

Head 251 - Valuation Department

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Valuation Department for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and 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. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Valuation Department, was issued to the Accounting Officer on 08 June 2020. In terms of Sub-section 11(2) of the Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 24 December 2020 to the Accounting Officer. This report is submitted to Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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 prepared in terms of provisions of State Accounts Circular No.271/2019 of 03 December 2019 give a true and fair view of the financial position of the Valuation Department as at 31 December 2019, 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

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 opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statement

The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer and the Accounting Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-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.

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 system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for 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 summary 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's / Department's / District Secretariat's internal control.
- Evaluate the 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.
- 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.

1.5. Report on Other Legal Requirements

As required by Sub-section 6(1) (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings:

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

1.6 Comments on the Financial Statements

1.6.1 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) In terms of paragraph 7(V) of the Circular No. 271/2019 of 03 December 2019 of the State Accounts Department, net value under the net assets in the statement of financial position is calculated by deducting the value of Deposit Accounts from the value of Advanced Accounts. Even though the value resulted in after deducting the balance of deposits from the balance of advances had been Rs.80,887,471, it had been indicated as Rs.79,125,679 in the statement of financial position.</p>	<p>The necessity of calculating net assets in terms of relevant circular provisions.</p>	<p>The value of net assets is resulted in after deducting the value of Deposit Accounts from the value of Advanced Accounts. Even though payments for election duties had been made in the year 2019, those payments had not been reimbursed by the Elections Office. As such, it had been informed that the value of net assets should be deducted from the value of those liabilities.</p>
<p>(b) Even though the unsettled imprest balance of Rs.1,761,792 should be indicated as a financial asset, it had not been indicated so in the statement of financial position.</p>	<p>The necessity of indicating the unsettled imprest balance as a financial asset.</p>	<p>Even though the unsettled imprest balance is a financial asset, an advance to be settled to this Department by the Elections Office had been indicated as the unsettled imprests of this Department. As such, it had been informed that the said amount is a liability on behalf of this Department but not an asset.</p>

1.6.2 Cash Flow Statement

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Even though imprests amounting to Rs.554,855,000 had been received from the Treasury to the Department during the year, it had not been indicated in the Cash Flow Statement.	The necessity of duly indicating the receipt of imprests in the cash flow statement.	The cash flow statement has been submitted for the year 2019 in the same manner of submitting in preceding years. Moreover, it had been informed that action will be taken to submit receipts of imprests in ensuing years as pointed out by the Audit.
(b) Even though the non-revenue receipts and revenue collected for other institutions during the year had been Rs.121,435,816 and Rs.22,514,574 respectively, those values had not been indicated in the cash flow statement in a manner in which those values can be identified.	-Do-	The cash flow statement has been prepared according to receipt and payment of money and it had been informed that action is taken to indicate receipts separately in a manner in which values can be indicated as the revenue collected for other institutions in the cash flow statements in ensuing years.
(c) Even though the total of expenditure on personal emoluments and operations and transfers of subsidies had been Rs.413,676,396, it had been indicated as Rs.433,127,988 in the cash flow statement, thus observing a difference of Rs.19,451,592.	The necessity of recording cash flows duly.	It had been informed that differences pointed out by the Audit had occurred due to lack of receipts and payments made through cross entries in the cash flow statement, the value indicated in the cash flow statement under expenditure on personal emoluments and operations, had contained payment of loan advances for the staff and that cash flows have been prepared based on income and expenditure incurred by cash in the cash book due to non-inclusion of those payments under payment of advances in the cash flow statement.

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| <p>(d) Even though receipts of deposits and payments of deposits amounting to Rs.54,325,515 and Rs.93,467,643 had been indicated in Departmental accounts, the said values had not been adjusted to the cash flow statement.</p> | <p>The necessity of adjusting receipts and payments of deposits to the cash flow accurately.</p> | <p>Further, it had been informed that even though excess cash flows have not been indicated, values to be indicated under each Head have differed. It had been informed that action will be taken to identify and classify receipts and payments clearly under each Head indicated in the cash flow statement and to prepare the cash flow statement in ensuing years.</p> |
| <p>(e) Receipts of advances and payments of advances amounting to Rs.21,767,894 and Rs.26,563,420 respectively had not been included in the cash flow statement.</p> | <p>The necessity of taking action to identify receipts and payments of advances and to record them in the cash flow statement.</p> | <p>It had been informed that the cash flow statement will be prepared in ensuing years by identifying receipts and payments clearly.</p> |

1.6.3 Balances of Advance Accounts

Audit Observation

According to the Departmental books and Treasury computer printouts, the balance recoverable at the end of the year under review had been Rs.93,119,762. However, the balance recoverable according to the summary of individual balances classification, had been Rs.93,050,364, thus observing a difference of Rs.69,398 and a balance of Rs.1,626 had been indicated as an unidentified surplus in this difference. These differences had been brought forward since the preceding year and necessary action had not been taken to settle by identifying them.

