

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Tourism Development Authority (“Authority”) for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 Authority as at 31 December 2022, 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

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 Authority’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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority’s financial reporting process.

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

1.4 Audit Scope

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 Company'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 Authority'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 Authority 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 Authority, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority ;

- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) Although, the fair value related to the investment properties should be separately shown in the statement of financial position as per the Sri Lanka Public Sector Accounting Standard No.13, fair value of the leasehold land extent of 35 acres at Yala tourism development zone amounting to Rs.280,000,000 had not been shown in the financial statements.	Agree with the observation and take necessary actions to rectify within the financial year 2023.	Action should be taken to rectify within the financial year 2023.
(b) Action had not been taken to review the useful life time and residual value of fully depreciated assets bearing cost of Rs.451,545,750 at the end of the year under review, although those assets were in usable condition as per the paragraph 65 of the Sri Lanka Public Sector Accounting Standard No.07- Property, plant and equipment.	Agree with the observation. SLTDA has taken actions to solve this matter and currently this assignment is being conducted by KPMG after awarding the contract through the procurement process.	Action should be taken to review the useful life time and residual value of fully depreciated assets.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a) A sum of Rs.6,496,096 which had been given for the programs executed by each provincial councils from the year 2016 in view of providing facilities required for the tourists had been recorded in the books of accounts as work-in-progress under non-current assets of the statement of financial position instead of recognizing as the expenses of the year incurred.	Since these are expenses on generating of assets, total expenditure will be recognized in the books of accounts after completing the project.	Funds given for the programs executed by provincial councils should be recognized as the expenses of the year incurred.

(b) An amount of Rs.42,172,273 should be provided as per the policy of the provision for doubtful debts as at the end of the year under review. However, a refundable deposit of Rs.9, 901,715 furnished by lessees of the Authority had been deducted from the value of that doubtful debts provision. Further, an amount of Rs.262, 352 had been deducted from the above provision due to the impact of the credit balance of debtors. Thereon, the surplus for the year under review and current assets at the end of the year under review had been overstated by Rs.10,164,067 in the financial statements.

These deposits are available for the purpose of recovery of any due amount from the lessee at the moment where a lease contract is terminated / or end. Hence the risk of recovery of due amount is minimize to some extent. Accordingly that amount has been considered in calculation of provision for the bad debts. Agree with the observation of Rs.262,352 of credit amount adjusting to the calculation of provision for the bad debts.

Bad debts provision, refundable deposit and credit balance of debtors should be shown in financial statements separately and should not set off.

(c) Actions had not been taken to capitalize a sum of Rs.39, 171,324 incurred to acquire lands in Dedduwa area as assets and to account a sum of Rs.2,141,427 earned by the Divisional Secretary by banking the advance money as interest income receivable.

Still the acquiring project is in progress. Therefore it cannot be capitalized until the process is completed, and informed in writing by the divisional secretary to SLTDA. Once it is completed and informed, the necessary accounting treatments will be done in the books of accounts.

Necessary accounting treatments should be done in the books of accounts.

1.5.3 Un-reconciled Control Accounts or Records

Item Difference	as per Financial Statements Rs.	As per corresponding Record Rs.	Management Comment	Recommendation
(a) Receivable From Sri Lanka Tourism Promotion Bureau	28,408,182 2,229,444	26,178,738	SLTDA has sent the balance confirmation to SLTPB on 22 March 2023. However currently the said difference is being reconciling to tally the both balances.	Balances should be reconciled periodically and necessary steps should be taken to avoid the differences.
(b) Receivables From Sri Lanka Institute of Tourism And Hotel	9,023,930	-	SLTDA has sent the balance confirmation to SLITHM on 22 March 2023. However, since these balance are opening balances which are	Balances should be reconciled periodically and necessary steps should be taken to

Management			non-evidential and continued from the tourist board era, actions will be taken to write off with the proper approvals.	avoid the differences.
(c) Receivables 76,274,275 From Tourism Development Fund	150,278,449	226,552,724	The receivable amount from TDF is provided by TDF at the year end and it was calculated based on estimation for TDL and EL. SLTDA's Financial Statements have been reflected such estimated figure as per the written confirmation given by TDF. Accordingly, this estimation error will be rectified in the books of accounts within the financial year 2023.	Balances should be reconciled periodically and necessary steps should be taken to avoid the differences.
(d) Payables 1,116,032 to Sri Lanka Institute of Tourism And Hotel Management	6,512,810	5,396,778	As per the Authority records Rs,6,512,810 is an opening balance continuing from year 2010 with a schedule. However documentary evidences are not available for these balances. Hence will take necessary actions to write off these balances from the books of accounts after obtain the relevant approvals.	Balances should be reconciled periodically and necessary steps should be taken to avoid the differences.

