

## **Head 159 – Ministry of Tourism Development, Wildlife and Christian Religious Affairs**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Ministry of Tourism Development, Wildlife and Christian Religious Affairs for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, and cash flow statement for the year then ended, 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. The Summary Report containing my comments and observations on the financial statements of the Ministry of Tourism Development, Wildlife and Christian Religious Affairs was issued to the Chief Accounting Officer on 06 July 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 09 September 2020 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the Ministry of Tourism Development, Wildlife and Christian Religious Affairs as at 31 December 2019 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 opinion.

#### **1.3 Responsibilities of Chief Accounting Officer on Financial Statements**

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Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Ministry 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.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

#### **1.4 Auditor's Responsibility on Audit of Financial Statements**

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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 skepticism throughout the audit. I also furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control of the Ministry, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

## 1.5 Report on Other Legal Requirements

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I declare the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act No. 19 of 2018 .

- (a) The financial statements are in consistent with those of the preceding year,
- (b) The recommendations made by me regarding the financial statements furnished for the preceding year had been implemented .

## 1.6 Comments on Financial Statements

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### 1.6.1 Statement of Financial Performance

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#### Audit Observation

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Although the opening balance of the imprest account was Rs. 4,923,582, it had been recorded as other receipts in the statement of financial performance.

#### Recommendation

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The statement of financial performance should be prepared accurately.

#### Comments of the Chief Accounting Officer

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Due to lack of space to record the opening balances in the relevant format, measures will be taken to rectify this in future conducting discussions with the Department of State Accounts.

### 1.6.2 Statement of Financial Position

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#### Audit Observation

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Although the balance of property ,plant and equipment as at 31 December 2019 was Rs.409,446,297 as per the Treasury records, it was Rs.407,775,615 as per the statement of financial position. Accordingly, a difference of Rs. 1,670,682 was observed.

#### Recommendation

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The statement of financial position should be accurately prepared.

#### Comments of the Chief Accounting Officer

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A transfer form has already been issued to the Treasury to rectify the difference in the balance of property, plant and equipment.

### 1.6.3 Cash Flow Statement

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The following observations are made.

#### Audit Observation

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(a) The non-revenue receipts were Rs. 6,251,763 as per the cash flow statement and it was Rs. 7,835,840 as per the trial balance submitted for audit . Accordingly, a difference of Rs. 1,584,077 was observed.

#### Recommendation

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The cash flow statement should be accurately prepared.

#### Comments of the Chief Accounting Officer

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A sum of Rs. 6,251,763 indicated as non-revenue receipts is consisting of income received in cash and grants as per the cash flow statement. Likewise, all of these are received in cash. Nevertheless, the value of Rs. 7,835,840 stated in the trial balance consists of an income of Rs.5,826,611 received from cross entries those received from the above amounts and belonging to the Revenue Codes related to salaries.

- (b) According to the cash flow statement, personal emoluments and operating payments was Rs. 249,823,249 and as per the trial balance it was Rs.251,414,216. Therefore, a difference of Rs.1,590,967 was observed.
- do-
- In preparing the cash flow statement by the Tourism Division the expenses relating to maintenance expenditure objects and to capacity building under capital expenditure were also added to this. Accordingly, the expenditure in the tourism sector is Rs.162,075,202 and the expenditure in the wildlife sector is Rs. 87,748,047. The total of the related cross entry adjustments for the year is Rs. 1,590,967.
- (c) Although the expenditure incurred on Expenditure on Other Heads was Rs.3,916,333 as per the cash flow statement, it was Rs.5,530,793 according to the trial balance. A difference of Rs. 1,614,460 was observed accordingly.
- The cash flow statement should be accurately prepared.
- Expenditure on other Heads was Rs. 3,916,333. As per the trial balance it was Rs.5,530,793. Accordingly, the reason for the difference is the cross-entries included in the trial balance. The cost incurred by the cross-entries is Rs. 1,614,460.
- (d) Even though the advance payments as per the cash flow statement was Rs.7,929,478, it was Rs.10,015,757 according to the consolidated trial balance. A difference of Rs.2,086,279 was observed accordingly.
- do-
- This value is the amount of debits made by the transfer papers to settle the debt balances of the officers who have been transferred to the Ministry from other Ministries. Accordingly, since the total of the transactions that were not made in cash and made by transfer sheets was Rs. 2,086,279, this value had not been included in the cash flow statement.

