

Sri Lanka Convention Bureau – 2017

The audit of financial statements of the Sri Lanka Convention Bureau for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 powers 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 2017 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 Accounting Deficiencies

The following observations are made.

- (a) Provision for accumulated depreciation of Rs.3,158,500 in relation to the revaluation of a motor vehicle during the year under review, had not been eliminated from those account thus an amount of Rs.158,500 had been debited to the Comprehensive Income Statement as revaluation loss. As a result, the surplus for the year under review and revaluation loss had been decreased by Rs.158,500 and Rs.3,000,000 and the provision for accumulated depreciation had been increased by Rs.3,158,500.
- (b) The fixed deposit interest of Rs.1,249,988 received on behalf of the previous year had been accounted as the interest income of the year under review without making adjustments to the retained profit.

2.2.2 Lack of Evidence for Audit

Fixed Assets Register and physical verification reports pertaining to the office equipment and furniture and fittings costing Rs.6,390,756 had not been made available to audit.

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 2017 had been a surplus of Rs. 69,511,190 as compared with the corresponding surplus of Rs.30,895,865 for the preceding year, thus indicating an increase of Rs.38,615,325 in the financial result of the year under review. The marketing expenditure had been decreased by Rs.23,349,194 and the increase of Revenue by Rs.15,984,164 had been the main reason for the improvement of the above financial result.

While analyzing the financial result of the year under review with the four preceding years, the surplus in the year 2013 amounted to Rs.60,811,425 had been fluctuated gradually in the year 2016 up to Rs.30,895,865 had been increased again in the 2017 up to Rs.69,511,190. However, re-adjusting of employees remuneration and depreciation on non-current assets to the financial results, the contribution of the Bureau amounting to Rs.71,320,070 of the year 2013 had continuously decreased up to Rs.44,697,026 as at the end of the year 2016 and had been increased again upto Rs.81,471,882 in the year 2017.

4. Operating Review

4.1 Performance

4.1.1 Planning

The following observations are made.

- (a) According to the paragraph 04 of the public Finance Circular No.01/2014 dated 17 February 2014 an annual action plan should be prepared including activities aimed to achieving the objectives and as per the sub-section (c) of the circular, an activity plan, time line and output/ outcome of the activities should be included in the respective year based on the priority on the Annual Budget estimates. But none of them had been so done in the action plan prepared by the Bureau.
- (b) The performance Report including material information to confirm on whether the expected goals and targets set out in the Annual Action Plan had been achieved were not submitted to audit.

4.1.2 Activity and Review

Following observations are made.

- (a) The following objectives of the Bureau in terms of Section 42(2) of Tourism Act, No.38 of 2005, had not been achieved until now.
 - (i) 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.
 - (ii) 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.
 - (iii) 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.

- (iv) 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.
 - (v) 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.
 - (vi) 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 allocated sum of Rs.312.45 million only a sum of Rs.84.45 million had been utilized for 09 key activities during the year under review or 27 per cent and even though under those activities it had been plan to complete 128 projects only had been able to complete 84 projects.

4.2 Management Activities

The IMEX TRADE FAIR which was held on 21 and 22 September 2017 by incurring a cost of Rs. 7,005,069 representing local representatives, where only 04 persons had visited to the stall placed representing Sri Lanka. And it had been informed under the comment in the follow up reports of the representatives to the Bureau, it had been questionable in audit as whether the objectives of the programme had been fulfilled as the investment outcome had become zero and the promotion programme was totally failed.

4.3 Under Utilization of Funds

An average balance of Rs.137,737,994 was existed in the Fund Management Account during the year under review, hence the Management did not focus on investing that money in productive investment.

4.4 Staff Administration

Without fulfilling of the basic qualifications according to the recruitment procedure a General Manager had been recruited and paid a sum of Rs.483,372 as salaries and allowances during the period from December 2016 to January 2017. Further, the post had been vacant during the period from February up to 31 December and also the post of Manager Supervision and Development was also vacant since 3 years.

5. Sustainable Development

5.1 Achieve Sustainable Development Objectives

Every government entity should take action in accordance with the letter No.NP/SP/SDG/17 of 14 August 2017 issued by the Secretary to the Ministry of National Policies and Economic Affairs and the “2030 agenda” of the United Nations on Sustainable Development. Nevertheless, as the Bureau was aware about how to act in respect of the functions coming under the scope of the Bureau relating to the year under review, Sustainable Development Goals, targets and the manner how to reach those targets and the indicators to measure the targets had not been identified.

6. Accountability and Good Governance

6.1 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.

6.2 Procurement

The following observations are made.

- (a) A Master Procurement Plan had not been prepared in terms of the Guideline 4.2.1 of the Government Procurement Procedure dated 25 January 2006.
- (b) Even though Rs.6,732,588 had been spent for the construction of stalls for 2 promotional programmes, neither the bid documents which prepared had been used according to the Guideline 5.3.1 of the Government Procurement Procedure nor the bid documents had been reviewed by the Technical Evaluation Committee. Further, approval of the Department Procurement Committee had not been obtained for bidding and bidding methodology in terms of Section 2.14.1 of the Supplement of Procurement Manual 2006, and it had not been observed a letter which was formally prepared for the award of contract according to the Guideline 8.7.1 of the Government Procurement Procedure.

6.3 Budgetary Control

Variances ranging between 25 per cent and 100 per cent were observed between the budgeted and the actual amounts during the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

6.4 Tabling of Annual Reports

Annual reports of the Bureau relating to the years 2015 and 2016 had not been tabled in Parliament even by 30 July 2018.

7 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.

Areas of Systems and Controls

Observations

(a) Budgetary Control

Attention had not been taken to minimize the variances between budgeted and actual amounts.

(b) Operational Control

(i) Follow-up reports had not been obtained from the local representatives participated for the foreign promotions.

(ii) Satisfaction report had not been obtained from the participated officers at the end of the promotional programmes.