Recommendation

The necessity of settling differences between balances by reconciling them without delay.

Comments of the Accounting Officer

The loan balance of Rs.71,024 of an officer who had transferred in in the year 2015, has been debited to the Advance B Account of the Department in the year 2018. However, it had been informed that the said difference has occurred due to failure in recording the said loan balance in accounts books of the Department under loan balances recoverable from officers who had transferred in and that necessary action is being taken to rectify the said error.

2. Financial Review

2.1 Revenue Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) It was observed that a sum of Rs.293,770,892 or 57 per cent out of the arrears of revenue amounting to Rs.512,531,243 as at 31 December 2019, had remained during the period ranging from 01 to 11 years.	The necessity of taking action to recover arrears of revenue without delay.	The actual revenue and revenue from valuation fees of the year under review are accurate according to figures of the Departmental Account. The arrears of revenue amounting to Rs.218,760,351 comprised of revenue of Rs.167.5 million receivable for valuation of assets of the Bandaranaike Memorial International Conference Hall. Accordingly, it had been informed that the arrears of revenue receivable from other institutions, had been Rs.51.2 million.
(b) It was observed that out of the arrears of revenue amounting to Rs. 317,424,002 remained as at the end of the preceding year, only a sum of Rs. 23,653,110 or 07 per cent had been recovered during the year under review.	-Do-	Out of Rs.293,770,892.13 remained as at the end of the preceding year (as at 31.12.2018), only a sum of Rs.23,653,110 or 8 per cent has been recovered during the year under review. It had been informed that other figures are accurate.
(c) According to the report on arrears of revenue submitted as at 31 December 2019, it was observed that a large amount of revenue amounting to Rs.223,158,901 had been in arrears from 03 Government institutions over a long period.	-Do-	It had been informed that those moneys could be recovered by following measures throughout the year such as notifying the institutions mentioned in the Arrears Register by letters, holding meetings and discussions with these institutions and sending details expeditiously enquired again for confirming their arrears.

(d) It was observed that the revenue remained in arrears as at the end of the year under review relating to the Greater Colombo Provincial Valuation Office, had been Rs.295,490,576. It was further observed that the said arrears of revenue was 58 per cent out of the total arrears of revenue remained as at the end of the year under review.

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It had been informed that the revenue of Rs.295,490,576 that remained in arrears as at the end of the year under review relating to the Greater Colombo Provincial Valuation Office, is accurate according to Departmental accounts.

2.2 Management of Expenditure

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The total net provision made for 2 Capital Objects amounted to Rs.3,400,000 and the savings of provision amounted to Rs.2,792,858 while savings relating to each Object, ranged between 80 per cent and 84 per cent.	The necessity of efficient utilization of provision made by annual budget at maximum level	No comments made

2.3 Reconciliation Statement on Advances to Public Officers Account

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) In terms of paragraph 1.1.7 of the Budget Circular No.118 of 11 October 2004, it should be advised not to show loan balances, which have not been settled among departments after 03 months from the "transfer out". However, the value of 03 loan balances amounting to Rs.11,916 lapsed	The necessity of taking prompt action to recover loan balances that remained unsettled.	It had been informed according to the notification of the Ministry of Finance that information such as addresses and the Divisional Secretariat Division of these officers, has been requested on 22.06.2020 from the Elections Commission.

over a period from 20 years to 33 years, had been shown in the account.

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| (b) | It had been failed to recover loan balances totalling Rs.510,202 recoverable from 02 retired officers over a period from three months and three years respectively. | -Do- | The Department of Pensions had requested details on dependants of an officer for recovery of the loan balance from his retirement gratuity and it had been further informed that necessary action has been taken to summon those details and the loan balance of the other officer could be recovered after preparation of his retirement gratuity. |
| (c) | Three outstanding loan balances totalling Rs.308,614 had remained unrecovered over a period ranging from 05 years to 08 years recoverable from officers who had been interdicted and had left the service. | -Do- | It had been informed that legal action has been taken to recover these outstanding loan balances. |

2.4 Operation of Bank Accounts

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Unidentified receipts as at 31 December 2019 amounted to Rs.687,887 and out of that, a sum of Rs.662,316 were receipts unidentified throughout a period over a month. Even though a sum of Rs.238,583 out of that value of Rs.662,316 has exceeded one year, action had not been taken to identify and account the income.	The necessity of introducing an accounting system by identifying unidentified receipts without delay.	It had been informed that necessary action is being taken in this connection.

