

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Convention Bureau for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Financial Act No. 38 of 1971 . My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Sri Lanka Convention Bureau as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in Paragraph 1.5 of this report.

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 qualified opinion.

1.3 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 intend 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.

1.4 Auditor's Responsibility in Auditing 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 skepticism 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.
- Obtained 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 Bureau'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 to cease to continue as a going concern.
- Evaluate the structure and content of the financial statements, including disclosures, and the transactions and events on which the content is based are appropriately and fairly included in the financial statements.

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 it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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<p>(a) The error occurred in overestimation of motor vehicle accumulated depreciation provision account by Rs.3,158,500, underestimation of revaluation gain by Rs.3,000,000 and underestimation of accumulated fund by Rs. 158,500 due to inaccurate adjustment made for the motor revaluation accounts in the year 2017 had not been rectified even in the year under review. Further, the motor vehicle depreciation of the year under review amounting to Rs.773,557 had not been accounted for.</p>	<p>Arrangements will be made to identify the accounting deficiency in respect of motor vehicles and to rectify them.</p>	<p>Errors made in the preceding year should be corrected in the year under review.</p>

(b) Since the provision for depreciation amounting to Rs. 72,896 had been made in the year under review for the totally depreciated furniture and fittings cost at Rs. 728,967 by the end of the preceding year, the depreciation expenses for the year under review had been overstated by that amount in the financial statements.

Actions will be taken to correct the provision for depreciation made during the year under review.

The provision for depreciation should be adjusted accurately.

1.5.2 Lack of Evidence for Audit

Item	Amount	Audit Evidences Unavailable	Comments of the Management	Recommendation
	Rs.			
(a) Furniture and fittings	728,967	Detailed schedule or Board of Survey Reports	Actions are being taken to correct in future.	The evidences should be furnished.
(b) Funds provided to Embassies during the year under review for conducting meetings, incentive travels, convention and exhibitions	6,336,020	Expenditure details and certified payment vouchers.	The relevant payment reports will be submitted after the payment is made.	Expenditure details and certified payment vouchers should be submitted.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The instances of non-compliance with laws, rules, regulations and management decisions are as follows.

Reference to Laws, Rules, Regulations, etc.	Non-compliance	Comments of the Management	Recommendation
(a) Scheme of Recruitment of the Bureau approved by the Department of Management Services on 18 August 2010	Appointing an officer who had not completed the required service experience apart from the Scheme of Recruitment of the Bureau, a sum of Rs.3,825,643 had been paid from 25 June 2018 to December 2019 as salaries, fuel and vehicle allowances, telephone allowances, official foreign travel allowances and health insurance contributions.	Since she was the only applicant who received vocational training in the relevant field when considering the number of applications received and the experience required for it, her position as Junior Manager from 14 July 2006 to 30 January 2013 (JM level) had been considered.	The relevant qualifications in line with the Scheme of Recruitment should be fulfilled.
(b) Guideline 8.9.1 of the Government Procurement Guidelines dated 25 January 2006 by the National Procurement Agency	Although after issuing the contract awarding letter as per the Guidelines, a formal agreement should be entered into at the same time, though a service contract amounted to Rs.5,900,000 had been awarded to an external party for the development of a Strategic Plan for the year under review, a formal agreement had not been entered into. Despite these agreements had not been signed, an advance of Rs.1,180,000 had been paid without obtaining any security bond for that contract.	A statement of agreement of the relevant contractors have been obtained with the relevant contract awarding letter.	An agreement should be entered into in accordance with the Guidelines.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a deficit of Rs. 253,518 and the surplus for the preceding year as against to that was Rs. 88,486,989 . Accordingly, a deterioration of Rs. 88,740,507 was observed in financial results.. The decrease in income on Tourism Development Levy by Rs.45,015,713, increase in marketing related expenditure by Rs. 41,004,551 had mainly attributed for this deterioration.

3. Operational review

3.1 Underutilization of Funds

Audit Observation	Comments of the Management	Recommendation
----- Although the average idle bank balance remained in the bank account of the Bureau during the year under review was Rs. 216 million, actions had not been taken to invest this idle balance in a higher return investment making a forecast of the working capital requirement of the Bureau.	----- It is expected to act on this in future.	----- Attention should be drawn on investing funds in a high return investment.