

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Tourism Promotion Bureau for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 Finance 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 Bureau as at 31 December 2018, 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 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

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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 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 of the Bureau.

1.4 Auditor's Responsibilities for the Audit of the 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 scepticism 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.
- Obtain 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 the Bureau to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Bureau has performed according to its powers, functions and duties; and
- Whether the resources of the Bureau 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

Audit Issue	Comments of the Management	Recommendation
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The building rent amounting to Rs.61,565,855 to be paid to the Sri Lanka Tourism Development Authority by the Bureau from the year 2010 to the year under review had not been disclosed in the financial statements.	A mutual agreement had not signed legally between the Bureau and the Authority on building rent and action will be taken to account after signing an agreement between the two parties.	The rent paid should be disclosed in the financial statements

1.5.2 Documentary Evidences not made available for Audit

Item	Amount Rs.	Evidences not made available	Comments of the Management	Recommendation
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Unsettle advances granted for 12 embassies	31,131,053	Balance Confirmations	Actions are currently being taken by the Bureau to confirm this balance.	Balance confirmations should be submitted immediately

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

Audit Issue	Comments of the Management	Recommendation
The balance of Rs.3,304,920 was outstanding over 4 years included in the balance of Rs.1,060,254,984 receivable for the end of the year under review.	The balance of Rs.3,304,920 had shown as more than 04 years had accounted as provision for doubtful debts in 2016 final accounts. The action will be taken to remove those balances from the accounts on approval after presenting to the Audit and Management Committee in the future by the Tourism Promotional Bureau.	The balance receivables should be recovered immediately.

1.6.2 Accounts Payable

Audit Issue	Comments of the Management	Recommendation
The creditors' balances consisted of a sum of Rs.8,103,211 had shown under miscellaneous creditors since more than 03 years and a sum of Rs.2,344,090 since less than 03.	After this identification, the Tourism Development Authority had been informed and action will be taken on the agreement of both parties.	That the outstanding balance should be paid immediately

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc. were as follows.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Sub Section 09 of Section 40 of Chapter VII of the Tourism Act No.38 of 2005	The reports, statements and plans to be presented about the activities of the Bureau during the year before expiring three months after closing each calendar year as per Section had not been furnished to the Minister.	Agree with the audit observation and action will be taken accordingly in future	Reports and plans should be submitted to the Minister in accordance with the provisions of the Act.

(b) Financial
Regulations of
the Democratic
Socialist
Republic of Sri
Lanka

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|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| (i) Financial Regulation No.102 and 104 | Actions had not been taken as per Financial Regulations relating to a loss of three laptops valued at Rs.308,700. | The Human Resources and Administration Division had been informed to investigate the unidentified items which had been disputed there. | That the actions should be taken on damages as per regulations |
| (ii) Financial Regulation No.169(2) | Actions had not been taken in accordance with this regulation relating to 03 returned cheques valued at Rs.220,000 during the year 2016. | Action will be taken to recover this amount in the future. | That the action should be taken relating to returned cheques as per F.R. |
| (iii) Financial Regulation No.757 | A fixed asset verification for the year under review had not been carried out. | The Fixed Assets verification Report for 2018 has just been completed. | That the fixed asset verification should be conducted in a timely manner. |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.1,675,032,291 and the corresponding surplus in the preceding year amounted to Rs.1,929,150,032. Therefore, a deterioration amounting to Rs.254,117,741 of the financial result was observed. Increase in embarkation levy by Rs.312,299,139 and increased in trade related expenditure by Rs.508,510,397 during the year under review had mainly attributed to this deterioration.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

Audit Issue	Comments of the Management	Comment of the Management
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(a) Although the expenditure incurred on 6 countries increased in the year under review compared to the previous year, the growth rate of tourist arrivals in those countries had declined during the year under review.	That the expenditure had increased as a result of attending to a major tourism fair in China, setting up stalls for tourism fair in Indonesia and Thailand and hold a special festival in addition to conducting programs in Malaysia.	That the action should be taken to increase the growth rate of tourist arrival.
(b) According to the action plan, there were 152 marketing promotion events planned to be performed during the year under review in 28 major countries and out of that, the completed number was 89.	External advertising campaigns and consumer trade fairs planned for conducting in United States, Malaysia, Germany, France, Australia, Japan, Scandinavian, Switzerland, Austria etc. were not implemented due to situational decisions had been taken by the management.	That the action should be taken according to the action plan.