

Sri Lanka Tourism Promotion Bureau - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Tourism Promotion Bureau for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 Tourism Promotion Bureau as at 31 December 2021, 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 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 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 Scope of Audit (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 Audit Observations on the preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Comments of the Management	Recommendation
----- Although, assets and liabilities should not be offset and shown in the financial statements in terms of the Standard No: 01, bank overdraft of Rs. 67,021,766 had been offset against the cash balance and shown in the financial statements.	----- Sri Lanka Tourism Promotion Bureau has not obtained a bank overdraft. The details of its main account and the relationship between fund management accounts are shown in Note No.02.11. In issuing cheques by the Bureau, relevant money of it will be automatically transferred from the fund management account to main account by the bank and will maintain the minimum amount. The main objective of this was to automatically transmit the money held in the main current account which was uncleared into this joint account daily and then to	----- Assets and liabilities should not be offset in accordance with the Sri Lanka Public Sector Accounting Standard.

earn an interest. It is informed that the interest income earned during the year 2021 as such was amounted to Rs.6,081,183. Therefore, it is informed that the Bureau has not obtained an overdraft and those two accounts are interconnected.

1.5.2 Unreconciled Accounts or Records

Item	as per Financial Statements Rs.	As per corresponding Record Rs.	Difference	Management Comment	Recommendation
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(a) Advances given to foreign missions for promotional activities	44,058,829	7,459,607	36,599,222	As per the instructions given by the Ministry of Foreign Affairs, without an involvement of the institute directly, through the Ministry of Foreign Affairs, the process of obtaining the confirmations of balances and transactions is already being conducted.	Balances as at the end of the accounting year should be obtained from the missions.

(b) Payable amount to Sri Lanka Tourism Development Authority	80,305,873	124,913,509	44,607,636	The main reason for this difference is showing the building rent and the cheque issued by the Sri Lanka Tourism Promotion Bureau valued at Rs.6,054,536.60 as receivable balance by the Sri Lanka Tourism Development Authority.	Receivable/payable accounts between the institutes should be reconciled.
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1.6 Accounts Receivable and Payable

1.6.1 Accounts Payable

Audit Observation	Comments of the Management	Recommendation
There were accrued expenses aggregated to Rs.3,778,427 which was outstanding ranging from year 01 to year 07 and not settled even as at the end of the year under review. However, actions had not been taken to write off such balances against the income after verifying the balances of which further liability could not be established.	This amount has already been reduced up to Rs.2,346,114.28 by now and it would be informed that actions will be taken to settle the remaining balances as well.	Actions should be taken to settle the accrued expenses without delay and to write off the balances of which further liability could not be established against the income.

1.6.2 Advances

Audit Observation

Comments of the Management

Recommendation

(a) As per the agreement entered with an institute of China for a promotional program of that country on 28 February 2019, an advance of Rs.25,006,463 (US Dollar 137,600) had been paid and due to the Easter Sunday attack, the program had been stopped in the middle. Further, on behalf of the promotional program named as "Riyadh Travel Fair 2020" which had been planned to hold in Middle East, a sum of Rs.8,120,991 had been paid to a private institute in 2019 and due to the covid situation, that program had been postponed. However, steps had not been taken either to commence these events again or to recover the advances even as at the end of the year under review.

China promotional program has been stopped in the middle with the Easter Attack and the completed work up to that time is being calculated by an internal committee. It has been agreed either to reimburse the money paid for the reservation of the space related to Riyadh Travel Fair 2020 to the Bureau or to utilize for the promotional programs scheduled to be held in the future. To obtain a final decision of this, it has been decided to submit for a Board of Director's meeting in the future.

Actions should be taken to recover the advances without delay if the programs are not been held.

(b) Advances remitted to missions from the year 2017 to the year 2019 for promotional activities in foreign currency amounting to Rs.2,030,236 could not be settled even as at the end of the year due to non-submission of bills and the outstanding period was ranging from 29 months to 49 months.

Hence, institute cannot involve directly settling these advances; actions are being taken through the Ministry of Foreign Affairs regarding the receivable money and advances.

Actions should be taken to settle the advances without any delay.

(c) Actions had not been taken to settle the advance given in 2010 amounting to

After forwarding this to Audit and Management Committee, it was directed

Actions should be taken to settle the advances without any

Rs.1,575,000 even as at the closing date of the year under review.

to appoint a Committee to check about local advances and actions are now being taken regarding this. delay.

