

## **Sri Lanka Convention Bureau - 2010**

-----

### **1. Financial Statements**

-----

#### **1.1 Opinion**

-----

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Sri Lanka Convention Bureau had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1.2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards, give a true and fair view of the state of affairs of the Sri Lanka Convention Bureau as at 31 December 2010 and the financial results of its operations for the year then ended.

#### **1.1 Comments on Financial Statements**

-----

##### **1.2.1 Sri Lanka Accounting Standards ( SLAS)**

-----

Following observations are made.

- a) Value of the stocks had not been adjusted in the accounts. However, accounting policy applied with regard to the stocks had not been disclosed in the accounts as per requirements in the SLAS-5.
- b) A sum of Rs. 5,732,307 had been adjusted to the accumulated surplus account as corrections made for the prior year errors. However, these adjustments had not been disclosed in the accounts in terms of the correction procedure prescribed in the SLAS-10.
- c) Total cost of a motor vehicle had not been accounted for as cost of the asset according to the requirements in SLAS-18. As a result, the cost of the motor vehicle had been understated in the accounts by Rs. 625,000.

##### **1.2.2 Accounting Deficiencies**

-----

Following observations are made.

- a) Debit balance in Value Added Tax (VAT) control account amounting to Rs.664,418 had been erroneously charged to income and expenditure account as administration expenses.

- b) A sum of Rs. 1,250,393 incurred on staff training, International Conference and Convention Association (ICCA) membership charges and database management had been accounted for as research and development expenses.
- c) A sum of Rs.170,960 incurred for newspaper advertisements and staff allowances, for Sustainable Tourism Development Project had been accounted as expenses of the Bureau without being accounted as receivables from the Project.

### **1.2.3 Maintenance of Accounting Records**

-----  
Following observations are made.

- (a) A computer based accounting package had been purchased to prepare the accounts of the Bureau during the preceding year. However, basic accounting functions such as classification of expenditures, ledger posting, preparation of accounting summaries etc. were not made in satisfactory level.
- (b) A sum of Rs 18,222,454 had been posted to the various accounts through 117 Journal entries. However, a Journal book had not been maintained and many Journal entries During the year under review, were incomplete. Even basic information such as initials of prepared and authorized Officers and narrations were not indicated in the face of Journals. Further supporting documents had not been attached to many of the journal vouchers. As a result, accuracy of journal entry posting could not be satisfactorily vouched in audit.

### **1.2.4 Unreconciled Differences**

-----  
According to the Account Receivable from the Sri Lanka Tourism Development Authority (SLTDA) to the Bureau and the financial statements of the SLTDA, a difference amounting to Rs.17,374,080 was observed between the accounts of SLTDA and the Bureau,

### **1.2.5 Non compliances with Laws, Rules, Regulations and Management Decisions**

-----  
Following Instances of non-compliance were observed in audit.

- (a) A copy of the contract agreement, in respect of contract awarded to VAT registered suppliers had not been forwarded to the Auditor General on or before 15<sup>th</sup> day of the next month after entering into the Contract, according to Section 8.12 of Chapter 8 of the National Procurement Agency Circular No.09 dated 01 March 2006.
- (b) A fixed assets register had not been maintained for computers, computer accessories and software and other assets owned by the Bureau, as per the instructions given in Treasury Circular No.IAI/2002/2 of dated 28 November 2002 and FR502(2).
- (c) The instructions relating to tabling monthly performance reports and operating statements to the Board, Draft Annual Report and Accounts to the Auditor General, holding of Audit Committee meetings, investment of excess funds, and obtaining the approval from the Department of Public Enterprise and General Treasury for the Employees Medical Insurance Scheme had not been complied with as per given in the Public Enterprise Guidelines for Good Governance Circular No.PED/12 dated 2 June 2003.
- (d) Although excess cash of the public Institutions as at 31 December 2010 should be credited to the Consolidated Fund, after considering the working capital requirements of ensuring 6 months, it had not been credited to the Consolidated Fund according to the Public Enterprises Circular No.PED/56 dated 11 January 2011.

