

Sri Lanka Convention Bureau - 2014

The audit of financial statements of the Sri Lanka Convention Bureau for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of financial performance, statement of changes in equity and cash flow statement 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 20 of Tourism Act No 38 of 2005. My comments and observations which I consider should be published with the Annual Report of the Bureau 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 Public Sector Accounting Standards and for 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 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 Bureau’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 Bureau'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 financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary power to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion

1.4 Basis for Qualified Opinion

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

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Convention Bureau as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on the Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

An overprovision of income amounting to Rs. 7,630,859 that should have been adjusted with the previous years disclosed in the financial statements in terms of Sri Lanka Public Sector Accounting Standard No. 03, had not been adjusted in the financial statements as a correction of comparative values.

2.2.2 Accounting Deficiencies

- (a) The expense amounting to Rs. 2,020,565 incurred on the repairs of the building premises had been shown as fixed assets.
- (b) Stocks of consumables costing Rs. 1,954,698, and balance of other promotional items as at the end of the year under review, had not been included in the financial statements.
- (c) An interest income of Rs. 333,163 generated by the Fund Management Bank Account and a fixed deposit, had not been included in the income of the year under review.
- (d) The increase of Rs. 453,099 in the fixed deposit account due to interest being added automatically, had not been included in the Deposit Account.

2.2.3 Lack of Evidence for Audit

Evidence stated against the following items , had not been presented to audit.

<u>Type of Account</u>	<u>Value</u>	<u>Evidence not Presented</u>
	Rs.	
Debtors	801,438	Letters of Confirmation of Balances
Accrued Expenses	225,716	Letters of Confirmation of Balances

2.3 Accounts Receivable and Payable

Even though Value Added Tax receivable amounting to Rs. 450,554 had been shown in the financial statements , action had been taken for the recovery.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions.

The following instances of noncompliance were observed during the course of audit.

**Reference to Laws, Rules,
Regulations, and
Management Decisions**

Noncompliance

- | | |
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| (a) Section 24(8) of Tourism Act, No. 38 of 2005 | Although there is no legal provisions made in the Tourism Act to recover the savings or a part of the savings out of the money given to the Bureau by the Tourism Development Fund, back to the Tourism Development Fund , a sum of Rs. 40,000,000 had been transferred back to the Sri Lanka Tourism Development Authority by the Sri Lanka Convention Bureau in the year 2014. |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
Financial Regulation 371(5) | Although it is stated that the cash imprest issued in the financial year should be surrendered on 31 December, a petty cash balance of Rs. 20,000 had been shown in the final account of the Bureau. |
| (c) Section 4.2.1 (a) of Chapter 4 of the Procurement Manual 2006 | A Procurement Plan should be prepared at least for 3 years with a detailed plan for the ensuing year, the Bureau had not heeded those instructions. |
| (d) Treasury Circular No IAI/2002/2 dated 28 November 2002 | A Registry of Fixed Assets for computer accessories and software had not been maintained. |

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Bureau for the year ended 31 December 2014 had resulted in a surplus of Rs. 49,594,173 as compared with the corresponding surplus of Rs. 60,811,425 for the preceding year, thus indicating a deterioration of Rs. 11,217,252 in the financial result of the year under review. The increase of trade expenses by a sum of Rs. 17,514,026 had been the reason for the deterioration of financial results.

3.2 Analytical Financial Review

The income of the Bureau for the year under review amounted to Rs. 117,450,350 as compared with the income of Rs. 108,714,513 in the preceding year representing an increase of 8.03 per cent. Nevertheless, the expenditure incurred by the Bureau during the year under review amounted to Rs. 67,856,177 and as compared with the total expenditure of Rs. 47,903,089 in the previous year indicated an increase of 41.7 per cent.

4. Operating Review

4.1 Performance

The Bureau had failed to achieve the following objectives and goals in terms of Section 42(2) of Tourism Act, No. 38 of 2005 either during the year under review or previous years.

- (a) To promote Sri Lanka as a venue for international, regional and domestic conventions, meetings and exhibitions, and as an incentive travel destination, and to provide a common policy designed to ensure the coordinated and co-operative development and marketing of Sri Lanka, as a venue in the realm of tourism.

- (b) To co-ordinate and co-operate with convention, exhibition and incentive travel organizers in Sri Lanka and overseas to ensure the successful staging of conventions, meetings, and exhibitions and the implementation of incentive travel programs.
- (c) To prescribe and enforce the maintenance of professional standards by persons or organizations involved in handling various aspects of conventions, meetings, exhibitions and incentive travel.
- (d) To encourage and promote the development of professional skills among the different categories of persons or organizations involved in handling convention, meetings, exhibitions and incentive travel.
- (e) To affiliate with, obtain membership of, or enter into any agreement with any association or organization engaged in developing or promoting conventions, meetings, exhibitions and incentive travel.
- (f) To provide guidance to the Bureau to develop, promote and market Sri Lanka as a tourist and travel destination both in Sri Lanka and abroad.
- (g) To develop and promote adequate, attractive and efficient tourist services, inclusive of the hospitality industry, in a sustainable manner.

4.2 Staff Administration

Twenty seven per cent of the approved staff of the Bureau had remained vacant. The total costs incurred on human resources in the previous year and the year under review had been Rs. 8.9 million and Rs. 8.1 million respectively. Accordingly, the cost per employee for the previous year and the year under review had been Rs. 997,867 and Rs. 1,019,193 respectively.

5. Accountability and Good Governance

5.1 Corporate Plan

The following matters were observed during the examinations on the Corporate Plan prepared for the period 2014-2016.

- (a) Although it was expected to spend a sum of Rs. 101,970,000 the year 2014 according to the Corporate Plan, according to the Annual Action Plan the planned expenditure amounted to Rs. 64,120,000. As such it was observed that the Action Plan had not been prepared in line with the Corporate Plan.
- (b) According to the plan for the year 2014 in the Corporate Plan, expenditure had been shown under 03 Heads of expenditure. However, the objectives and goals expected to be achieved during the year, had not been mentioned.

5.2 Action Plan

The following matters were observed.

- (a) According to Section 5:1:2 of Public Enterprises Circular No PED/12 dated 02 June 2003, Action Plan should be prepared in a manner that the expected objectives and goals be achieved within the planned duration, and the responsibility of the management can be easily identifiable by taking into consideration the strategic plans and the operating results of immediately preceding 03 years. However, this had not been so done.
- (b) Performance reports consisting of quantitative information to ascertain whether the expected objectives and goals mentioned in the annual Action Plan, had been achieved during the year, had not been presented to audit.

5.3 Internal Audit

Even though the internal audit of the Bureau is being covered by the Internal Audit Division of the Ministry, the internal audits on the operations of the Bureau had not been carried out in terms of Financial Regulation 133.

5.4 Procurement Plan

A master Procurement Plan had not been prepared in terms of Section 4.2.1(b) of the Procurement manual.

5.5 Budgetary Control

Significant variances were observed between the budget and the actual in 20 Objects for the year under review (variances exceeding 25 per cent) thus indicating that the budget had not been made use of as an effective instrument of management control.

5.6 Tabling of Annual Report

The Annual Report of the Sri Lanka Convention Bureau for the year 2012 had been tabled in the Parliament in the year 2014.

5.7 Systems and Control

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

- (a) Budgetary Control
- (b) Accounting
- (c) Conducting Promotional Activities
- (d) Human Resources Management
- (e) Internal Audit