

Sri Lanka Institute of Tourism and Hotel Management - 2018

The audit of the operational activities of the Sri Lanka Institute of Tourism and Hotel Management for the year ended 31 December 2018 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 Financial Act No. 38 of 1971 .

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

Each audit entity should maintain its own books and records of its income, expenditure, assets and liabilities to enable it to prepare annual and periodic financial statements on that entity in terms of Section 16 (1) of National Audit Act No. 19 of 2018 . The Annual Financial Statements for each audit entity should be submitted to the Auditor General by the Chief Accounting Officer along with the Annual Performance Report of such instances as may be specified by the rules in terms of Section 16 (2) of the Act. It should be ascertained to prepare Annual Reports and other financial statements within the required time period in terms of Section 38 (1) (d) of the Act and in addition to that the Chief Accounting Officer should be responsible for presenting of the Annual Reports related to the entity which was being audited to Parliament. However, the Financial Statements which should be submitted to the Auditor General within 60 days after the closure of the accounting year, the financial statements which should be presented for the auditor General for the year 2018 had not been presented for audit even by the date of this report in terms of Section 6.5.1 of the Public Enterprises Circular No. PED /12 of 02 June 2003 and the Treasury Circular No. 01/2004 of 24 February 2004.

2. Audit Observations

(a) Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(i) Sub-section 39 (1) of the Tourism Act No. 38 of 2005	Actions had not been taken to appoint an Academic Board asking the Minister .	Steps will be taken to appoint an Academic Board .	Steps should be taken to appoint a Academic Board .
(ii) Treasury Circular No. 842 of 19 December 1978	Although a Register of Fixed Asset should be maintained , actions had not been taken in accordance with that .	Currently, arrangements have been made to prepare Register of Fixed Asset.	Register of Fixed Asset should be prepared as per the Circular

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| (iii) Treasury Circular No. IAI / 2002/02 of 28 November 2002 | Although a Register for Computer Hardware and Software should be maintained, actions had not been taken in compliance with that. | Actions will be taken to prepare the relevant document in future . | It should act in accordance with the Circular. |
| (iv) Section 1.3.1 (iii) of the Public Administration Circular No. 22/99 dated 08 October 1999 | Although the group transport facilities can be provided for the senior executive level positions by the Board of Directors, the approval of the Board of Directors had not been obtained for the officers who were provided the group transport facilities of the Institution. | Actions will be taken to obtain the approval of the Board of Directors in future. | It should act in accordance with the Circular |
| (v) Section 4.2.5 of the Public Enterprises Circular No. PED / 12 dated 02 June 2003 | Although the age analysis of debtors and creditors, stock age analysis and statement of old, outdated and slow moving stocks and other items should be reviewed monthly by the Board of Directors in order to manage working capital efficiently , actions had not been taken accordingly. | It is expected to act according to the Circular . | It should act in accordance with the Circular. |
| (vi) Financial Regulation of the Democratic Socialist Republic of Sri Lanka | ----- | | |
| • Financial Regulations 371 (2) (b) and Public Finance Circular No. 03/2015 of 14 July | Although when providing a sub-imprest by an accounting officer | After obtaining the approval of the Board of Directors to increase the | Actions should be taken in accordance with Financial Regulations. |

2015	<p>for a particular purpose should be limited to a maximum of Rs. 100,000 at one instance, in contrary to that more money had been paid as advances at 24 occasions.</p>	<p>advance cash limit , then things will be done properly in future .</p>	
<ul style="list-style-type: none"> • Financial Regulation 371 (5) 	<p>The ad hoc sub-impresst should be provided to the officer on the immediate date for a specific task and the impresst should be settled within 10 days of the completion of the task. However, a time period ranged from 05 days to 213 days had been spent for the settlement of ad hoc sub-+impresst ranging from Rs.5,000 to Rs. 200,000 provided at 21 instances. Although the advance payment should be settled before the last day of the year in which the advance payment is made, actions had not been so done in respect of the advances provided at 06 instances totalled to Rs. 403,000 .</p>	<p>Actions will be taken to prevent this situation as much as possible in future and arrangements will be made to take further actions against the officers who have not settled the ad hoc sub-impressts during the stipulated time.</p>	<p>Actions should be taken in accordance with the Financial Regulations.</p>
<ul style="list-style-type: none"> • Financial Regulation 756 	<p>Although the Board of Survey had been carried out for the year under review, the relevant reports had not been submitted to the Auditor General even by 31 August, 2018, at the time of the audit.</p>	<p>Actions will be taken to submit to the Auditor General in future.</p>	<p>Actions should be taken in accordance with the Financial Regulations</p>

(b) Management Activities

Audit Observation	Comments of the Management	Recommendation
<p>(i) Even though a sum of Rs. 5 million had been allocated for 04 activities as per the Action Plan of the year 2018, they were not implemented during the year. In addition, less than 50 per cent had been utilized during the year for the 09 activities appear in the Action Plan.</p>	<p>Actions will be taken to prevent these shortcomings whilst preparation of the Action Plan in future.</p>	<p>Arrangements should be made in accordance with the Action Plan .</p>
<p>(ii) Although the consultancy and assistance had been provided by Tourism Resource Improvement Project to Sri Lanka Institute of Tourism and Hotel Management for obtaining National Vocational Qualification (NVQ) , the Institute had not taken actions to introduce courses with National Vocational Qualification so far.</p>	<p>Preparation of necessary documents for National Vocational Qualification has reached to its final stage. That goal is expected to be achieved in future years.</p>	<p>National Vocational Qualification should be obtained.</p>
<p>(iii) It was observed that the Sri Lanka Institute of Tourism and Hotel Management had incurred a sum of Rs. 2,049,350 from May 2014 to September 2019 for obtaining indoor plant pots without following the procurement procedures of the Procurement Guideline 2006 .</p>	<p>The procurement process has been followed.</p>	<p>The file should be submitted for audit to ensure the procurement process is followed.</p>
<p>(iv) The Institute had not made arrangements to take over the legal ownership of a vehicle that it had utilized for its use.</p>	<p>The Ministry of Finance has been consulted in respect of the acquisition of the vehicle.</p>	<p>The legal ownership of the vehicles should be taken over.</p>

(c) Operational Inefficiencies

Audit Observation

There are 3285 Hotel Room Nights available in Samudra Hotel during the year to earn revenue and of that, the Institute was able to use only 762 Hotel Room Nights or 23 per cent to generate revenue

Comments of the Management

Actions have been taken to attract the customers with a view to upgrade the facilities of the Samudra Hotel in future.

Recommendation

Actions should be taken to increase income.

(d) Staff Management

Audit Observation

The approved cadre of the Institute was 217 and the actual cadre was 193 . Accordingly, there were 24 vacancies observed.

Comments of the Management

Actions have been taken to recruit to several positions by publishing newspaper advertisements and conducting written tests and expecting the approval of the Secretary of the Ministry.

Recommendation

Actions should be taken to fill the vacancies.

(e) Tabling of Annual Reports

Audit Observation

The Institute had not taken steps to table Annual Reports in Parliament even by from the year 2014 to 30 November 2019 in terms of Section 6.5.3 of the Public Enterprises Circular No. PED / 12 of 02 June 2003 .

Comments of the Management

Annual Reports pertaining to several years are being prepared by now. Annual reports will be tabled in future in terms of the Circulars.

Recommendation

Actions should be taken in accordance with the Circulars.