

The Institute of Valuers of Sri Lanka

1 Financial Statements

1.1 Adverse Opinion

In my opinion, because of the significance of the matters described in paragraph 1.2 of this report, the financial statements do not give a true and fair view of the financial position of the Institute of Valuers of Sri Lanka as at 31 December 2012 and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Comments on Financial Statements

1.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

- (a) The Institute had not been prepared financial statements on accrual basis as per Public Enterprises Circular No. PED 54 dated 19 January 2010.
- (b) Cash flow statement and the statement of changes in equity had not been submitted along with the financial statements.

1.2.2 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- (a) Provision for contribution to the Employees Trust Fund and Employees Provident Fund amounting to Rs.10,200 and Rs.68,000 respectively relating to an officer who had joined in June 2008 had not been provided in the accounts.
- (b) Staff loans shown in the accounts amounting to Rs.36,800 had been understated by Rs.27,200 due to setoff the arrears contribution to the Employee Provident

Fund against the staff loans account without being remitted to the Employee Provident Fund.

- (c) Closing stock amounting to Rs.104,432 had been overstated by Rs.52,216 due to erroneously valued the closing stock. Thus the current assets and profit for the year had been overstated by the same amount.

1.2.3 Lack of Evidence for Audit

Closing stock and staff loans totalled to Rs.383,960 and Rs.66,000 respectively could not be satisfactorily vouched or verified in audit due to non submission of relevant registers, stock verification reports, loan applications etc.

1.3 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>
(a) Schedule A (5)(2) of the Institute of Valuers of Sri Lanka Law, No.33 of 1975 of the National State Assembly.	Proper action had not been taken to cancel the membership of seven members who had not paid their subscription for last two years.
(b) Section 8(1) of the Finance Act, No.38 of 1971	A budget had not been prepared for the year under review.

2. Financial and Operating Review

2.1 Financial Result

According to the financial statements presented, the operations of the Institute during the year under review had resulted in a surplus of Rs. 347,662 as compared with the corresponding surplus of Rs. 378,302 in the preceding year, thus indicating a decrease in financial results by Rs. 30,640 due to increase of expenses exceeded the increase of income comparing with the preceding year.

3. Operating Review

3.1 Performance Review

The following observations are made.

(a) According to the Council meeting held on 24 September 2012 the Council decided to transfer a sum of Rs.250,000 from current account of the Benevolent Fund to a fixed deposit held in a bank. However, no action had been taken to implement that decision .

(b) Key Objectives Not Adequately Performed

No any actions had been taken to achieved the following key objectives as mentioned in Section 04 of the Institute of Valuers of Sri Lanka Law, No.33 Of 1975 of the National State Assembly.

- 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, bursarie and medals and other prizes.
- iv. To take such other measures, including the establishment and maintenance of data banks, as may be necessary for the benefit or advancement of those who practice Valuation in Sri Lanka.

- (c) According to the Council meeting held on 06 December 2010 (1st meeting in 15th session) it was decided to conduct seminars at least once in three months. Nevertheless, the Institute had conducted only one seminar for the year 2012.

3.2 Idle and Unutilized Assets

Non moving and slow moving items amounting to Rs.71,190 and Rs.186,830 respectively were included in the stock as at 31 December 2012.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Though as per the Public Enterprises Circular No. PED/12 dated on 02 June 2003, the final accounts should be rendered to the Auditor General within 60 days after the close of the financial year, the final accounts of the institute for the year 2012 had been submitted on 29 January 2014.

5. Systems and Controls

Deficiencies observed in systems and controls during the course of audit were brought to the notice of the Chairman by my detailed report issued in terms of Section 13 (7) (a) of the Finance Act. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Collection of Membership Fees
- (c) Financial Management
- (d) Control over Fixed Assets
- (e) Budgetary Control