

Head 251 - Valuation Department

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Valuation Department for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, and cash flow statement for the year then ended including material accounting policy 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 provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Valuation Department was issued to the Accounting Officer on 28 May 2024 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department was issued to the Accounting Officer on 12 June 2024 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements prepared give a true and fair view of the financial position of the Valuation Department as at 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for 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 Accounting Officer on Financial Statements

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Accounting Officer.

As per 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.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Department in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of 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 exercised professional judgment and maintain professional skepticism 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 its internal control.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- 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.

The Accounting Officer is made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are consistent with those of the preceding year.
- (b) The recommendations made by me regarding the financial statements of the preceding year had been implemented.

2. Financial Review

2.1 Revenue Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) It was observed that a deduction of net arrears of revenue of Rs.18,010,373 had been made through a deduction of Rs.25,473,709 and an addition of Rs.7,463,331 as corrections during the year due to the failure of introducing adequate internal controls for recognizing and documenting the arrears of revenue.	Implementation of revenue recognition and documentation in a fully manual manner, not being received information from the Provincial Offices by the Head Office on time, dealing of Provincial Offices without sufficient care in this regard and revision of fees as per the request of the respective institutions and with the approval of the Ministry of Finance after entering the requested charges to the arrears of revenue account has caused to the situation. Requests have been made to prepare a module in the e-assessment system where the accounts are updated automatically to avoid this situation.	Adequate internal controls should be introduced for identifying and documenting arrears of income.

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| <p>(b) According to the short-term income analysis as at 31 December 2023, it was observed that out of the total outstanding income of Rs.898,574,829, a sum of Rs.676,792,851 equal to 75% was the arrears of assessment fees to be charged in relation to 423 assessment files brought forward from 01 to 15 years and 70% of the total arrears of assessment revenue is applicable to 08 institutions.</p> | <p>Agree with the audit observation.</p> <p>Actions are being taken to receive the instructions of the Ministry and to examine the possible actions can be taken furthermore regarding these overdue balances and implement them in future.</p> <p>Since it was identified that this situation has been caused by the fact that the fee charged for the assessment is too high, the disposal of property during the time between the assessment request and the assessment, the change in the needs of the relevant institutions, and the inability to take legal action due to the absence of a formal agreement, the Ministry of Finance has revised the fee collection system and introduced a formal system from 01 June 2023 with the approval of the Cabinet of Ministers. As per the instructions given by the Ministry of Finance, actions will be taken regarding the arrears of charges in the account remained at present.</p> | <p>Immediate steps should be taken to recover the arrears of revenue.</p> |
| <p>(c) Out of Rs. 719,500,478 in arrears of assessment income as at 31 December 2022, from Rs.699,232,135 which was the balance after correction of errors and adjustment of deductions under the approval of the Ministry of Finance, only Rs. 22,439,284 equal to</p> | <p>The actions such as informing the relevant agencies through letters, make reminders and discuss with the officers of the institutions, discussing about the collection of arrears of revenue in the progress review meetings of the</p> | <p>Actions should be taken for the recovery of arrears of revenue.</p> |

3% had been recovered in the year 2023 and accordingly, it was observed that the collection of arrears of assessment revenue is not done efficiently.

Department and inform the relevant Provincial Offices, making aware those institutions by the Legal Division of the Department and the relevant Ministry regarding the arrears of revenue due to non-carrying of assessment reports and taking legal actions thereon are being carried out to collect the arrears of revenue.

Most of these balances have consisted of unissued assessment reports and the respective agencies do not expect to collect the assessment reports due to various reasons. Considering that these institutions are government corporations and boards, further actions will be taken according to the instructions of the Ministry of Finance.

- (d) Actions had not been taken to periodically collect the arrears of assessment revenue amounting to Rs.171,814,919 and Rs. 9,547,400 to be received from the assessment works carried out from the year 2008 to the year 2013 in relation to the Urban Development Authority (UDA) and the Sri Lanka Land Reclamation and Development Corporation (SLRDC) respectively.

Since the activities in respect of the assessment files related to the Urban Development Authority and the Sri Lanka Land Reclamation and Development Corporation was initially carried out in a separate section of the Head Office, it was difficult to obtain these information from Provincial Offices and further works on these files is being done by providing Head Office information to institutions.

Actions should be taken to maintain records up-to-date in a proper manner and to collect income on time.