1.5.4 Documentary Evidences not made available for Audit

Item available	Amount Rs.	Evidence not	Management Comment	Recommendation
(a) Long Term Certificates Investments	54,640,268	Investment	SLTDA has submitted the relevant request to the General Treasury so as to obtain the approval to write off these balances from the books of accounts.	Proper procedure should be followed to write off these balances from the books of accounts.
(b) Debit balance documents Of Capital Reserves	243,736,884	Source		

(c) Deposit receivable from foreign offices	3,661,032	Confirmations		
(d) Development cost	214,850,160	Development Register	Will take necessary actions to prepare the “Development Cost Register”	Actions should be taken to prepare the “Development Cost Register”

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
(a) Trade debtors totaling to Rs.102,321,232 which was 36 per cent of total trade debtors as at the end of the year under review, had not been recovered for more than 03 years period.	Dedicated officer from Resort management division has been appointed to implement the actions relating to the rental arrears of leased assets SLTDA. Further, a dedicated officer from Financial Management division will be appointed immediately for this purpose	Action should be taken to recover the debtors within the credit period and a surcharge should be imposed for overdue debtors.
(b) Sundry debtors amounting to Rs.5,832,396 which were 93 per cent of the total sundry debtors as at the end of the year under review, had not been recovered for more than 05 years period. Further, there was an unsettled opening balance of Rs.559,961 in sundry debtors.	Action will be taken to write-off the opening balance of Rs.559,961 since there are no written evidence to be found. Since balances relating to the petty cash settlement of resorts of Rs.163,816 have already been settled, actions will be taken to correct the books of accounts within the financial year 2023. The relevant parties have been informed to recover the other balances and following up.	Action should be taken to recover the debtors within the credit period and a surcharge should be imposed for overdue debtors.
(c) In the balance of deposits receivable of Rs.9,310,774, the amount of Rs.3,281,823 deposited for office rent abroad from 1989 to 2007 had not been settled even at the end of the year under review.	SLTDA has submitted the relevant request to the General Treasury so as to obtain the approval to write off these balances from the books of accounts.	Actions should be taken to write off applying the proper procedure
(d) According to a request made by the Ministry of Tourism to start a training program for three-wheeler drivers to provide transportation facilities to foreign tourists, the Ministry had agreed to reimburse the financial	This matter will be referred to the Audit and Management Committee and will take necessary actions according to their guidance.	Actions should be taken to recover the balance in the year 2023.

contribution for the "Tuk Tuk Program" started by the Tourism Development Authority. However, an amount of Rs.13, 227, 648 incurred in the years 2018 and 2019 had not been recovered even as at the end of the year under review.

(e) There were two no of cheques totaling to Rs.531,458 returned in 2011 and 2019 received from 02 holiday resorts had been remained as returned cheques in accounts without creating the debtor balance and no action had been taken to recover that amount even at the end of year under review.

(f) The Secretary of the Ministry of Tourism had participated in the annual meeting of the United Nations World Tourism Organization held in Spain from 30 November to 03 December 2021 and the cost incurred by the Authority amounting to Rs.1,398,426 had not been reimbursed by the Ministry even as at the end of the year under review.

(g) Aggregate values of arrears in rental income due from 34 guest houses as at the end of the year under review was Rs.29,217,012 and out of which the arrears rental income over 4 years was Rs.13,030,560 or 45 per cent from total arrears. It was observed that the actions taken to recover those were not in a satisfactory level. Further action had not been taken to lease out 07 guest houses which had been vacant for more than 04 years to date.

The legal action is going for these lessees to recover this amount. Meanwhile we will take necessary steps to transfer under the name of the particular debtor.

The Secretary of the Ministry of Tourism and the Director General of the Tourism Development Authority were invited in writing to participate in the General Assembly of the UNWTO organized by the United Nations World Tourism Organization which was held on November 9, 2021. According to this, we have organized the necessary logistics with the approval of the Board of Directors.

