

Sri Lanka Institute of Tourism and Hotel Management - 2012

1. Financial Statements

1:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Institute of Tourism and Hotel Management as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1:2 Comments on Financial Statements

1:2:1 Accounting Policies

The following observations are made.

- (a) Fully depreciated assets, assets not being used and assets eliminated in usage had not been separately identified. Instead, a sum of Rs.32,530,066 had been identified as expenditure on depreciation for the year under review.
- (b) Separate income statements had been prepared for each hotel school branch. However, the accounting policy of apportioning the head office expenditure to hotel schools had not been disclosed with the accounts. In addition, the accounting policy of apportioning direct and indirect overheads to the Samudra Hotel too had not been disclosed with the financial statements.

1:2:2 Accounts Receivable and Payable

The following observations are made.

- (a) A sum of Rs.9,555,378 existed among trade debtors for over 01 year. Meanwhile, arrears of Rs.5,092,956 was due from the Sri Lanka Tourist Promotion Authority for over 01 year.

- (b) Out of the sundry creditors, a sum of Rs.3,934,242 remained unsettled since 2007 as a result of not identifying the actual liability.
- (c) Advances amounting to Rs.404,851 granted to the employees remained unsettled even as at end of the year under review.

1:2:3 Lack of Evidence for Audit

 The evidence indicated against each item of accounts below had not been furnished.

Details -----	Value ----- Rs.	Evidence not Furnished -----
Debtors	14,581,666	Letters confirming balances
Canteen Sales	4,593,426	Sales documents
Property, Plant and Equipment	572,308,458	i. Physical verification reports ii. Register of fixed assets
Sales Cost (Samudra Hotel)	6,987,145	Details of stock adjustments
Deposits Receivable	2,234,312	Letters confirming balances
Other Balances of Receivable	1,503,002	Letters confirming balances
Balances receivable from Sri Lanka Tourist Authority	61,337,343	Letters confirming balances
Balances receivable from Sri Lanka Tourist Promotion Bureau	4,417,949	Letters confirming balances
Balances payable to Sri Lanka Tourist Development Authority	6,657,304	Letters confirming balances

1:2:4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Finance Act, No. 38 of 1971	

Section 14(10)	A draft annual report for the year under review showing the performance of the Institute had not been prepared.
(b) Public Finance Circular No. PED/12 dated 02 June 2003.	

(i) Section 4.2.2	Monthly performance reports, operating statements, value of materials procured, human resources reports and reports relating to debtors, creditors and stocks, age analysis and reports relating to non moving, slow moving and stock not in usage had not been furnished to the Board of Control.
(ii) Section 9.12	Approval from the General Treasury had not been obtained for the Employees' Medical Scheme.
(iii) Section 9.14.1	A manual of procedure consisting of a paragraph relating to human resources management including the rules and regulations pertaining to human resources management had not been prepared with the consent of the Secretary to the Treasury.
(c) National Procurement Guideline 4.2.1(a) and (c)	A detailed procurement plan for at least three ensuing years had not been prepared.
(d) Treasury Circular No. IAI/2002/2 dated 28 November 2002.	A register of fixed assets for computers, computer accessories and software belonging to the Institute had not been prepared.

1:2:5 Transactions without Authority

A sum of Rs.3,551,640 had been paid since 2010 as transport and fuel allowances to 3 officers who were not entitled for allocated vehicle facilities, without the approval of the Cabinet of Ministers.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the surplus resulted from the activities of the Institute for the year ended 31 December 2012 was Rs.53,580,403 as compared with the surplus of the previous year amounting to Rs.55,649,410 showing a decrease in financial results by Rs.2,069,007. The increase in expenditure by Rs.31,411,357 as compared with the previous year had affected the decrease in financial results.

2:2 Analytical Financial Review

The income of the Institute for the year under review was Rs.294 million. It shows an improvement of 10.9 per cent as compared with the previous year's Rs. 265 million. Meanwhile, the expenditure on academic, training and development activities of the previous year amounted to 209 million whereas it was Rs.241 million during the year under review showing an increase of 14.8 per cent.

3. Operating Review

3:1 Performance of Hotel Schools

The following observations were made while comparing the performance relating to training of students (Internal) with that of the previous year.

- (a) Out of the total number of registered students for the year 2012, the number of students who had completed the course were 551 representing 94 per cent. Out of the number of students registered during the year 2011, 96 per cent had completed the course.

- (b) The cost per student for the year under review was Rs.437,005 whereas it was Rs.147,242 during the previous year.

- (c) According to the Corporate Plan of the Sri Lanka Tourist Development Authority, it was expected to increase the tourist arrival by 2.5 million by the year 2016 compared with the present tourist arrival of 1.005 million. However, the Sri Lanka Institute of Tourism and Hotel Management had not prepared strategic plans to fulfill the needs for human resources in order to achieve the overall objective of the industry.

3:2 Under utilization of Funds

Due to weak financial management, bank balances ranging from Rs. 99 million to Rs.134 million remained idle during the entire year.

3:3 Idle Assets

Hotel equipment valued at Rs.11,929,385 purchased during January 2008 under the Tourist Resources Improvement Project remained idle even as at end of the year under review.

3:4 Uneconomic Transactions

The rooms of Hotel Samudra had been renovated without feasibility studies, preparation of cost estimate and without following tender procedures. The construction work had been entrusted to a private firm quoting Rs. 51 million. The constructions were not upto standard.

3:5 Quality and Reliability of the Management Information System

A sum of Rs. 30 million had been spent during the year under review and the previous year to purchase computers and computer software. However, a proper information system had not been established even by end of the year under review by identifying the needs of management information of the Institute.

3:6 Human Resources Management

The academic and non academic staff of the Institute for the year under review, including the staff of the Samudra Hotel was 117. There were 48 vacancies including 6 vacancies for lecturers. Adequate action had not been taken to fill the vacancies.

3:7 Transport Fleet

The following observations are made.

- (a) A sum of Rs.4,142,205 had been spent for fuel, maintenance and repairs of 2 vehicles during the year under review. However, the particulars of distance travelled by those vehicles had not been furnished to audit.
- (b) A sum of Rs.10,532,634 had been spent on hired vehicles during the year under review, Further, the information relating to distance travelled by hired vehicles had not been furnished to audit.

4. Accountability and Good Governance

4:1 Corporate Plan

The Institute had prepared a corporate plan for the period 2011 to 2016. However, the manpower development, production development and sales strategies had not been implemented according to annual programms with reference to the year under review.

4:2 Action Plan

The Action Plan prepared for the year under review had not been furnished to audit.

4:3 Internal Audit

An internal audit unit had not been established at the Institute.

4:4 Budgetary Control

A comparison of the budgeted income and expenditure with the actual income and expenditure showed variations in 28 objects ranging from 52 to 981 per cent. Accordingly, it was observed that the budget had not been utilized as an efficient instrument of management control.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Implementation of Training Programmes
- (b) Budgetary Control
- (c) Human Resources Management
- (d) Assets Management
- (e) Procurement
- (f) Payment of Advances
- (g) Accounting