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| <p>(e) Even though, the assessment income of Rs. 35,726,901 as at 31 December 2023 had been credited to the government revenue through the bank account opened on 15 November 2023 the receipts had not been issued identifying the relevant entity for the assessment income of Rs.3,076,174.</p> | <p>Income received in Account No. 236-100-49026095 of People's Bank opened on 15 November 2023 as an account used only for collection of assessment revenue is being remitted by the Treasury on a daily basis and all revenues are accounted monthly by the Cigas software to the Treasury as an assessment income. Receipts are issued for identifiable deposits which are accounted for in our revenue ledgers as assessment revenue. Nevertheless, actions will be taken for early recognition by sending details of deposits that cannot be identified during that month to various Provincial Offices through email and whatsapp as soon as possible.</p> | <p>Actions should be taken to accurately and promptly identify the assessment revenue and issue receipts.</p> |
| <p>(f) The assessment income totalled to Rs.843,455, as Rs.478,320 in relation to 04 files where the institution to which the assessment applies cannot be identified and Rs. 365,135 in relation to 04 assessment income files for which the file numbers were not available had been included in the arrears of income report.</p> | <p>This information is not included even in the oldest documents that can be found at present. However, since the relevant Provincial Office is mentioned, information will be obtained from them and further actions will be taken.</p> | <p>The information relating to arrears of income should be accurately documented and updated.</p> |

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| <p>(g) Due to failure of providing a precise definition of the entities from which the assessment fees to be charged and not to be charged and taking actions for maintaining a list in respect thereof, it was observed that it has become problematic to separately identify the entities from which the assessment fees to be charged and not to be charged and as a result, the fees totalling to Rs 1,625,628 were called from 8 institutions that should not be charged fees.</p> | <p>These entities are not specific and it is decided whether to charge or not to charge as per the classification of commercial and non-commercial entities by the Department of Public Enterprises. As the Provincial Offices have levied the relevant fees by a mistake, the arrears of assessment fees have been written off from the arrears of revenue account.</p> | <p>Actions should be taken to identify the entities that should and should not charge assessment fees, precisely and the Provincial Offices should also be informed about it.</p> |
| <p>(h) As per the schedule of assessment fees to be received relating to the year 2023, the assessment fees to be received in respect of 22 files totalling to Rs.3,812,252 as at 31 December had not been entered into arrears of revenue report.</p> | <p>As some of the fee calls mentioned in the schedule advances it is not included in the arrears of revenue account. After obtaining confirmation from Provincial Offices about other files it was noted to make the necessary amendments to the arrears of revenue account.</p> | <p>The relevant internal controls should be strengthened to accurately identify and document deficit income.</p> |

2.2 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>A sum of Rs.1,358,635 which was to be incurred under the 1403 expenditure object for electricity and water, had been borne under the 1409 expenditure object and after receiving an additional allocation of Rs. 3,000,000 under the F.R.66 transfers to the 1403</p>	<p>Money related to the all expenses like electricity, water, security, sanitation, elevator maintenance etc. for the first few months have been presented without classification in Gampaha Provincial Office established</p>	<p>Actions should be taken in terms of the Annual Budget Estimates and Financial Regulations.</p>

expenditure object, it was observed that only a sum of Rs. 959,634 was transferred from the 1409 expenditure object to 1403 expenditure object again. Accordingly, if the remaining expenditure of Rs. 385,802 which was accounted under the expenditure object 1409 was accounted under the expenditure object 1403, it was observed that there will be an excess payment in the 1403 electricity and water expenditure object.

at the Gampaha District Secretariat premises. Therefore, it is kindly informed that it had to be accounted for under the 1409 other expenditure object where all of these expenses can be accounted for as a collection of expenses that do not belong to a specific category.

2.3 Advances to Public Officers B Account

The following excess expenditures were revealed.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) According to the age analysis of advance B account, out of the outstanding loan balance of Rs. 1,443,035, a sum of Rs. 356,632 equal to 25 per cent was the loan balance for more than 5 years and these were the loan balances remaining from 1996.	Audit observation is accurate.	Prompt actions should be taken to recover the debts.
(ii) The total of the loan balances receivable from three suspended officers for more than 10 years was Rs.308,614 and actions had not been taken to recover these loan balances from guarantors as of the date of this report.	The information has been forwarded to the Attorney General to recover the loan balances of three suspended officers and the further works on that are being done by the Attorney General's Department.	-do-