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| <p>(e) Although the recoveries from advances according to the cash flow statement was Rs.335,293, it was Rs.6,113,009 as per the consolidated trial balance. Accordingly, a difference of Rs.5,777,716 was observed.</p> | <p>-do-</p>   | <p>The recoveries from advances amounting to Rs.335,293, is the recoveries in cash as per the cash flow statement.</p>   |
| <p>(f) Although the deposit received was Rs.102,874,564 as per the cash flow statement, it was Rs.103,064,932 as per the consolidated trial balance. A difference of Rs.190,368 was observed accordingly.</p>            | <p>The cash flow statement should be accurately prepared.</p> | <p>The difference of Rs.190,368 in deposit received is the cross- entry receipts in the deposit account.</p>   |
| <p>(g) According to the cash flow statement, the deposit payments was Rs. 87,945,097 but according to the consolidated trial balance it was Rs. 88,082,567. A difference of Rs.137,470 was observed accordingly.</p>     | <p>-do-</p>   | <p>Since the expenditure of Rs.136,720 which was made by cross entries in the Deposit Account has not been entered into the cash flow statement, this difference has occurred.</p> |
| <p>(h) Even though the construction or purchase of physical assets as per the cash flow statement was Rs.211,480,230, it was Rs.220,062,851 according to the consolidated trial balance. Therefore, a</p>                | <p>-do-</p>   | <p>The difference in between the total expenditure and the expenditure in trial balance consists of due to the transfer sheets and cross entries made at the end of the year.</p>  |

difference of  
Rs.8,582,621 was  
observed.

- (i) Even though the closing cash balance was Rs.843,548 as per the cash flow statement, it was Rs.1,381,683 according to the consolidated trial balance. Therefore, a difference of Rs.538,135 was observed.

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Although the closing balance of the consolidated trial balance was Rs. 1,381,683, it has included not only in the cash balance but also in the cross entries. The accurate cash balance is the closing cash balance of the cash flow statement.

#### 1.6.4 Imprest Balance

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##### Audit Observation

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According to the financial statements submitted, the balance of the imprest account of the preceding year as at 31 December in the statement of financial position was Rs.4,923,582 and Rs.5,171,113 in the cash flow statement .

##### Reommendation

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The imprest account should be accurately prepared.

##### Comments of the Chief Accounting Officer

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Since there was no Expenditure Head allocated for the inclusion of in the "Expenditure incurred on other Heads" under the expenditure made in cash in the cash flow statement in preparation of financial statement of the Ministry of Wildlife for the year 2018, that has not been included under the expenditures and due to the fact that it was added as a net change in cash in preparation of the cash flow statement, this difference had occurred.

### 1.6.5 Imprest Adjustment Account

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The following observations are made.

<b>Audit Observation</b>	<b>Reommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) Even though the payments made by other Departments were Rs.174,183,707 it was Rs.163,328,584 as per the information submitted to audit.	The imprest adjustment account should be accurately prepared.	The reason for this difference is that the consideration of the adjustments made in the accounts by the transfer sheets at the end of the year.
(b) Although the payments made to other Departments was Rs.5,239,724, it was Rs.5,530,793 according to the information submitted to the audit.	The imprest adjustment account should be accurately prepared.	The debit amount has not been entered in due to a mistake made by the Tourism Division when recording the payments made on behalf of the institutions in preparation of the imprest adjustment account.
(c) Although the payments in Advance B account was Rs.2,086,280 it was Rs.11,393,257 according to the information submitted to the audit.	-do-	The amount of Rs.2,086,280 mentioned as Advance B Account payments was the debit made to settle the debt balances of the officers who have been transferred in the Ministry. The amount of Rs.11,393,257 shown by the audit was a debit made by the Treasury to transfer the opening balance to the Head 159 when combine the two previous Ministries.

