

Qualified Opinion

The audit of the financial statements of the of Sri Lanka Convention Bureau for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and the Finance Act, No.38 of 1971. My comments and observations which I consider should be tabled in Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.4 of this report, the financial statements of the Sri Lanka Convention Bureau give a true and fair view of the financial position of the Institute as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.1 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.4 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.2 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bureau's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bureau or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bureau's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Bureau is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Bureau.

1.3 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Bureau, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Bureau has complied with applicable written law, or other general or special directions issued by the governing body of the Bureau;
- Whether the Bureau has performed according to its powers, functions and duties; and
- Whether the resources of the Bureau had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.4 Financial Statements

1.4.1 Accounting Deficiencies

Audit Observation -----	Comment of the Management -----	Recommendation -----
a) As the revaluation on motor vehicles for the preceding year had not been adjusted to the accounts properly, the accumulated depreciation account for vehicles had been overstated by Rs. 3,158,500, the profit of revaluation had been understated by Rs. 3,000,000, and the cumulative fund had been understated by Rs. 158,500. Thus, the error so occurred, had not been rectified in the year under review.	Action has been taken to rectify in the future.	The errors occurred in the preceding year, should be rectified in the year under review.
b) When the cash and cash equivalents had been computed at the beginning and end of the year under review, the balances in the fund management account amounting to Rs. 193,479,062 and Rs. 194,472,786 respectively had not been considered. Instead, the difference between those balances amounting to Rs. 993,724 had been shown in the cash flow statement as investment activities.	Action has been taken to rectify in the future.	Activities in the cash flow statements should accurately be classified.
c) Depreciation on property, plant and equipment for the year under review amounting to Rs. 4,511,170 should have been shown as a cash flow generated from operating activities. However, the said amount had been shown in the cash flow statement as a cash flow generated from investment activities.	Action has been taken to rectify in the future.	Activities in the cash flow statements should accurately be classified.

1.4.2 Lack of Documentary Evidence for Audit

Subject	Amount	Audit Evidence not Made Available	Comments of the Management	Recommendation
	Rs.			
Installation of office equipment and furniture.	6,396,756	Detailed schedules or reports of the Board of Survey as at the end of the year under review.	Action has been taken to rectify in the future.	Evidence should be made available.

2. Financial Review

2.1 Financial Review

The result of the operations of the year under review amounted to a surplus of Rs. 88,486,989 as compared with the corresponding surplus of Rs. 69,511,190 for the preceding year, thus observing an improvement of Rs. 18,975,799 in the financial result. The said improvement had mainly been attributed by the increase in the tax income by a sum of Rs. 15,398,774 and the decrease in the sales expenses by a sum of Rs. 11,885,350 in the year under review.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Promotional programmes had been carried out at 07 cities in 03 countries in the year 2018 under the programme named One On One Meeting incurring an expenditure of Rs. 1,535,702 in the year 2018. However, no methodology had been formulated to identify the contribution to promote the tourism industry in Sri Lanka through such programmes.	It is difficult to observe the productivity acquired through the activities of the first stage.	A methodology should be formulated to identify the contribution to promote the tourism industry in Sri Lanka through the promotional programmes.

3.2 Underutilization of Funds

Audit Observation	Comments of the Management	Recommendation
Even though an average cash balance of Rs. 221,847,778 had existed in the fund management account in the year under review, the management had not drawn their attention on the possibility of investing that amount productively.	Action has been taken to rectify in the future.	The management should draw their attention on investing the funds in a productive manner.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observation	Comments of the Management	Recommendation
The financial statements should be presented within a period of 60 days from the end of the year of accounts in terms of Section 6.5.1 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003. However, the financial statements for the year 2018 had been presented on 26 March 2019.	Action has been taken to rectify in the future.	The financial statements should be presented within the specified period as per the Circular.