

Head 251 - Government Valuation Department

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Government Valuation Department for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 including my comments and observations on the financial statements of the Government Valuation Department was issued to the Chief Valuer on 18 June 2021 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the Department in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Chief Valuer on 17 September 2021. This report will be presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be 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 give a true and fair view of the financial position of the Government Valuation Department as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 qualified opinion.

1.3 Responsibilities of Chief Accounting Officer and 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 Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as management 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.

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

1.4 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, 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:

- Identify and assess the risks 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.
- Obtain 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 the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, 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.

I communicate with the Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

1.5 Report on Other Legal and Regulatory Requirements

I express the following matters in accordance with 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 on the financial statements relating to the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

The following observations are made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
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(a)	Other receipts amounted to Rs. 26,904,366 during the year, but the same had been shown as Rs. 5,553,159 in the statement of financial performance. As such, other receipts had been understated by a sum of Rs. 21,351,207.	Particulars relating to the relevant formats are being studied. Deficiencies would be minimized when accounts are prepared as at 2021.12.31.	Action should be taken in accordance with Guideline 06 issued by the Department of State Accounts.
(b)	Receipts of deposits amounted to Rs. 146,004,345 as per the Treasury printouts, but the same had been shown as Rs. 145,657,846 in the statement of financial performance. According to the computer printouts of the Treasury, payments of deposits amounted to Rs. 108,019,418 , but that value had been shown as Rs. 107,672,919 in the statement of financial performance.	The sum of Rs. 346,499 that should have been credited to the deposit account number 6000-0-0-13-0-158-0, had been credited to the deposit account number 6000-0-0-020-0-005-0. This had been settled through the transfer sheets number TR/2019/AIRCRAFTS/156.	-Do.

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| (c) | The expenditure incurred by the Department on other Departments totaled Rs. 24,234,408, but the same had been shown as Rs. 11,177,682 in the imprest adjustment account. | According to Cigas notes of the Department, debits and credits made to the other Departments totaled Rs. 19,247,837.82 and Rs. 8,070,156.26 respectively. As such, the expenditure incurred on the Departments, totaled Rs. 11,177,681.56. | - Do. |
| (d) | An opening balance of Rs. 46,981,387 that had been erroneously credited, was shown in the imprest adjustment account to be settled. | The said account is being studied. Deficiencies would be minimized when accounts are prepared as at 2021.12.31. | - Do. |

1.6.2 Statement of Financial Position

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) The value of fixed assets amounted to Rs. 392,358,853 as per the Treasury books, but the same had been shown as Rs. 396,409,239 in the statement of financial position. As such, the value of fixed assets had been overstated by a sum of Rs. 4,050,376 in the statement of financial position.	The fixed assets of the Government Valuation Department had accurately been brought to accounts and uploaded to the Web in December 2020, and the final account summary had been furnished to the Department of State Accounts. Nevertheless, the reports had not been updated, and the same balance as at 31 December 2019, had been printed in the Treasury printouts. Acton had been taken to correct those balances.	Action should be taken in accordance with Guideline 06 issued by the Department of State Accounts.
(b) The balance of the unsettled imprest account, amounting to Rs. 46,981,387 should have been shown as a financial asset and a current liability in the statement of financial position. However, it had not been so done.	Receipts from the Labor Tribunal amounting to Rs. 46,981,387.00, had been credited to the account of the Deputy Secretary of the Treasury on 08 March 2021.	- Do.

1.6.3 Cash Flow Statement

The following observations are made.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) The Department had earned a revenue of Rs. 68,164,750 during the year under review, but that had been shown as Rs. 56,802,482 in the cash flow statement.	The revenue of Rs. 68,164,750.00 received by the Department in the year under review, had been shown along with cross entries.	An approximate cash flow statement should be prepared in accordance with Guideline 06 issued by the Department of State Accounts.
(b) According to the books of the Department, non-revenue receipts amounted to Rs. 26,904,366, but the same had been shown as Rs. 3,137,004 and Rs. 6,015,093 in the cash flow statement.	Although a sum of Rs. 9,152,092 had been shown in the summary report as being the non-revenue receipts mentioned in the cash flow statement, that value should have been Rs. 3,137,004.	- Do.
(c) The total of the recurrent expenses amounted to Rs. 429,163,822 as per the books of the Department. But, a sum of Rs. 427,627,465 had been shown in the cash flow statement as recurrent expenditure, thus observing a difference of Rs. 1,536,357 in the net cash flow statement.	Books of the Department had been maintained in the year under review with cross entries.	- Do.
(d) The Department had incurred a sum of Rs. 24,234,408 on the other Departments, but that value had been shown as Rs. 4,629,825 in the cash flow statement, thus observing a difference of Rs. 19,004,583.	- Do.	- Do.
(e) According to the books of the Department, the sum settled to the Treasury amounted to Rs. 664, but a sum of Rs. 1,761,792 was shown in the cash flow statement as	- Do.	- Do.

had been settled to the Treasury. As such, a difference of Rs. 1,761,128 was observed in the net cash flow statement.

