

Institute of Valuers of Sri Lanka

1 Financial Statements.

1.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am opinion that the Institute of Valuers of Sri Lanka had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1.2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Institute of Valuers of Sri Lanka as at 31 December 2010 and the financial results of its operation for the year then ended.

1.2 Comments on Financial Statements

1.2.1 Presentation of Financial Statements

The financial statements for the year ended 31 December 2010 which should be presented for Audit within 60 days after the closure of the financial year in terms of the Department of Public Enterprises Circular No. PED/12 of 2 June 2003 were presented only on 04 May 2011.

1.2.2 The Best Accounting Practices

Following observations are made.

- (a) Income and Expenditure Account and Balance Sheet had not been prepared according to the best accounting practices.
- (b) Depreciation policies, Basis of Stock valuation and any other standards or policies which were applied for the preparation of financial statements had not been disclosed in the Financial Statements.
- (c) No discloser had been made in relation to the revaluation of Leasehold Property, and the accounting practice applied for such asset.
- (d) Stocks which should be computed on cost had been computed on selling price.

1.2.3 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- (a) Though the Donation received from the members for Building Fund amounting to Rs. 21,240 which should be accounted in the Building Fund Account, had been accounted as Donation Income.
- (b) Accrued printing cost of greeting cards amounting to Rs 17,500 had not been brought to the accounts as accrued expenses.
- (c) A sum of Rs. 320,000 with regard to Benevolent Fund had not been brought to the accounts.

1.2.4 Lack of Evidence for Audit

Closing stocks, two bank accounts balances, petty cash imprest and payments aggregating Rs. 583,392 could not be satisfactorily vouched in audit due to non availability of evidence such as vouchers, registers, verification reports, invoices, receipts and confirmations.

1.2.5 Non - compliance with Laws, Rules and Regulations

Instances of non- compliance observed in audit are given below.

<u>Reference to Laws, Rules, and Regulations</u>	<u>Non - compliance</u>
<p>(a) <u>The Institute of Valuers of Sri Lanka Law, No. 33 of 1975</u></p> <p>(i) Section 9(2) (a)</p> <p>(ii) Section 28</p>	<p>A Board Member had not attended for 5 consecutive meetings. Further, another Board member had not participated even a single Board meeting during the year 2010.</p> <p>Even though the initial capital of the Institute should be Rs. 150,000, a sum of Rs. 110,000 only had been shown in the Fund.</p>

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| (iii) Schedule (A)(5)(2) | Even though 23 members had not paid for the membership fees for 2 years period, names of these members had not been removed from the Membership Register. |
| (b) Section 8(1) of the Finance Act, No.38 of 1971 | A Budget had not been prepared for the year under review. |
| (c) Section 10 of Employees' Provident Fund Act, No.15 of 1958 and Employees' Trust Fund Act, No.46 of 1980. | Monthly contributions had not been deducted from the employees' salaries and remitted to the relevant authorities together with the portion of the Institute for the year under review. |
| (d) Financial Regulations

261 (3) and 446 (2) | The cash book balances had not been authenticated daily and monthly basis. |
| (e) Chapter 5 of the Department of Public Enterprises Circular No. PED/12 of 02 June 2003 | A Corporate Plan for the Institute had not been prepared. |

2. **Financial and Operating Review**

2.1 **Financial Review**

According to the financial statements presented, the operations of the Institute for the year under review had resulted in a net surplus of Rs. 848,898 as compared with the corresponding net surplus of Rs. 166,284 for the preceding year, thus showing an increase in financial results by Rs. 682,614. The reasons for the increase were due to increase of the closing stocks, Seminar Income and fixed deposit interest.

2.2 Operating Review

The following observations are made.

- (a) According to the board meeting held on 02 March 2010, the draft project report of proposed building had been presented. Nevertheless no progress what so ever had been observed in connection with the construction of this building.
- (b) The Institute charges the membership fee in terms of paragraph 3(1) of Chapter 32 of Institute of Valuers of Sri Lanka Law, No.33 of 1975. Action had not been taken to amend the rates considering the present price levels.
- (c) According to the board meeting held on 29 September 2010, the proposal to update the Institute's web site with the help of the web master had not been activated during the year 2010.
- (d) A sum of Rs.320,000 relevant to Benevolent Fund had been remained in the current account without being invested.
- (e) According to the board meeting held on 19 January 2010, Identity Cards should be issued to the members. However, no progress was observed during the year 2010 in this regard.
- (f) According to the board meetings held on 19 January 2010 and 30 August 2010, it was expected to be completed the Membership Directory before the end of September 2010 by using the details furnished by the members in their application forms, but it had not been completed yet.
- (g) Four meetings for member's had been cancelled due to the lack of quorum during the year 2010.

2.3 Maintenance of Accounting Records

Ledger accounts relating to the transactions of the Institute for the year 2010 had not been properly maintained.

2.4 **Performance Review**

Following observations are made.

- (a) Following objectives had not been fulfilled during the year under review as per Section 04 of the Institute of Valuers of Sri Lanka Law, No. 33 of 1975.
 - i. To promote the acquisition, dissemination and interchange of knowledge relating to or connected with the science of Valuation by Establishing and maintaining Libraries.
 - ii. To conduct or provide for the conduct of a qualifying examination for membership of the Institute, and to provide or approve course of study for such examinations and to engage and remunerate lecturers and examiners.
 - iii. To award scholarships, exhibitions bursaries and medals and other prizes.
 - iv. Take such measures, including the establishment and maintenance of data bank as may be necessary for the benefit or advancement of those who practice Valuation in Sri Lanka.
- (b) The Institute had conducted only 3 seminars for the year 2010. Attendance of the members for the seminars were at a week level.

3. **Systems and Controls**

Deficiencies observed in system and controls during the course of audit were brought to the notice of the Chairman of the Institute from time to time.

Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Membership Fees
- (c) Financial Management
- (d) Income
- (e) Conducting Seminars