

Head 251 - Valuation Department - 2024

1. Financial Statements

1.1 Opinion

Head 251- The audit of the financial statements of the Valuation Department for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 containing my comments and observations on the financial statements of the Valuation Department was issued to the Accounting Officer on 31 May 2025 in terms of Section 11 (1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report related to the Department was issued to the Accounting Officer on 07 August 2025 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 the Section 10 of the National Audit Act, No.19 of 2018 to be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements prepared give a fair view in all the material aspects of the financial position of the Valuation Department as at 31 December 2024 and its financial performance and cash flow in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statement.

1.2 Basis for Opinion

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

1.3 Emphasis of matter - Basis of preparation of financial statements

The attention is drawn to Note 1 to the financial statements, which describes the basis of preparation of these financial statements. The financial statements have been prepared for the need of the Valuation Department, the Treasury and the Parliament in accordance with Government Financial Regulations 150 and 151 and State Accounts Guideline No. 06/2024 dated 16 December 2024, as amended on 21 February 2025. Accordingly, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Valuation Department, the Treasury and the Parliament of Sri Lanka. My opinion in this regard is not modified.

1.4 Responsibilities of the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Government Financial Regulations 150 and 151 and State Accounts Guideline No.06/2024 dated 16 December 2024 as amended on 21 February 2025 and for the determination of the internal control that 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 the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department 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.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

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, and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statement.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticisms throughout the audit. I also:

- Identify and assess the risk 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.
- Obtained 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 internal control.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- Evaluate the overall presentation, structure and content of the financial statements including 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.

2. Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

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

3. Financial review

3.1 Revenue management

Audit observations	Comments of the Accounting Officer	Recommendation
(a) Out of the arrears of revenue of Rs. 896,496,121 existing at the beginning of the year under review, only a sum of Rs. 149,765,247 or only 16.7 percent had been recovered during the year under review. Furthermore, according to the information submitted to the audit, 90.47 percent of the total arrears of revenue of Rs. 748,730,874 at the end of the year under review, i.e. Rs. 677,342,621, is attributable to 10 institutions, out of which 66.48 percent is due from the Urban Development Authority (UDA), S.W.R.D Bandaranaike Memorial National Foundation and the Ministry of Urban Development and Housing. However, the Department had failed to introduce and implement an appropriate and efficient mechanism to recover the arrears of revenue by reaching a formal agreement with the relevant institutions up to 31 May 2025.	It was revealed that this situation had arisen due to reasons such as the excessively high fees charged for valuation activities, the disposal of properties during the period between the valuation request and the completion of the valuation, and changes in the requirements of the relevant institutions and I t was also observed that the absence of formal agreements had prevented taking legal action and the Ministry of Finance had introduced a revised valuation procedure with formal mechanisms and a lower fee structure effective from 01 June 2023. Since most of these valuation files are very old, the relevant institutions have not taken action to obtain these valuation reports by making the necessary payments. Therefore, action is being taken to write off these old balances in accordance with the instructions of the Ministry of Finance.	Action should be taken by the management to identify and implement an appropriate and formal mechanism for the recovery of arrears of revenue.

- (b) Due to the failure to maintain proper records regarding the arrears of revenue recoverable from the Urban Development Authority (UDA) and the Sri Lanka Land Reclamation and Development Corporation for the period from 2008 to 2013 (as the provincial office that carried out the valuation could not be identified), sums of Rs. 171,814,919 and Rs. 9,547,400 respectively had remained unrecovered and carried forward up to 31 May 2025. Furthermore, according to the arrears of revenue report, a sum of Rs. 478,320 relating to 04 files for which the institutions could not be identified, and a total of Rs. 365,135 relating to 04 valuation files where the file numbers had not been indicated, had remained as arrears of revenue. However, the Department had not taken any satisfactory action either to recover the said arrears amount or to take appropriate measures against the responsible parties up to 31 May 2025.
- Since the activities related to the valuation files pertaining to the Urban Development Authority and the Sri Lanka Land Reclamation and Development Corporation had been carried out by a separate division of the Head Office at the initial stage, it had been difficult to obtain this information from the provincial offices. Further activities relating to these files are being carried out by providing the information available at the Head Office to the relevant institutions. Since the relevant institutions have not requested the valuation reports pertaining to the files for which such information is being provided, it has become difficult to clear these outstanding balances.
- Adequate internal control procedures relating to valuation files should be introduced and implemented.

3.2 Expenditure Management

Audit observation	Comments of the Accounting Officer	Recommendation
(a) According to the Financial Regulation 50(II), although it is the responsibility of the Accounting Officer to prepare the annual	1102 – Foreign Travel Expenditure Restriction of these expenses by the Budget	Annual expenditure estimates should be prepared as accurately and completely as possible.

expenditure estimates as accurately and completely as possible, out of the total provision of Rs. 11,633,182 allocated for 04 recurrent expenditure items, a total of Rs. 2,580,408 had remained unutilized at the end of the year under review, which represented a range between 12 percent to 100 percent of the net provision made for each expenditure item.

Circular

- **1203 - Food, beverages, and uniforms**

Non-reporting of officers entitled to official uniforms due to transfers.

- **1409138 - Service agreements for machinery and office equipment**

Disposal of old equipment and the purchased equipment not expire the warranty period.

- **1506 - Property loan interest for public servants**

Non-submission of new loan applications and non-approval of loans by the bank for the applications submitted.

