

## **Sri Lanka Convention Bureau - 2015**

---

The audit of financial statements of the Sri Lanka Convention Bureau for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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 Auditing 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 2015 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**

---

##### **(a) Sri Lanka Public Sector Accounting Standard 02**

---

Even though the financial movements during the year should be considered in the preparation of cash flow statement, the following weaknesses were revealed in the preparation of cash flow statement, thus its accuracy and balance was a questionable issue in audit.

- (i) Depreciation amounting to Rs.1,991,772 pertaining to the year under review had been shown as Rs.761,585 in the cash flow statement.
- (ii) Disposal of fully depreciated computer software costing Rs.720,000 but not affecting the financial movement had been shown as a cash receipt.
- (iii) The sum of Rs.510,187 shown as a prior year adjustment in the statement of financial performance had not been adjusted to the surplus of the year under review in the cash flow statement.
- (iv) The provision for gratuity amounting to Rs.960,032 which should be added as non-cash movements in the cash flow statement had been shown under cash flows generated by financial activities.

##### **(b) Sri Lanka Public Sector Accounting Standard 03**

---

Even though a difference of Rs.510,188 was existed between the cost of property, plant and equipment and the balances of provision for accumulated depreciation, it had been deducted from the expenditure of the year under review and shown as prior year adjustments instead of identifying and rectifying in relevant accounts.

#### **2.2.2 Accounting Deficiencies**

---

The following matters were observed.

- (a) The expenditure amounting to Rs. 2,020,565 incurred in the year 2014 on the renovation of buildings belonging to the Sri Lanka Institute of Tourism and Hotel Management where the Administration Office of the Bureau is maintained without a legal capital ownership had been shown as buildings in the statement of financial position.

(b) The value of the balance stock of promotional material costing Rs.1,565,003 as at 31 December of the year under review had not been included in the financial statements.

(c) Interest income on fixed deposits amounting to Rs.834,380 of the year under review had not been brought to account.

### **2.2.3 Unexplained Differences**

-----  
According to the statement of financial position, the balance of Long-term Investment Account totalled Rs.25,300,000 whereas it had been shown as Rs.26,549,988 according to the Bank Reports.

### **2.2.4 Lack of Evidence for Audit**

-----  
Register of Fixed Assets pertaining to property, plant and equipment costing Rs.6,390,785 and journal vouchers pertaining to the value of Rs.49,758,863 shown in the Main Ledger had not been made available to audit.

### **2.3 Accounts Receivable**

-----  
Action had not been taken even by the end of the year under review to recover a sum of Rs.450,554 shown in the financial statements as Value Added Tax receivable since the year 2011.

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

-----  
The following instances of non-compliance were observed during the course of audit.

#### **Reference to Laws, Rules and Regulations**

#### **Non-compliance**

-----  
Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 257

-----  
According to the audit test check, expenditure of Rs.105, 986 relating to 05 instances had been paid without certifying the vouchers.

(ii) Financial Regulation 386(6)

-----  
According to the audit test check, five cheques valued at Rs.70,109 had been issued as open cheques without the approval of the Staff Officer.

### **3. Financial Review**

#### **3.1 Financial Results**

-----  
According to the financial statements presented, the financial result of the Bureau for the year ended 31 December 2015 had been a surplus of Rs. 27,407,006 as compared with the corresponding surplus of Rs. 49,594,173 for the preceding year, thus indicating a

deterioration of Rs. 22,187,167 in the financial result of the year under review. The increase of marketing and related expenditure by Rs. 28,294,006 had been the main reason for the deterioration of the above financial result.

An analysis of the financial results of the year under review and the four preceding years indicated that despite the improvement of the financial result continuously from the year 2011 up to 2013, it had deteriorated gradually since the year 2014 and the deterioration of the year under review had been 45 per cent as compared with the year 2014. However, in considering the employee remuneration, and depreciation on non-current assets, the contribution of the Bureau amounting to Rs.78,260,615 of the year 2013 had decreased gradually and it had become Rs.40,355,425 in the year 2015.

#### **4. Operating Review**

##### **4.1 Performance**

The following observations are made.

(a) The Bureau had failed so far to achieve the following objectives and goals out of the objectives of the Bureau in terms of Section 42(2) of Tourism Act, No. 38 of 2005.

- To provide a common policy design to ensure co-ordinated and co-operative development and marketing of Sri Lanka as a venue for international, regional and domestic conventions, meetings and exhibitions and as an incentive travel destination.
- 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.
- 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.
- 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.
- 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.
- To develop and promote adequate, attractive and efficient tourist services, inclusive of the hospitality industry, in a sustainable manner.

(b) According to the Annual Performance Report, out of the sum of Rs.172.30 million allocated for 13 key activities, only a sum of Rs.76.84 million had been spent during the year.

(c) According to the Annual Performance Report, out of 85 plans scheduled for completion during the year 2015, only 19 projects had been completed.

#### **4.2 Staff Administration**

-----

Twenty seven per cent of the approved staff of the Bureau had been vacant. The total costs incurred on human resources in the preceding year and the year under review had been Rs. 8,153,546 and Rs. 10,956,647 respectively. Accordingly, the cost per employee for the preceding year and the year under review had been Rs. 1,019,193 and Rs. 1,369,581 respectively.

### **5. Accountability and Good Governance**

-----

#### **5.1 Presentation of Financial Statements**

-----

Even though the financial statements should be presented within 60 days after the close of the year of accounts in terms of Paragraph 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the financial statements of the year 2015 had been presented to the Auditor General only on 05 April 2016. Thus, a delay of 35 days was observed.

#### **5.2 Corporate Plan**

-----

Budget forecast for the objectives and goals expected to be achieved during the 3 ensuing years by the Bureau had not been included in the Corporate Plan prepared for the period 2015-2017.

#### **5.3 Action Plan**

-----

The following observations are made.

(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 responsibility of the management can be easily identifiable by reviewing the operating results of immediate 03 preceding years and the strategic plans and the expected objectives and goals can be achieved within the planned duration. However, it had not been so done.

(b) Performance reports consisting of adequate 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.

#### **5.4 Internal Audit**

-----

An Internal Audit Unit had not been established to carry out internal audit in the Bureau while the transactions of the year under review had not been examined even by the Internal Audit Unit of the line Ministry.

**5.5 Procurement Plan**  
-----

A Master Procurement Plan had not been prepared in terms of Section 4.2.1(b) of the Circular No.8 of 25 January 2006 issued by the National Procurement Agency.

**5.6 Budgetary Control**  
-----

Significant variances ranging between 29 per cent and 306 per cent were observed between the budget and the actual amounts in 18 Objects for the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

**6. Systems and Controls**  
-----

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.

<b>Areas of Systems and Controls</b> -----	<b>Observations</b> -----
(a) Accounting	Failure to accounting for in terms of Sri Lanka Accounting Standards
(b) Operating Period	Failure to carry out the promotional activity in terms of the Tourism Act, No. 38 of 2005
(c) Budgetary Control	Existence of variances between budgeted and actual amounts