<p>(iii) Actions had not been taken to recover the debt balance receivable from a retired officer for more than 5 years amounting to Rs.10,818, even from guarantors.</p>	<p>It has been submitted for obtaining orders in terms of F.R. 113 to write off the debt balance of the officer H. Saparamadu who has left the service after taking all possible measures to recover the debt.</p>	<p>Arrangements should be made to take appropriate actions.</p>
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2.4 Operating Bank Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Even though the Department had 03 bank accounts by the end of 2023, it was observed that the details of only 02 accounts have been entered as per Annexure (viii) of the financial statements.</p>	<p>This account had not been included in the financial statements by a mistake.</p>	<p>Information of all bank accounts belonging to the Department should be disclosed in the financial statements.</p>

3. Operational Review

3.1 Failure to Perform Tasks

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>It was observed that 9,611 and 7,854 public assessment files and rates assessment files had remained unfinished during the year as per the Performance Report submitted for the year 2023.</p>	<p>Answers have not been given.</p>	<p>Actions should be taken to introduce and implement the necessary methods to carry out the assessment works without delay.</p>

3.2 Other Observations

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) In the issuance of the valuation report dated 20 November 2022 relating to plot No. 169 which was 100.85 perches adjacent to the Matara Kamburugamuwa garbage land purchased from the Council Fund of the Weligama Pradeshiya Sabha, the ownership of the land had been confirmed considering the Plan No. 35/2015 dated 25 February 2015 which does not have a usage list without considering the Plan with the usage list No. 1375 signed on 26 July 2021 at a very close date. Although the ownership of the property being assessed has to be ascertained as per valuation principles, due to take actions in contrary that, it was revealed that this assessment report was based on a financial irregularity of the respective local authority.</p>	<p>It is not the role of the Valuation Department to inquire about the clear title at the time of purchase of land and it is a task that the buying party should have done through lawyers with expert knowledge about it. Therefore, when reporting the assessment, we have reported the assessment on the basis of clear title and bear possess.</p>	<p>Ownership of property assessed as per valuation principles should be confirmed.</p>
<p>(b) The annual rent had been Rs.1,460,000,000 as per the assessment report issued on the request of the Additional Managing Director (Technical) of the Sri Lanka Ports Authority</p>	<p>The fee revision has been done on the basis of 3 points which were not taken into consideration in the original assessment.</p>	<p>Actions should be taken to follow proper principles and bases in valuation of property and conduct it transparently in a manner that does not</p>

for the leasing out the land of 12 acres 02 roods 29 perches pertaining to the proposed container yard to be established within the Colombo Port premises. Nevertheless, it was observed that a revised valuation report of Rs.1,232,000,000 has been issued, by deducting a sum Rs.228,000,000 or 15.6% less than the original valuation.

disadvantage to the government.

4. Human Resources Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) It was observed that the 380 posts equal to 31 per cent of the approved number of employees are vacant as at 31 December 2023, out of the vacancies, 331 equal to 87 per cent are Senior and Tertiary Level Valuation Officers.	<p><u>Senior Level Vacancies</u></p> <p>Actions are being taken by now for the completion of interviews for 21 vacancies on a limited basis for the position of Class I Grade III Valuer in the Sri Lanka Valuation Service in the Executive Officer Category and for obtaining the approval of the Department of Management Services for 21 vacancies on an open basis.</p> <p><u>Tertiary Level Vacancies</u></p> <p>Instead of recruitment through competitive examination for recruitment to the post of Assistant Valuer Class II Grade II in the Field/Office Officer Category 2, the approval of</p>	Steps should be taken to fill up vacancies or suppress posts in a formal manner.

the Public Service Commission has been given to recruit through a written examination consisting of a general intelligence test and aptitude test, apart from the provisions of the Service Minute, limited to this occasion only. It is informed that once the Public Service Commission approves the content and structure of the proposed question papers, actions will be taken to fill the vacancies promptly.

Vacancies in the Secondary Level and Primary Level

It is kindly informed that the actions have been taken to inform the Ministry of Public Administration to fill up the vacancies at the Secondary and Primary Level.

- (b) It was observed that there is a large number of vacancies of 42 per cent of the approved cadre of Senior Level and Tertiary Level Executive Officers as at 31 December 2023 as per the new Minute of the Sri Lanka Valuation Service published in the Extraordinary Gazette dated 27 September 2019 due to increase in service period to be completed for promotion.

At present, there are a large number of vacancies in this Department including the posts of Valuer at the Executive Level due to the fact that the officers do not have the service period to be completed in relation to their respective positions and the officers who are currently in the Department are the officers who have been promoted according to the new Service Minute.

Appropriate and prompt actions should be taken to make necessary arrangements for the proper running of the institutional affairs.