

Institute of Valuers of Sri Lanka – 2017

The audit of financial statements of the Institute of Valuers of Sri Lanka (“the Institute”) for the year ended 31 December 2017 comprising the Statement of Financial Position as at 31 December 2017, Statement of Comprehensive Income, Statement of Changes in Member’s Funds, Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Section 13(1) of the Finance Act No. 38 of 1971 and Section 31 of the Institute of Valuers of Sri Lanka Law, No.33 of 1975 of the National State Assembly. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 14 (2) (c) of the Finance Act appear in this report.

1.2 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute’s preparation and fair presentation of the financial statements 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 Institution’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters describe in paragraph 2.2 of this report.

2. Financial statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters describe in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Institute of Valuers of Sri Lanka as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments of Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) Even though only income and expenditure relating to the period for which financial statements are presented should be brought to account, in contravenes to that court fees for a previous year amounting to Rs. 27,750 had been treated as expenditure for the year under review.
- (b) Interest income on the fixed deposit as at 31 December 2017 had not been accounted for on accrual basis.

2.2.2 Un-reconciled Differences

According to the schedules furnished to audit, income from seminar, conferences and services for the year under review was Rs.1,517,500. However, these income items had been shown in the financial statements as Rs.1,563,425. Hence, a difference of Rs.45,925 was observed in audit.

The President of the Institute had informed to audit that “a possible reason for the difference could be due to difficulties in identifying the direct deposits made by our members to the bank account of the Institute without notifying us the purpose of the deposit.”

2.2.3 Accounts Receivable

A sum of Rs. 48,000 receivable from members since 2015 for sales of ties had not been recovered even up to the date of this report.

2.3 Non –compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance were observed during the course of audit.

Reference to laws, Rules, Regulations and Management Decisions.

Non - compliance

(a) Institute of Valuers of Sri Lanka Law, No. 33 of 1975 of the National State Assembly.

(i) Section 10 (2)

The quorum for any meeting of the Council shall be ten members of the Council. However, a Council meeting was held on 03 April 2017 with the participation of only nine members.

(ii) Section 10 (9)

The Council shall cause minutes to be made of the proceeding of every meeting of the Council in books kept for that purpose and the minutes of such proceeding shall be signed by the member presiding at the next succeeding meeting, and the minutes so signed shall be prima facie of the matters set out in such minutes. However, minutes for two meeting which held on 3rd April and 15th May of the year 2017 had not been prepared.

(b) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka.

- Financial Regulations 454 (1) and 502 (2)

The Institute had failed to properly maintain the inventory book and fixed assets register.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Institute for the year under review had resulted in a surplus of Rs. 1,340,202 with compared to the corresponding surplus Rs. 675,695 in the preceding year, thus indicating an improvement of Rs. 664,507 in the financial results for the year under review. The main reasons for this improvement were decrease of administration and operating expenses for the year 2017 with compared to the previous year.

3.2 Value Addition of the Institute

According to the analysis made on financial statements presented for audit it was revealed that, the value addition for the year under review was Rs.1,640,002 after taking into account the personal emoluments and depreciation charged to accounts and the corresponding value addition in the preceding year amounted to Rs.970,970. Therefore, an improvement of Rs.669,032 was observed in value addition. However, the value addition of the year 2016 had decreased by Rs. 254,708 as compared with that of Rs. 1,225,678 reported in the year 2015.

4. Operating Review

4.1 Performance

The Institute had failed to achieve its key objective i.e. award scholarships, exhibitions, bursaries and medals and other prizes to its members as mentioned in Section 04 of the Institute of Valuers of Sri Lanka Law, No.33 of 1975 of the National State Assembly.

4.2 Idle or Underutilized Assets

The following idle or underutilized assets were observed in audit.

- (a) Nonmoving and slow moving inventory items worth Rs.92,276 and Rs.131,100 respectively were existing since 2015 without being taken prompt actions.
- (b) A balance of Rs 33,479 in a bank current account had not been utilized since 2016 and a sum of Rs.5,250 was paid as bank charges from this current account in the year under review.

4.3 Uneconomic Transactions

A sum of Rs.342,400 incurred for preliminary works of the Head Office building had been brought to the financial statements under work-in progress since 2009. However, the Urban Development Authority had decided to cancel the lease agreement and taken over the land which the preliminary works carried out and handed over another land for this purpose. Therefore, the amount incurred for preliminary works had become a fruitless expenditure.

The President of the Institute had informed to audit that, the Council has requested the Treasure to submit a council paper for write-off this amount.

5. Accountability and Good Governance

5.1 Corporate Plan, Action Plan and Budget

The Corporate Plan, Action Plan and Budget will help to forecast the future activities and give the directions to achieve the expected targets effectively. Nevertheless, these were not prepared by the Institute by targeting the year 2017.

6. Systems and Controls

Deficiencies observed in systems and controls during the course of audit were brought to the notice of the President of the Institute in time to time. Special attention is needed in respect of control over accounting of expenditure properly.