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

Following observations are made.

Reference to Laws, Rules, Regulations, etc.	Non-compliance	Comments of the Management	Recommendation
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(a) Sub-section 09 of Paragraph 40 of Chapter VII of the Tourism Act No. 38 of 2005.	Reports, publications and plans required to be submitted on the activities of the year had not been submitted to the Minister before the expiration of three months from the end of each year in terms of the Section.	It was noted down to submit to the Minister in the future as prescribed.	The reports, publications and plans should be submitted to the Minister on time.
(b)Financial Regulations 102 and 104 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	Actions had not been taken in respect of misplaced three laptops valued at Rs.308,700 in terms of Financial Regulation.	It was kindly informed that it is expected to check this incident again and to take actions as prescribed by the financial regulations.	Actions should be taken regarding the misplacement in accordance with the Financial Regulations.
(c)President's Circular No. CSA/2/3/4 of 21 February 2006.	(i) Although, it was informed that the Minister and the Secretary of the Ministry should not go abroad together, both of them had participated for the promotional program held in France from 05 to 08 of October 2021 and any	It is informed that the relevant payment had been made after obtaining prior approval from the Board of Directors of the Promotion Bureau and the approval of the President Secretary on the recommendation made by the Secretary of the Ministry of Tourism.	Adherence to the circular is required.

special reason for that had not been revealed. An expenditure of Rs.2,535,970 had been paid by Bureau's money for two of them as accommodation, incidental and air tickets.

- (ii) Although, it was informed that the participation for foreign travels should be minimized, the coordinator of the tourism advisory committee of the Tourism Development Authority, head of the Minister's Media Unit, deputy chairman of the Civil Aviation Authority and a member of parliament had participated for the promotional programs held in France, Russia and Ukraine and a sum of Rs.7,135,173 had been paid as accommodation, incidental allowances and air tickets for them.

It is informed that Adherence to the payments had been made on the approval given by the President's Secretary in his letter dated 01.10.2021. circular is required.

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| | <p>(iii) Although, it was informed that the participating time should be necessarily minimized including the travelling time, the coordinator of the tourism advisory committee of the Tourism Development Authority, head of the Minister's Media Unit and the deputy chairman of the Civil Aviation Authority had participated 7 days before for the promotional program held in Russia and Ukraine from 06 to 10 of September 2021 and an extra of Rs.2,363,017 had been paid for them as accommodation and incidental allowances.</p> | <p>It was decided at the board meeting held on 22.09.2022 that the coordinator of the tourism advisory committee, Secretary of the Ministry, Coordinating Secretary and the Minister of Tourism should participate for this promotional program. Further, it was decided to join a member of parliament also at the board meeting held on 2021.10.02. Accordingly, in adding an estimated cost of participants amounting to Rs.3,387,300 for 5 persons, total estimated cost was amounted to Rs.8,860,500. However, actual participation cost of Rs.6,554,910 had been paid.</p> | <p>Adherence to the circular is required.</p> |
| <p>(d) Public Enterprises Circular No. 01/2021 of 16 November 2021.</p> | <p>Although, accounts should be handed over to the Auditor General within 60 days after the close of the financial year, accounts had been submitted on 25 July 2022 which was in 147 days of delay.</p> | <p>Agreed.</p> | <p>Adherence to the circular is required.</p> |

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| (e) Public Administration Circular No.07/2015 of 26 March 2015. | Although, Rs.10,000 can be paid as festival advance as per the circular, it had been increased up to Rs.25,000 with the approval of the Secretary of the Ministry and the Board of Directors. Accordingly, a sum of Rs.1,170,000 had been additionally paid for 78 employees as festival advances during the year under review. | At the time of forwarding the request for the approval for bonus from the Secretary, giving an allowance of Rs.25,000 for all the employees as festival advances had been approved by the Secretary. Recommendation and approval to increase the festival advance has been given by the Secretary of the Ministry. | Adherence to the circular is required. |
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2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs.649,371,283 and the corresponding surplus for the preceding year was Rs.328,088,281. Accordingly, an improvement of Rs.321,283,002 was observed in the operating results. Increase in income from tourism development levy by Rs.192,847,570 and decrease in trade expenses by Rs.108,922,280 were the main reasons for this improvement.

