

**1. Financial Statements**

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**1.1 Unqualified Opinion**

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The audit of the financial statements of the Ministry of Tourism Development and Christian Religious Affairs for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 and Christian Religious Affairs was issued to the Chief Accounting Officer on 31 May 2019 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 31 May 2019 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, the financial statements give a true and fair view of the Ministry of Tourism Development and Christian Religious Affairs as at 31 December 2018 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

**1.2 Basis for Unqualified 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 and 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:

- 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.
- It is not intended to express an opinion on the effectiveness of internal control of the Ministry to plan appropriate audit procedures in a timely manner.
- Evaluate Structure of Financial Statements Including Disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- That the transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements 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 (d) and Section 38 of the National Audit Act No. 19 of 2018.

- (a) As there was no need to prepare financial statements by the Ministry of Tourism Development and Christian Religious Affairs for the previous year, it was impossible to declare the financial statements for the year under review were consistent with those of the previous year.
- (b) As there was no need for the Ministry to prepare financial statements for the previous year, the recommendations for the financial statements of the preceding year had not been furnished.

## 2. Financial Review

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### 2.1 Expenditure Management

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
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The total net provision made available for 03 Objects amounted to Rs. 350,300,000 had been saved.	Accurate Expenditure Estimates should be prepared in accordance with the Financial Regulation 50 .	Since a Deputy Minister was not appointed there was no need to pay rent and the Project proposed through the Budget Proposals amounted to Rs. 300 million has been taken over by the Ministry of Finance and not obtaining imprests to settle the bills for projects implemented by Sri Lanka Tourism Development Authority.

**2.2 Entered in to Liabilities and Commitments**

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
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Although the it should be entered into liabilities only if the financial provisions are available in the Annual Estimates in terms of Financial Regulation 94, it had been entered into commitments amounting to Rs. 1,887,833 over the savings of 03 operational programmes.	Actions should be taken in terms of Financial Regulations.	The bill for the month of December of the related year is liable to be paid in the following year.

**3. Operating Review**

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**3.1 Not Obtaining Desired Output Level**

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
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(a) The following observations are made in respect of the development activities carried out at the Kalladi Coastline in Batticaloa in the year 2016.		
(i) Even though since the estimated procurement cost of the Project was Rs.39.188 million, National Competitive Bids should be called for Procurement, the Limited Shopping Method had been applied.	Measures should be taken in accordance with the Finance Ministry Circular No. 04/2016 (i) dated 30 September 2016 .	The registration of contractors for the year 2016/2017 was done as per the applications received from the open competitive method by publishing in the newspapers. The quotations were called from those registered contractors.

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| <p>(ii) Even though any construction should not be done within the 45 meters of the Permanent Vegetation Line as per the license granted for the construction of 10 temporary stalls with 120 square feet per each and the 1346.8 square feet two storied temporary restaurants, a restaurant and five shops had been built within the unauthorized limits. Further, all the constructions made were permanent buildings.</p>                   | <p>Construction should be carried out in accordance with the regulations of the license issued for the construction.</p> | <p>This had been implemented under the supervision of the Department of Buildings and the Department of Coastal Conservation. The permanent structure of these stalls has been accepted and reported to the Department of Coast Conservation.</p>   |
| <p>(iii) The installation of solar street lights had been carried out incurring a sum of Rs. 30,000 per each under an item. A sum of Rs. 6,423,600 had been overpaid since it was agreed to a sum of Rs. 151,200 to install the same lights under an additional Expenditure item.</p>   | <p>Actions should be taken to recover the loss that can be disclosed.</p>  | <p>Implementation of projects related to the construction of such tourist centers had been carried out for the first time by the District Secretariat, when implementing the plans the abandonments that could be occurred during the execution was not taken in to consideration at the beginning was an acceptable matter. Attention will be paid to these matters in future.</p> |
| <p>(b) Even though it had elapsed 2 ½ years by handing over of the two hybrid houses built at a cost of Rs. 9,992,200 for the development activities of Sallativu Island in Batticaloa to the Korale Pattu Pradeshiya Sabha, due to lack of electricity and water, it had not been open to the tourists.</p>  | <p>It should be made available for the use of the tourists providing water and sanitation facilities.</p>                | <p>Korale Pattu North Pradeshiya Sabha has agreed to provide water facilities through the Bowers and the generator has been repaired and actions are being taken to provide electricity.</p>  |
| <p>(c) As per the agreement to create a beach park at Soukkady beach in Eravur, the works had to be completed on 30 December 2017. Nevertheless, due to the work was completed in a delay of 4 months, the amount due for the delay valued at Rs. 347,714 had not been recovered. Further, as a result of the shops built were not used for commercial purposes and the sanitary sites were not opened to the public, those had remained in</p> | <p>Actions should be taken in accordance with the contract agreement and provide benefits to the public.</p>             | <p>The measures will be taken to obtain a clarification from the Chief Secretary to the Eastern Province.</p>   |

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### 3.2 Public Officers required to give Security

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
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No securities had been obtained from the officers in the Ministry who were required to give securities in terms of the provisions of the Financial Regulation 880.	Arrangements should be made in accordance with Financial Regulations.	Necessary steps were taken to carry out the activities relevant to this with the instructions of the Treasury.