of other Revenue Accounting Officers, it had been indicated in the cash flow statement as Rs.12,225,054, thus understating by Rs.107,376,435. It is agreed with the audit observations. As this amount has been indicated under the Head of non-revenue receipts, it is kindly informed that the overall result is indicated as accurate.
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- (d) Even though receipts of the Department whatsoever had not been revealed under non-revenue classification, a sum of Rs.119,601,489 had been indicated under the said classification. It is agreed with the audit observations. Even though the amount collected on behalf of other departments has been indicated as non-revenue receipts by error, it is kindly informed that the overall result is indicated as accurate. -do-

## 2. Financial Review

### 2.1 Revenue Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the annual budget estimate of the year 2021, the revenue of the Valuation Department had been indicated as Rs.90,000,000 under Revenue Code 20.03.02.09. The revenue estimate had been revised as Rs.82,000,000 by the Department without taking action in terms of Financial Regulation 85(2)(a). The Valuation Department had collected a sum of Rs.107,658,875 as revenue during the year under review. As the	Even though offices were kept closed or operated with a limited staff for the most part of the first few months in the year 2021, paperwork could not been properly attended to. However, the actual revenue of the first few months had been taken as expenditure and the revenue estimate for the year has been revised accordingly. Nevertheless, a revenue exceeding the expected amount could be collected as the situation was normalized during the last few months of	Annual estimates should be prepared as accurately and realistically as possible.

Department had failed the year 2021. to forecast the collectable revenue in the year 2021 accurately, the revenue estimate had not been prepared accurately in terms of Financial Regulation 85(2)(a).

- (b) In terms of Financial Regulation 135, financial authority had not been delegated. In the delegation of authority under Financial Regulation 135, it was noted to include authority regarding the revenue. Action should be taken in terms of Financial Regulations.
- (c) In terms of paragraph 3 of the Fiscal Policy Circular No.01/2015 of 22 July 2015, the basis of computing revenue had not been mentioned. Instructions were given to prepare estimates including adequate information according to the Fiscal Policy Circular. Action should be taken as per instructions of the Fiscal Policy Circular.
- (d) A sum of Rs.459,388,974 representing 66 per cent out of the arrears of revenue from valuation fees amounting to Rs.692,250,571 as at 31 December 2021 had remained in arrears between a period ranging from 01 year to 13 years. The collection of arrears of revenue was weakened due to the office procedures becoming crippled as a result of the break out of Covid pandemic in the country. Moreover, relevant matters necessary for collection of arrears of revenue are being carried out by the relevant regional offices and the legal division. Furthermore, according to the recommendations given by the committee on arrears of revenue appointed for obtaining recommendations for recovery of arrears of

fees, action is being taken to expedite collection of arrears of revenue.

- (e) Out of the arrears of revenue amounting to Rs.467,046,699 remained as at the end of the preceding year, only a sum of Rs.7,657,724 representing 1.63 per cent had been recovered in the year under review. The recovery of arrears of revenue had been at a very weak level.
- The collection of arrears of revenue was weakened due to the office procedures becoming crippled as a result of the break out of Covid pandemic in the country. Moreover, relevant matters necessary for collection of arrears of revenue are being carried out by the relevant regional offices and the legal division.
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- (f) Arrears of revenue of assessment totalling Rs.252,075,609 were being brought forward by 03 public enterprises by 31 December 2021. Those arrears of revenue could not be recovered even by the end of the year under review.
- Approval has been granted by letter No.MF/DST-R/Val/MUD/1 of 16.09.2021 of the Deputy Secretary to the Treasury to settle arrears to the Urban Development Authority within the year from the date of valuation relating to valuation of lands, property due to be provided for direct investment projects and which have been identified as a priority in the Development Plan of the Government and to deposit 25 per cent of the tax value in the Urban Development Authority by the investor selected for leasing out relevant
- Action should be taken to recover arrears of revenue without delay by holding discussions with the relevant institution.

lands. Accordingly, the relevant arrears are due to be recovered by the Urban Development Authority within a year from the date of reporting.

As the committee on arrears of revenue has recommended recovery of arrears of revenue from the Sri Lanka Land Reclamation and Development Corporation and the National Savings Bank, necessary arrangements are being made to seek approval of the Ministry of Finance for taking further action and for legal advice.

- (g) A sum of Rs.478,092,636 representing 69 per cent of the total arrears of revenue of the Department should have been collected by the Greater Colombo Provincial Valuation Office by the end of the year under review.
- Valuation is carried out so as to cover the Divisional Secretariat Divisions of Kirulapone, Rajagiriya by the Greater Colombo Provincial Valuation Office and the assessment value and valuation fees of the said area take a high value. The valuation of the Urban Development Authority and the Sri Lanka Land Reclamation and Development Corporation as well are carried out mostly by the Greater Colombo Provincial Valuation Office. Action will be
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taken to recover arrears of valuation fees as indicated by part (i) above.

- (h) Arrears of revenue amounting to Rs.7,269,070 reported by 11 provincial offices had not been included in the report on arrears of revenue in the financial statements as at 31 December 2021.
- It has been noted to rectify in future, a sum of Rs.7,269,070 not included in the arrears of valuation fees by error.
- Action should be taken to report all arrears of revenue.