3. Operational review

3.1 Uneconomic Transactions

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) Trade mark of the Bureau currently is “So Sri Lanka” and the trade mark till 2018 was “Wonder of Asia”. Accordingly, 398 flags with “Wonder of Asia” mark and each valued at Rs.4,300 had been remained in the stores without any use as at the closing date of the year under review and the value of those was Rs.1,711,400.	Flags with the trade mark of “Wonder of Asia” have been used by the Bureau for promotional programs. However, with the change of the trade mark as “So Sri Lanka” by a decision of the management, these flags cannot be used.	Considering the requirement, purchases should be made.

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| <p>(b) 38 Web Cameras, purchased prior to the year 2015 of which cost could not be identified had been kept at the stores as at the closing date of the year under review without usage.</p> | <p>These cameras had been ordered for the IIFA festival in 2010 and after closure of the festival had been returned to the stores. It was informed in writing to the information technology division to check whether these cameras could be used or not. After receiving that report, these cameras can be used for a useful work. Verification team has observed these cameras and has entered in the reports also.</p> | <p>Actions should be taken after considering the requirements of the entity.</p> |
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3.2 Transactions in Contentious Nature

Audit Observation	Comments of the Management	Recommendation
<p>A coordinator of a ministerial advisory committee had been given 140 litres of fuel monthly, a vehicle and a driver considering as a head of a Department or equivalent to a senior assistant secretary and aggregating to Rs.2,874,290 had been paid as vehicle rent, fuel, driver's salary, overtime and subsistence during the year under review. However, no any assurance was available for the works performed by the advisory committee.</p>	<p>Assigning duties and confirming the duties performed was done by the ministry and only the reimbursement of expenses was done by the Bureau. Further, it is better to inquire from the ministry for additional information as files related to this are maintained by the ministry.</p>	<p>When the expenses are reimbursed, return should also be evaluated by the Bureau.</p>

3.3 Procurement Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) In concurrent to the promotional program held in France from 05 to 08 of October 2021, a promotional evening should also be held on 06 October 2021. However, as per the advices given by the minister, without conducting the evening on that day, it had been again held on 09 of November 2021. Accordingly, tourism minister, coordinator of the tourism advisory committee and an officer of the Promotional Bureau had participated for the event and an additional expenses of Rs.2,999,699 had been incurred. If the tourism promotional evening was held parallel to the promotional program, such expenses could have been avoided.</p>	<p>Direct flight operations had been planned jointly by Sri Lankan Air Lines and France Air Lines for the winter season. Concurrent to this launch with the view of promoting Sri Lanka among the tourists, it was decided to hold this promotional evening on 06.10.2021.</p>	<p>Extra expenses could be avoided if the promotional evening had been concurrently conducted with the promotional program.</p>
<p>(b) In contrary to the Paragraph 2.14.1 of the Supplement 32 of 25 March 2020 which should be used in conjunction with the Procurement Guideline in 2006, an agency had been selected to handle the promotional program which was held in Russia and Ukraine from 06 to 10 of October 2021 on the decision of the Board of Directors on 17 August 2021. However, without stating the reasons specifically for the deviation from the procurement process, a sum of Rs.10,956,871 had been paid to an agency for handling the programs.</p>	<p>Answers have been submitted on 16.06.2021 for the letter No. TIP/A/SLTPB/21/AQ/06 of 31.03.2021.</p>	<p>Compliance to the Supplement which should be used in conjunction with the Procurement Guideline is required.</p>

4. Accountability and Good Governance.

4.1 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
<p>The Bureau had not prepared a strategic plan covering the year under review and the objectives which should be achieved had not been clearly identified even in the action plan prepared for the year 2021. Due to that reason, projects and activities which were shown in the action plan had not been directed towards achieving Bureau's objectives. Although, 71 per cent out of the total expenditure of the Bureau had been spent on marketing activities, a marketing plan had not been prepared for the year under review to identify the priority areas of which promotional activities should be launched.</p>	<p>Covid pandemic situation was a greater obstacle to attract tourists and it was disturbed to Tourist Promotion Bureau in preparing a strategic plan and a work plan. This situation has now become normal and a strategic action plan and a corporate plan have been prepared for 2022-2025.</p>	<p>A strategic plan and an action plan of which objectives to be achieved are clearly identified should be necessary.</p>