

The Sri Lanka Convention Bureau - 2011

1. Financial Statements

1.2 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 Convention Bureau as at 31 December 2011 and its financial performance and cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

Following observations are made.

- a) Sums of Rs.170,960 and Rs. 921,602 incurred during the years 2009 and 2010 respectively, on behalf of the Sustainable Tourism Development Project had been accounted for as expenses of the Bureau without being accounted for as receivables from the Project.
- b) A sum of Rs. 7,150,286 had been spent by the Bureau for the tourism award programme for 2010 during the year under review. This programme was conducted by the Sri Lanka Tourism Development Authority (SLTDA) as a national programme as per their annual action plan. However, above sum had been accounted for as marketing expenditure of the Bureau without taking action to recover the cost from the SLTDA.

1.2.2 Maintenance of Accounting Records

During the year under review, aggregated amount of Rs 22,014,021 had been posted to the various accounts through 354 Journal entries. However, a Journal book had not been maintained and many Journal entries were incomplete. Even basic information such as

initials of prepared and authorized Officers and narrations were not made available in the face of Journal vouchers. Further supporting documents had not been attached to many of journal vouchers. As a result, accuracy of journal entries posted could not be satisfactorily vouched in audit.

1.2.3 Lack of Evidence for Audit

Three items in the accounts aggregating Rs.15,996,195 could not be satisfactorily vouched in audit due to non-availability of evidence such as supporting documents, particulars relating to the payments, assets verification reports etc.

1.2.4 Non compliances with Laws, Rules, Regulations and Management Decisions

Following instances of non-compliance were observed in audit.

- (a) Excess cash of the public institutions as at 31 December 2011 should be credited to the Consolidated Fund, after considering the working capital requirements of ensuring 6 months in terms of Public Enterprises Circular No.PED/56 of 11 January 2011. However, excess cash of the Bureau had not been credited to the Consolidated Fund. According to the calculations made by the audit the excess cash might be around Rs. 30 million for the year under review.
- (b) A fixed assets register for computers, computer accessories and software owned by the Bureau, had not been maintained in terms of the Treasury Circular No.IAI/2002/2 of 28 November 2002.
- (c) Any welfare scheme adopted by an enterprise should have the approval of the General Treasury in terms of Section 9.12 of Chapter 9 of Public Enterprise Guidelines for Good Governance Circular No. PED/12 of 2 June 2003. However, the Bureau had failed to obtain the Treasury approval for their Employees' Medical Insurance Scheme.
- (d) Although a Procurement Plan should be prepared covering at least three years together with a detailed plan for next year in terms of Sections 4.2.1 and 8.12 the National Procurement Agency Circular No.9 of 01 March 2006, the Bureau had failed to prepare a procurement plan as requested.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Bureau for the year ended 31 December 2011 had resulted in a surplus of Rs. 8,049,504 as compared with the corresponding surplus of Rs. 33,714,253 for the preceding year, thus indicating a decrease of Rs.25, 664,749 in the financial results. The increase of marketing and promotion expenses and salaries and wages by Rs. 29 million were the main reasons for the decrease in the financial results.

3. Operating Review

3.1 Payment of Advances

Following observations are made.

- (a) A procedure had not been formulated with regard to the payment of advances to the officers and advances had been paid without considering the stipulated limit in the FR371. In some instances more than Rs. 100,000 had been paid without having even expenditure estimates.
- (b) Cash chques had been issued to the Officers with a view to encash the chques over the Bank counter, without considering the requirements in the FRR. 384(2) and 386 and accepted procedures of internal control over the payments.
- (c) An advance register had not been maintained according to the acceptable manner.

3.2 Performance

The following observations are made.

- (a) The Bureau had expended sums of Rs. 25.3 million and Rs.47.9 million for the marketing and promotional activities of the Bureau during the years 2010 and 2011 respectively. According to the objectives of the Bureau these expenditure had been incurred to attract Sri Lanka as a venue for international, regional and domestic conventions, meetings and exhibitions. However, outcome of promotion activities had not been evaluated.

(b) Sums of Rs. 1.6 million and Rs. 2.08 million had been expended for a promotional project called Feel Sri Lanka project with a view to give publicity to the foreign tourists relating to the Sri Lankan cultural events. However, this project was conducted without obtaining relevant authority from the Ministry of Economic Development.

3.3 Human Resource Management

Approved cadre of the Bureau was 12 employees. The actual cadre of the Bureau were 07 and 10 employees during the preceding year and the year under review respectively. The total cost on human recourses during preceding the year and the year under review were Rs. 5,374,835 and Rs. 6, 174,899 respectively. Thus, indicating that the cost per employee were Rs. 767,813 and Rs. 617,489 during the preceding year and the year under review respectively.

3.4 Utilization of Vehicles

Sums of Rs. 360,000 and Rs.194,860 had been paid to an Officer for vehicle rental and fuel allowances respectively without obtaining the approval from the Board, the Treasury and the line Ministry.

4. Accountability and Good Governance

4.1 Corporate Plan and Action Plan

A corporate plan and annual action plan had not been prepared by the Bureau according to the instruction given in the Public Enterprise Guidelines for Good Governance Circular No. PED/12 dated 02 June 2003. Therefore, it was observed in audit that the activities of the Bureau had been carried out without having proper guidance and the achievable strategic targets as per the above plans.

4.2 Internal Audit

Internal Audit functions of the Bureau have been covered by the Internal Audit Division of the Ministry. However, no any audit function relating to the operations of the Bureau had been carried out by the said internal audit division in terms of Financial Regulation No.133.

4.3 Budgetary Control

Significant variances were observed between the budget and the actual for the year under review thus, indicating that the budget had not been made use of as an effective instrument of management control.

5. Systems and Controls

Observations made in systems and controls during the course of audit were brought to the notice of the Chairman of the Bureau by my detailed audit report issued in terms of Section 13(7) (a) of the Finance Act. Special attention is needed in respect of the following areas of control.

- (a) Accounting.
- (b) Loans and advances.
- (c) Assets management.
- (d) Cash management.
- (e) Budget.