### 1.6.6 Non-compliance with Laws, Rules and Regulations

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<b>Reference to Laws, Rules and Regulations</b>	<b>Observation</b>	<b>Reommendation</b>	<b>Comments of the Chief Accounting Officer</b>
Public Finance Circular No. MF/TR/1/2003 dated 28 March 2003	A sum of Rs.3,207,929 had been spent by the Wildlife Division during the year under review obtaining three vehicles on rent including Rs. 170,000 monthly rent and driver's overtime without considering the Circular provisions.	The maximum fee to be paid without a driver should be Rs.40,000 according to the Circular.	The approval of the Secretary to the Ministry of Buddha Sasana had been obtained to hire vehicles for the duties of the CITES Secretariat. As a high cost had to be incurred for the vehicles obtained on rent , the agreement has been suspended. The vehicles belonging to the Ministry of Tourism Development, Wildlife and Christian Religious Affairs have been attached on a prority basis for CITES duties with a driver.

## 2. Financial Review

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### 2.1 Expenditure Management

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The following observations are made.

Audit Observation	Reommendation	Comments of the Chief Accounting Officer
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(a) The total provision Rs.75,500,000 made available for 3 capital expenditure objects had been entirely saved without utilization.	The accurate estimates should be prepared in accordance with Financial Regulations 50.	The provisions have been saved due to the occasional changes of State Ministers, emergence of the no need to acquire fixed assets, reduction of the number of low-cost housing units in the Madhu area in Mannar to 144 and the postponement of the proposed tourism development programme to be implemented under the World Bank loan.
(b) After deducting compulsory savings from the provision provided for capital expenditure for 05 expenditure objects, due to the utilization of only Rs. 56,705,638 out of the total net allocation of Rs.180,933,000, Rs.124,227,362 was left out of the provision. This had ranged from 53 per cent to 89 per cent of the total provision.	- do-	The provisions were made due to the reasons such as changes of State Ministers from time to time, non-availability of requests from the Minister to purchase assets, though a budget allocation of Rs. 190 million was provided for the development of 06 old forts, Rs. 90 million out of that was compulsory savings on the notice of the Treasury and although a commitment of Rs.49.2 million had been entered into for the provision of Rs. 50 million made available for the upgrading of railway stations and declaration as archeological sites, only a sum of Rs.8.7 million has been taken into accounts.

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| <p>(c) The total net provision was Rs.126,000,000 after consideration into compulsory savings in a capital expenditure object and thus the actual expenditure was Rs. 133,435,067, a sum of Rs.7,435,067 or 6 per cent had been incurred exceeding the net provision.</p> | <p>The accurate estimates should be prepared in accordance with Financial Regulations 50.</p> | <p>The Treasury has not been made aware of that compulsory savings would be made within the expenditure object.</p>   |
| <p>(d) The savings after deducting the expenditure from the total net provision for 05 expenditure objects in the Wildlife Sector was Rs.323,465,750 and it had ranged from 51 per cent to 100 per cent.</p>  | <p>The accurate estimates should be prepared in accordance with 50 Financial Regulations.</p> | <p>The provisions have been saved due to the reasons such as payment of building rent through that Ministry when relocation of the Wildlife Division to another building, utilization of excess office equipment of another Ministry, limits made in capital expenditure and decided not to hold the CITES Conference in Sri Lanka.</p> |

## 2.2 Commitments and Liabilities Entered Into

### Audit Observation

### Reommendation

### Comments of the Chief Accounting Officer

It had been entered into commitments and liabilities exceeding the savings in 07 expenditure objects amounting to Rs.103,073 by Rs.528,650 non-compliance with the instructions in Paragraph 3.4 of State Accounts Circular No. 271/2019 dated 03 December 2019 .