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| (f) | According to the books of the Department, the capital expenditure amounted to Rs. 214,433,370, but the same had been shown as Rs. 211,816,514 in the cash flow statement, thus observing a difference of Rs. 2,616,856 in the net cash flow statement. | - Do. | - Do. |
| (g) | According to the books of the Department, receipts and payments of advances amounted to Rs. 27,407,625 and Rs. 24,128,018 respectively. However, action had not been taken to adjust those values to the cash flow statement. | - Do. | - Do. |
| (h) | Receipts of deposits amounted to Rs. 146,004,345 as per the books of the Department, but that had been shown as Rs. 7,700,352 in the cash flow statement. Payment of deposits amounted to Rs. 108,019,418 , but the same had been shown as Rs. 6,299,335 in the cash flow statement. | The sum of Rs. 1,761,128 was an election advance received from the Elections Commission in July 2020, and action had been taken to settle that sum within the month of July. | - Do. |

2. Financial Review

2.1 Revenue Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Of the valuation revenue remained due as at 31 December 2020, it was observed that a sum of Rs. 457,328,864 equivalent to 98 per cent had remained due over a period of 01 – 12 years.	Not commented.	The necessity to take action expeditiously for the recovery of long-outstanding dues.
(b) It was observed that only 02 per cent or Rs. 5,110,251 of the revenue totaling Rs. 512,531,243 and remained outstanding by the end of the preceding year, had been recovered during the year under review.	- Do.	- Do.
(c) It was observed that omissions relating to the outstanding balances totaled Rs. 50,092,129 during the year under review.	- Do.	Attempts should be made for recovery prior to omitting the outstanding revenue.
(d) According to the report furnished as at 31 December 2020, it was observed that a revenue totaling Rs. 185,877,099 remained due over an extensive period during 2008-2017 from the institutions such as, Urban Development Authority, Sri Lanka Land Reclamation and Development Corporation, and National Savings Bank.	-	Prompt action should be taken to recover the outstanding revenue through discussions held with those institutions.

- (e) The outstanding revenue totaled Rs. 268,108,023 with respect to the provincial valuation Department of Greater Colombo by the end of the year under review, and that sum was observed to have represented 58 per cent of the total outstanding revenue as at the end of the year under review.
- Do.
- Prompt action should be taken to recover the outstanding revenue.

2.2 Management of Expenditure

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) As 08 recurrent Objects and 04 capital Objects had been overprovisioned by Rs. 33.4 million and Rs. 20.44 million in the year under review, savings after utilization amounted to Rs. 10.96 million and Rs. 4.7 million respectively representing 11 – 100 per cent of the net provision made.	As the country remained locked down due to Covid 19 from March 2020, expenses could not be made as planned.	Annual estimates should be prepared as possible as accurate and realistic.
(b) Object, Nos. 251-01-01-1102, and 251-01-01-2106 relating to foreign travel expenses and software development, amounting to Rs. 1,500,000 and Rs. 500,000 respectively had been saved in full (100 per cent)	As the country remained locked down due to Covid 19 from March 2020, expenses could not be made as planned.	- Do.

2.3 Reconciliation Statement on the Advances to Public Officers Account

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) According to the books of the Department and Treasury printouts, the balance recoverable as at the end of the year under review, amounted to Rs. 91,234,063.83, but there existed a recoverable balance of Rs. 91,165,205.83 as per the summary of individual balances. As such, a difference of Rs. 71,024 was observed. Action ,necessary to identify and correct the difference, had not been taken.	Not commented.	Guideline 01 issued by the Department of Public Finance should be followed.
(b) Loan balances totaling Rs. 1,516,797 recoverable from 10 officers who had been retired within periods of 03 months and 03 years, could not be recovered.	- Do.	- Do.
(c) Three loan balances totaling Rs. 308,614 remained due over 05-08 years from interdicted officers, had not been recovered.	- Do.	- Do.
(d) Five loan balances totaling Rs. 85,810 remained due over 05 years from officers who had vacated the service, had not been recovered.	- Do	- Do.

3. Operating Review

3.1 Failure to Discharge Functions

Audit Observation	Comment of the Accounting Officer	Recommendation
By 31 December of the year under review, there existed 9,528 general files that had not been attended along with 3,182 files relating to assessment tax.	Not commented.	Works should be executed as planned.

4. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
There existed 540 vacancies representing 49 per cent of the approved cadre by the end of the year under review.	Not commented.	In case those vacancies unfavorably affected the performance of the Department, prompt action should be taken to fill them.