3. Operating Review

3.1 Assets Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Land and Building of the Central Provincial Office		
The land on which the Central Provincial Office and the circuit bungalow of the Valuation Department are located, had been given to the Department before a period of 25 years. However, the vesting of the ownership of this land, in the Department had not been finalized even up to July 2019.	The necessity of taking action to vest the ownership of properties properly without delay.	It had been informed that the land on which the Central Provincial Office and the circuit bungalow of the Valuation Department are located, is not a property which had been received free of charge and that the Valuation Department is making a great effort to confirm the ownership thereof.
(b) It was observed in audit that a legal issue which had arisen at the time of construction of the regional office building of the Valuation Department, caused the air conditioners to remain idle and inoperative from 27 October 2009, on which day the building had been handed over to the Department, up to now.	The necessity of using idle assets without delay	It had been informed that air conditioners had not been handed over due to a legal issue arisen with the then construction contractors of this building.
(c) It was observed that the Department had not followed a more effective method of utilizing the auditorium of this Government building, which is located within close proximity of the city of Kandy and that this is very seldom made use of. In the construction of this building, it had been intended to use these premises for training activities of other departments	-do-	It had been informed that a considerable amount of work should be carried out for the utilization of the auditorium and an arrangement has been already made therefor and

as well. Nevertheless, no appropriate arrangement had been implemented therefor.

necessary action is being taken to install a new air conditioning system and that it is expected to utilize this auditorium more effectively in future.

(d) Attention had not been drawn towards utilizing this auditorium for other Government purposes even on rental basis.

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It had been informed that the rent had been assessed and appropriate methods are being followed to utilize this auditorium for other purposes.

3.2 Non-performance of Functions

Audit Observation	Recommendation	Comments of the Accounting Officer
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A number of 1,278 files of which activities had not been carried out, had remained as at 31 December of the year under review.	The necessity of carrying out activities as planned	It had been informed that the annual demand could not be met due to the dearth of officers existing in the Department, paying attention to the development projects which are special and needs to be given priority, non-permission of access to buildings on security reasons and deficiencies in the relevant properties.

4. Human Resource Management

The following observations are made..

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Out of the total approved cadre, 255 representing 31 per cent had been vacant by 31 December 2019.	The vacancies in the cadre in this manner had adversely affected the performance of the Department and as such, the necessity of filling those vacancies promptly	It had been notified of agreeing thereon.
(b) It is observed that 185, 49, and 14 out of the approved cadre representing 81 per cent, 13 per cent and 11 per cent in senior level, tertiary level and secondary level respectively of the approved cadre, remain vacant.	-do-	It had been notified that fully qualified officers for 03 vacancies of the post of Additional Chief Valuer of senior level are unavailable, interviews had been held for filling of 10 vacancies out of 15 Deputy Chief Valuers., Fully qualified officers for 60 vacancies of the post of Senior Valuer are unavailable and that applications have been made through letters for the post of Accountant. It had been further notified that the approval of the Director General of Management Services had been requested for 153 posts comprising 46 Assistant Valuers of tertiary level and 100 posts out of 200 posts approved by the Cabinet and that arrangements have been made to fill 153 vacancies by the Gazette Notification. Moreover, it had been notified that requests have been made to the Director General of Combined Services for one post of Translator and 02 vacancies of the post of

(c) A period of nearly one year had elapsed after the enforcement of the Sri Lanka Valuation Service Minute effective from the date of publication of the Gazette Extraordinary No.2142/75 of 27 September 2019 of the Democratic Socialist Republic of Sri Lanka. Nevertheless, the Department had failed to recruit necessary Valuation Officers accordingly.

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Information and
Communication Technology
Officer.

It had been notified that requests had been made to the Director General of Combined Services to fill vacancies in secondary level and that 132 posts out of 139 approved posts have been filled.

It had been notified that according to the new Sri Lanka Valuation Service Minute, the activities of absorbing officers deployed in the service into the new Service Minute, have been finalized and that arrangements have been made to fill 153 posts of 11/11 Assistant Valuer and 105 posts of 1/11 Valuer.