

Sri Lanka Convention Bureau - 2013

The Audit of the financial statements of the Sri Lanka Convention Bureau (SLCB) for the year ended 31 December 2013 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 the 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 Responsibility of the Management 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 for and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement 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 in consistence 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 misstatement of the financial statement, 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 circumstance, but not for the purpose of expensing an opinion on the effectiveness of the Bureau's internal control. An audit also include evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements. Sub Section (3) and (4) of Section 13 of Financial Act No 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

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

1.4 Basis for qualified Audit opinion

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

2. Financial Statements

2.1 Qualified opinion

In my opinion except for the effects of the meters 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 2013 and its financial performance and cash flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on the financial statements

2.2.1 Non Compliance with Sri Lanka Public Sector Accounting Standards (SLPSAS)

The stock valuation policy had not been disclosed in the financial statements in terms of SLPSAS - 09

2.2.2 Accounting Deficiencies

A sum of Rs.2, 020,565 incurred for repairing of the building premises had been shown as fixed assets.

2.2.3 Contingent Liabilities

The Bureau has been operated in the building belonging to the Sri Lanka Hotel and Management Institute without having a rent agreement since the year 2008 and the rent had not been paid up to end of the year under review. Even though it had been requested from the relevant Institute to inform building rent after being made an assessment, the rent had not been informed after being made the assessment up to end of the year under review. However, no provision was made in the accounts to date.

2.2.4 Unexplained Differences

The following differences were observed in reconciling the accounts of the Sri Lanka Convention Bureau with the financial statements forwarded by the other institutions.

Description of Accounts	Balance as per Accounts Rs.	Reconciled Institution	Balance in that Account Rs.	Difference Increase/(Decrease) Rs.
Creditors	Nil	Sri Lanka Hotel Management Institute	53,559	(53,559)
Accrued Expenses	611,162	Sri Lanka Tourism Development Authority	694,466	(83,304)

2.2.5 Accounts Receivable and Payable

The recoverable value Added Tax amounting to Rs. 450,554 had been shown in the financial statements since the year 2011, but actions had not been taken to recover it.

2.2.6 Lack of Evidence for Audit

The evidence mentioned against the following items was not made available to audit.

Description of the account	Value Rs.	Evidence not made available
Debtors	2,446,084	Confirmation letters
Creditors	1,122,483	do
Accrued Expenses	1,196,747	do

2.3 Non Compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non - compliance were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non compliance
(a) Section 2.10 of Chapter vi of the Establishments code	Even though copies of the letters of recruitments, transfers, promotions, payments of salary increments and disciplinary actions against the employees should be furnished to audit, it had not been done so.

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| (b) Section 2.1 of Chapter 4 of the National Procurement Agency Circular No 25 of January 2006 | Although a procurement plan should be prepared by covering at least three years together with a detailed plan for the next year, the Bureau had not followed those instructions. |
| (c) Treasury circulars No. IAI/2002/2 of 28 November 2002. | A Fixed Assets register 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 2013 had resulted in a surplus of Rs. 60,811,424 as compared with the corresponding surplus of Rs.37,692,150 for the preceding year, thus indicating an increase of Rs.23,119,274 in the financial result. Increase of embarkation tax income and tourism tax income was the main reason for the improvement of the financial result.

3.2 Analytical financial Review

The revenue of the Bureau for the year under review was Rs.108,714,513 and as compared with Rs.89,626,271 in the preceding year had shown an increase of 21.2 per cent. As well, compared with the expenditure amounting to Rs. 67,922,071 that had been incurred during the preceding year by the Bureau, a sum of Rs. 40,962,543 had been incurred during the year under review. Accordingly, it was observed a decrease of 39.7 per cent.

4. Operating Review

4.1 Performance

In terms of Section 42 (2) of the Tourism Act No. 38 of 2005 the following objectives of the Bureau had not been achieved during the year under review and preceding years too.

- (a) To provide a common policy designed to ensure the co- operative development and marketing of Sri Lanka as a venue for international, regional and domestic conventions, meetings and exhibitions and as incentive travel destination;
- (b) To co-ordinate and assist the promotion development and servicing by the public and private sector of international, regional and domestic conventions, meetings exhibitions and incentive travel;
- (c) To prescribe and enforce the maintenance of professional standards by persons or organizations involved in handling various aspects of conventions of meetings, exhibition and incentive travel;

- (d) To encourage and promote the development of professional skills among the different categories of persons or organization involved in handing 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 convention 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 Management Inefficiencies

It was observed in audit that remaining bank current account balance as at the end of every month was more than Rs. 43 million. Based on this situation, it was observed that the current ratio was as high level as 43:1 and management of working capital was not at the optimal level.

4.3 Contentious Transactions

A sum of Rs.517,450 had been spent for a foreign tour which was not related the duties of the Bureau, on a request made by the Ministry of Finance and Planning.

4.4 Personal Administration

Out of the approved carder of the Bureau, 18 per cent were vacant and the expenditure on human resources for the preceding year and in the year under review were Rs. 6.3 million and Rs. 8.9 million respectively. Accordingly, cost per employee for the preceding year and in the year under review was Rs. 1,055,826 and Rs. 997,867 respectively.

4.5 Provision for Employees' Gratuity

Actions had not been taken to invest the provision of Rs. 1,087,639 made for the payment of employees' gratuity.

5. Accountability and Good Governance

5.1 Corporate Plan

The following matters were observed in the examination of Corporate Plan prepared for the period of 2013-2015.

- (a) Even though it was expected to spend a sum of Rs. 88,800,000 for the year under review according to the Corporate Plan, only a sum of Rs.63,950,000 had been planned to be spent during the year under review according to the Action Plan. Thus, it was observed that the action plan was not prepared based on the Corporate Plan.

(b) According to the Corporate Plan, the expenditure for the year under review as per the year's plan had been classified under 3 headings. The objectives and targets, expected to be achieved during the year under review had not been indicated in details there in,

(c) According to the Paragraph 5.1.2 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, the officers who are responsible to achieve the objectives and targets within the period in the performance plan presented along with the Corporate Plan had not been clearly mentioned.

5.2 Action Plan

The physical progress reports relating to the achievement of objectives and the targets presented along with the Action Plan during the year under review had not been forwarded for audit in order to make sure that such achievements had been made.

5.3 Internal Audit

Even though Internal audit functions of the Bureau have been covered by the International Audit Division of the Ministry, no any audit functions relating to the operations of the Bureau had 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 National Procurement Agency Circular No 8 of 25th January 2006.

5.5 Budgetary Control

Significant variances in 10 expenditure items were observed between the estimated and the actual expenses (variances range exceeded more than 22 per cent) for the year under review, thus indicating that the budget had not been made use as an effective instrument of management control.

5.6 Tabling of Annual Reports.

The Annual Report of the Bureau for the year 2011 had been tabled in Parliament in the year 2014.

6. Systems and controls

Deficiencies in systems and controls observed during the course of audit were brought to the Notice of the Chairman of the Bureau by my detailed 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) Budget
- (b) Accounting
- (c) Operation of promotional activities
- (d) Human resources management
- (e) Internal audit functions.