Actions should be taken in accordance with Financial Regulations.

The relevant bill which was not settled in the previous year is a liability to be settled in the next year. Further, it has been allowed to enter into such commitments such for services and supplies that are recurring annually under Regulation 94 (2) of the Financial Regulations.

### 3. Operating Review

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#### 3.1 Planning and Procurement

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The following observations are made.

<b>Audit Observation</b> -----	<b>Reommendation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----
<p>(a) A USD 517,235 receivable from the CITES Secretariat in Geneva in accordance with the CITES Agreement had not been recovered even by the date of audit.</p>	<p>Actions should be taken to obtain the relevant funds promptly.</p>	<p>It has been agreed to deduct the initial cost from the amount paid as per the hosting agreement and actions are being taken to recover that amount.</p>
<p>(b) It had been entered into an agreement with the supplier in April 2019 to rent the air conditioning and Marquee at a cost of Rs. 87.9 million and out of that an advance of Rs. 20 million had been paid in July 2019. However, only a sum of Rs.25.06 million had been disclosed to be recovered by 31 December 2019. The following observations were made in this regard.</p>		
<p>(i) Due to the shortcomings in the planning that occurred from the year 2016, the work which could have been completed at a cost of Rs. 26,451,150 had been completed at a cost of Rs. 36,695,350 since having to place the order in February</p>	<p>Necessary actions should be taken identifying the parties responsible for the additional expenses incurred.</p>	<p>As a result of a great deal of work to be completed promptly in the CITES Conference and having to meet that requirement in a short period of time, since the government factory cannot complete the relevant work</p>

2019 and finish the tables quickly. Accordingly, a sum of Rs.10,244,200 had to be paid as an additional overtime .

(ii) It had been deviated from Sections 6.2.2 and 3.1 of the Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka when calling for international bids for the installation and removal of the temporary building covers.

Actions should be taken in accordance with the Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka.

during normal working hours and it was informed that overtime work should be obtained for this and actions has to be taken accordingly.

Agreed. It has been acted optimally within the short time left due to the reasons such as very short time period remained for the conference when the subject was assigned to this Ministry, having to improve national competitive bidding documents in a very short period of time and convert them into international competitive bidding documents, other several complex procurements have to be carried out simultaneously due to the fact that in addition to this procurement.

### 3.2 Management Weaknesses

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The following observations are made.

#### Audit Observation

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#### Reommendation

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#### Comments of the Chief Accounting Officer

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(a) The Bandaranaike Memorial International Conference Hall had agreed to undertake the tables paying 50 per cent of the cost after the conference. However, since it had not entered into any agreement with the Ministry and

It should enter into agreements with outside parties with a formal agreement.

This transaction has not happened because it had informed that it was unable to pay since the lack of money due to the decision taken not to hold the conference in Sri Lanka, as a

the institutions in this regard, the institution had refused to purchase the tables.

- (b) Although a sum of Rs.105,700,000 had been spent on the construction of temporary buildings with the assistance of the three Armed Forces, the goods purchased had not been physically inspected and the relevant copies of inventory certificates were not furnished to audit.

Relevant documents should be furnished to audit.

result of the expected income has not been received to the Bandaranaike Memorial International Conference Hall.

The various matters of the conference has been handed over to the Army, Navy and Air Force on the decisions of the sub-committee appointed by the Cabinet of Ministers and are included in the stock documents of those institutions.

### 3.3 Keeping Securities by Public Officers

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#### Audit Observation

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The officers who were in charge of receiving government money, revenue, stamps and stores and who were administratively responsible and the officers responsible for the government account had not made securities in accordance with the Security Ordinance in terms of the provisions of Financial Regulation 880 .

#### Reommendation

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The Relevant officers are required to keep securities in accordance with Financial Regulation 880.

#### Comments of the Chief Accounting Officer

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The process of making Securities has not yet been completed and at present, the relevant security procedure has been commenced through the Public Service Mutual Guarantee Association.