## 2.2 Expenditure Management

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### 2.2.1 Ineffective Provision

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The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
Provision of Rs.5,500,000 had been made for three Objects and by the end of the year under review, the entire provision had been saved without being utilized for any purpose whatsoever.	Foreign travel had been suspended by the Budget Circular and as such, foreign travel expenses had not been incurred. Moreover, provision had been included under Object 2106 for updating the web site of the Department in collaboration with the ICTA Institute. However, the relevant matters could not be duly implemented. Furthermore, provision of Object 2509 was saved due to import restrictions and the difficulty in opening letters of credit.	Estimates of expenditure should be prepared accurately and realistically in terms of Financial Regulation 50.

## 2.2.2 Excess Provision

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The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Excess provision totalling Rs.242,000,000 has been made for 10 Objects and as such, only a sum totalling Rs.82,953,301 of that had been utilized by the end of the year under review. Provision totalling Rs.159,046,699 had been saved out of the provision made. As such, provision ranging from 35 per cent to 83 per cent made for each Object, had been saved.	Plans had been prepared and estimates of expenditure therefor had been properly prepared relating to the year 2021. Nevertheless, provision of many Recurrent Objects were saved due to the closing of offices and operating offices with a limited number of officers for a large part of the year as a result of the Covid pandemic. Provision of Objects 1001 and 1003 were saved as recruitments could not be made as planned and even foreign travel was suspended by the budget circulars. Moreover, financial provision was saved as a result of inability of purchasing computers due to import restrictions and failure in opening letters of credit.	In terms of Financial Regulation 50, the Annual Estimates should be prepared as accurately and realistically as possible.

## 2.3 Advances to Public Officers Account

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Loan balances of Rs.910,372 had been outstanding as at 31 December 2021 from officers transferred out, left the service, retired and interdicted. Out of the said loan balance, a sum of Rs.328,720 representing 36 per cent had been outstanding since the year 1991.	Action necessary for recovery of these loans is taken in terms of Financial Regulations and relevant action is being taken to write off balances which were confirmed unrecoverable.	Action should be taken to expedite recovery of loan balances remaining outstanding over a long period.
(b) According to Departmental books and Treasury computer print outs, the outstanding loan balance by the end of the year under review had been Rs.93,219,454. However, according to the summary of individual balance classification, the outstanding loan balance had been Rs.93,150,056, thus revealing a difference of Rs.69,398. Nevertheless, reconciliation and rectification of the said error had failed even by the end of the year under review.	The loan balance of Rs.71,024 of an officer transferred in, in the year 2015 had been debited to the Advances B Account of the Valuation Department by the Department of Irrigation in the year 2018. Nevertheless, it had not been recorded in books of accounts of the Valuation Department under balances recoverable from the officers transferred in, thus making this difference and necessary action is being taken to rectify this error.	Action should be taken to identify the difference and correct the books accordingly.



### 3. Operating Review

#### 3.1 Assets Management

The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Action had not been taken even by April 2022 to dispose of 96 Items of assets identified as unusable goods at the Board of Survey of the year 2020. Even though the assessment value of assets identified for disposal was Rs.18,400, the book value of those assets had not been identified.	Submission of reports to Audit and disposals were delayed due to delay in the activities of the Board of Survey and the delay in the receipt of reports from provincial offices as a result of the Covid 19 pandemic which prevailed in the country.  Activities relating to disposal have been finalized by now and action will be taken to account the book value of assets. After disposal of assets, action will be taken to eliminate from the ledger by identifying the value accounted under the Assets Module of the CIGAS Programme before eliminating from books.	Disposal of assets should be carried out promptly and accurately.

### 3.2 Security of Public Officers

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The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
In terms of Financial Regulation 880, five officers who under delegation are entrusted with signing of cheques, had failed to give security.	In terms of Financial Regulation 880, the Ministry has been consulted with regard to giving security and further action will be taken as per instructions received.	Action should be taken in terms of Financial Regulations.

## 4. Human Resource Management

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### 4.1 Approved Cadre and Actual Cadre

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Five hundred and fifteen posts or 46 per cent of the approved cadre were vacant as at 31 December 2021. Out of those vacancies, 263 posts or 51 per cent had been posts of officers of Tertiary Level performing the functions of valuation.	Recruitments are made in terms of the approved service minute and 62 officers have been recruited to the post of Valuer based on the service experience and skills. The notification of examination prepared relating to recruitments under the limited category for the post of Valuation Officer has been referred to the Public Service Commission for obtaining approval. Moreover, the open competitive	Prompt action should be taken to fill vacancies in essential posts.

examination for recruitment of Assistant Valuation Officers was held on 29.05.2022 by the Department of Examinations and the vacancies mentioned are due to be filled based on the results of the said examination.

- (b) Assistant Valuation Officers required for the performance of functions of the Department had not been recruited since a period of nearly 8 years. The final recruitments for the Assistant Valuation Officers had been made in the year 2013. -do- -do-
- (c) The vacancies of the Valuation Department existed throughout many years and action had not been taken to fill these vacancies by graduates leaving the university with degrees on valuation. -do- -do-