### **1.2.6 Lack of Evidence for Audit**

-----  
Six items in the accounts aggregating Rs.43,081,667 which comprises with assets, liabilities and expenses could not be satisfactorily vouched or accepted in audit due to lack of evidence such as supporting documents, journals, vouchers, detailed schedules, confirmations, physical verification reports etc.

## **2. Financial and Operating Review**

-----

### **2.1 Financial Review**

-----

#### **2.1.1 Financial Results**

-----

- a) According to the financial statements presented, the operations of the Bureau for the year ended 31 December 2010 had resulted in a surplus of Rs. 33,714,252 as compared with the corresponding surplus of Rs. 871,534 for the preceding year, thus indicating an increase of Rs.32,842,718 in the financial result the increase of Tourism Development and Embarkation Levy by Rs. 31,030,780 was the main reason for the increase in financial results.
- b) Material adjustments had been made to the financial result of the Bureau for the preceding year and during the year under view, due to the non-application of reliable and relevant accounting estimates, to prepare the financial statements. The net surplus of Rs.871,534 for the preceding year had been adjusted by Rs.5,732,307 or 657 % as prior year adjustments, contrary to the SLAS-10. Hence, it could not be ruled out that hat non-making of such material adjustments to the financial results of the year under review too.

## **2.2 Operating Review**

-----

### **2.2.1 Uneconomic Transaction**

-----

Even though the recruitment to a vacant post had been suspended, a sum of Rs. 89,510 had been expended to publication of the newspaper advertisements thereon.

### **2.2.2 Performance**

-----

Following Observations are made

- a) The Bureau had expended sums of Rs. 22.2 million and Rs. 16.5 million for the marketing and promotional activities of the Bureau during the years 2009 and 2010 respectively. According to the objectives of the Bureau, those expenditure had been incurred to attract Sri Lanka as a venue for international, regional and domestic conventions, meetings and exhibitions. However, outcome of the promotion activities have not been evaluated. Direct involvement of the Bureau with regard to promotion of conventions, meetings and exhibitions has not been emphasized. For example, according to the information provided, 98 events scheduled to be held

during the year under review. But, almost all the conventions and meetings were organized by outside institutions as a part of their programme activities. The Chairman of the Bureau informed me on 06 June 2011, “the SLCB assist to local associations, Government Agencies, Academic Institutions, Corporations and other institutions with bidding event support and delegate boosting services.”

- b) A sum of Rs. 3.5 million had been spent for a promotion programme named Negambo Mega. The objectives of the programme, performances and particulars relating the expenditure were not made available for audit.
- c) A sum of Rs. 1.6 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. According to the information provided, 892 foreign tourists and 464 local people were participated. However, this project was conducted without obtaining authority from the Ministry.

### **2.2.3 Human Resource Management**

-----  
Following observations are made.

- (a) Approved and actual cadre of the Bureau were 12 and 07 employees respectively. The total cost on human resources during the year under review was Rs. 5,374,697. The Cost per employee was Rs. 767,813.
- (b) A project manager had been recruited by the Bureau on contact basis since June 2007, for a monthly salary of Rs. 50,000. This salary had been increased as Rs. 57,000 during the year under review. In addition, a sum of Rs. 353,853 had been paid as promotional allowances to him. However, approval of the Management Services Department of the Treasury and the line Ministry had not been obtained to this recruitment. Also, the duty list of the officer and performances were not made available for audit.

### **2.3 Corporate Plan**

-----  
A corporate plan for the Bureau for 2010 to 2013 had been prepared. However, some of the major activities had been implemented without following the guidance in the corporate plan.

## **2.4 Budgetary Control**

-----

Significant variances were observed between the estimated expenditure 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

## **3. 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 from time to time. Special attention is needed in respect of the following areas of controls.

- a) Accounting.
- b) Conducting promotional programmes.
- c) Project management.
- d) Assets management.