- (b) Although a provision of Rs. 103,000,000 had been made for the total capital expenditure according to the Action Plan for the year 2024, the expected tasks under Capital Expenditure Headings 2001, 2002 and 2401 had not been identified and savings ranging from Rs. 10.9 million, Rs. 4 million and Rs. 10.6 million respectively were observed from the provisions provided by the annual estimate.

- **2001 - Buildings and construction**

Inability to carry out departmental renovations during the year.

- **2002 - Machines and machinery**

The expected repair of the elevator did not take place this year and the warranty period of

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the purchased equipment had not expired.

- 2401 – Staff Training

Restriction on participation in foreign training through Budget Circular 2024/01.

4. Operational Review

4.1 Management weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) An Assistant Valuer of the Department, who carried out the valuation of a damaged vehicle belonging to a Member of Parliament, had inspected and reported that the vehicle had sustained minor damages that could be repaired. In accordance with the instructions given by the Senior Valuer, an inspection report from an officer of the Department of Motor Traffic had also been obtained. According to that inspection report as well, it had been recommended that the vehicle could be used after being repaired. However, based on the valuation report issued to the Police by the North Western Regional Engineering Manager of the Sri Lanka Transport Board, who had recommended that the vehicle was in a condemned condition, the Senior Valuer had reported that the cost of damage to the vehicle was Rs. 11,000,000, as noted in a	Our valuation has been provided based on the valuation report regarding the loss and damage to the vehicle issued on 13.08.2023 by the Regional Engineering Office of the Sri Lanka Transport Board to the Officer-in-Charge of the Crime Investigation Division of the Police. According to that report, since all the exterior body parts of the jeep and the interior seat covers had been severely damaged, the vehicle had reached a condemned condition. After the field inspection, when recommending approval for the proposed valuation amount of Rs. 11,000,000 based on the relevant documents and information, the Senior Valuer had taken into	Action should be taken to eliminate possible irregularities that could occur in the issuance of valuation reports.

memorandum sent to the Deputy Chief Valuer.

consideration the facts presented by the Assistant Valuer.

- (b) According to the valuation report issued on 15 December 2016, for the purpose of leasing the building located at No. 321/1/A, High Level Road, Makumbura, Pannipitiya, for the National Institute of Language Education and Training, the monthly rent had been valued and reported as Rs. 1,250,000. According to the valuation report issued on February 14, 2024, after a period of seven years for the same building, the monthly rent had been valued and reported as Rs. 800,000, which is 36 percent less than the original valuation. Furthermore, the valuation file of the year 2016 had not been submitted for audit for further examination in this regard.
- The relevant file has not yet been found in the record room. However, the original rental value we reported has also been mentioned in that file during the second rent revision valuation. When carrying out the second rent valuation, factors such as the current use of the building, maintenance work carried out by the tenant, adjustments made due to re-renting to the same tenant (Sitting Tenancy), and the rent expected by the owner of the building had also been taken into consideration and reported.
- Management attention should be drawn to the misplacement of valuation files and the unusual variations observed in the reported valuation amounts.
- (c) According to the special investigation conducted regarding the issuance of valuation reports for the damages caused to the properties of Members of Parliament due to the violent incidents that occurred in the country on May 9, 2022, it was revealed that after submitting the initial valuation reports, the Chief Valuer had increased the valuation amounts within a range of 22 percent to 158 percent, taking into consideration of the Cabinet decisions, Presidential directives, requests made by District/Divisional Secretaries, and requests from the property owners. Accordingly, in respect of 16 valuations, it was observed
- Based on the requests made by District Secretaries, Courts, and the Police to assess and report the property damages related to the violent incidents that occurred on May 9, 2022, the valuations had been reported using May 9, 2022, as the base date. According to Cabinet Memorandum No. PS/NC/ACD/98/2023 and the Presidential directive dated 24 February 2023, instructing the Chief Valuer to carry out a revaluation in line with the current market value and to submit the reports within one month, the initial valuations had been revised by taking into
- Action should be taken to identify unusual variations in valuations and to establish appropriate institutional measures.

that the total valuation amount had increased by 51 percent, from Rs. 384,081,900 to Rs. 580,153,100, in the second valuation reports compared to the original valuation reports.

account the matters stated in the appeals submitted by the respective parties and the fluctuations in the cost of building materials as at February 2024. When reporting the revised valuations, the percentage of increase had varied, as the nature of the respective properties, the materials used for construction, and the cost incurred for replacing the installed fittings and equipment had also been taken into consideration.

5. Human Resource Management

Audit observations	Comments of the Accounting Officer	Recommendation
At the end of the year under review, there were 391 vacancies, representing 32 percent of the approved cadre of 1,191 positions in the Department. Accordingly, although there were vacancies of 59 percent and 38 percent, respectively, in the approved senior-level and tertiary-level staff positions that directly affect performance, the Department had not taken formal steps either to fill those vacancies or to revise the approved cadre as necessary up to May 31, 2025.	After the recruitment of 184 Assistant Valuers, action will be taken to fill the vacancies in the post of Valuer, Grade III of Class I of the Sri Lanka Valuation Service in the Executive Officer category. <u>Vacancies belonging to the tertiary level</u> According to the approval granted for the recruitment of 184 officers to the post of Assistant Valuer, Class II, Grade II, of the Field/Office Officer Category 2, the written examination was conducted by the Sri Lanka Institute of Development Administration on April 20, 2025.	Immediate action should be taken either to fill the vacancies or to revise the staff as necessary.

Vacancies belonging to the
secondary and primary levels

It is kindly informed that action has been taken to notify the Ministry of Public Administration to take necessary steps to fill the vacancies in the secondary and primary levels.