Due to the effect of Ester Sunday attack and COVID – 19 epidemic, the business were almost zero for reasonable period starting from 2019 onwards. Therefore most of the Rest Houses had not generated revenue. As a result the rent arrears were raised. But at present SLTDA appointed 02 dedicated officers from to collect the said arrears.

Actions should be taken to restate the debtor balance and recover early.

Cost of another institution should not be borne by another institution. Therefore, this amount should be reimbursed from the Ministry.

Action should be taken to recover the rent income arrears early.

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
(a) Out of the balance of deposits and other payables of Rs.159,397,435 as at the end of the year under review, the unidentified and un-presented cheques value was amounted to Rs.4, 275,041.	Unclaimed cheques will be cleared based on the requests made by the relevant customers.	Actions should be taken to clear the payable amount in the year 2023.
(b) Although, an aggregated amount of Rs.2,180,326 related to UNICEF organization, holiday resort current account, Kuchchaveli and Passikudah had been shown as payables from the year 2010 to the year 2013, actions had not been taken to identify those accounts and settle even as at the end of the year under review.	Will take necessary actions to reconcile the transaction of these balances and actions will be taken accordingly.	Actions should be taken to clear the payable amount in the year 2023.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Tourism Act No. 38 of 2005 (i) Section 26(3)	Although, actions had been initiated for the preparation of master plans related to the tourism zones identified, regulations had not been made regarding the tourism activities, commercial and other activities that can be carried out within those zones declared even as at the end of the year under review.	Not given	Regulations should be made regarding the tourism activities, commercial and other activities that can be carried out within those zones declared.
(ii) Section 48(4)	Although the enforcement unit of the authority proposed to take legal actions against 504 no of the unregistered entities identified in the period from August 2018 to July 2022, actions had not been done so even as at the end of the year under review.	While the enforcement unit has identified unregistered entities, several factors have contributed to the delay in taking legal actions. However, the organization is now in a position to	Legal action should be taken against the unregistered entities.

		proceed with enforcement measures, except for the need to gather sufficient evidence.	
(b) Operational Manual for State Owned Enterprises (SOE) dated 16 November 2021 i) paragraph 2.3	All SOEs are required to adopt their own Administrative and Financial Manuals in line with the relevant provisions of this Manual and should be approved by the Board of Directors. However, no Administrative and Financial Manuals had been prepared and approved by the Authority to date.	The two separate consultancy procurements have been already commenced to obtain resource persons to develop Administrative Manual and Financial Manual. Respective Departmental Consultancy Procurement Committees have been appointed and presently at document evaluation stage.	Early action should be taken to prepare the two manuals.
ii) paragraph 3.2	In addition to the allowance of Rs.4000 paid as transportation allowance of the institution, an additional allowance of Rs.6000 was arranged to be paid to employees from 01 October 2022 without approval of the Treasury with the recommendation of the Line Ministry. Accordingly, the amount paid as additional allowance as at 31 December 2022 was Rs.3, 305,700 for 185 officers for 03 months from October to December 2022.	The approval of the Hon. Finance Minister has been requested by the Hon. Minister of Tourism Lands and awaits the approval.	Treasury approval should be obtained.
iii) paragraph 3.4	It is required that each SOE has a succession plan. However, the Authority had not prepared a succession plan to date.	Not given	A succession plan should be prepared.

(c) Guidelines on Corporate Governance for State Owned Enterprises (SOE) dated 16 November 2021

i) paragraph 2.1

Same officer who had appointed as Chairman of the Authority had been appointed to the post of Director General as an acting appointment with effect from 01 February 2023 to date affecting the good governance of the Authority, although it is clearly mentioned to split the two roles of Chairman and Chief Executive Officer of a state owned enterprise. Further, when a post becomes vacant, it must not be filled on acting basis for indefinite periods and as a rule, an officer should hold only one permanent post as per the sentence (viii) of paragraph 3.4 of the Operational Manual for State Owned Enterprises (SOE) dated 16 November 2021. However, Chairman holds his acting post for more than 03 months to date and there was no specific period mentioned in the appointment letter of Acting DG by the Minister.

As per the powers vested under the section 10 (1) of the Tourism Act No. 38 of 2005, Hon. Minister of Tourism & Lands has appointed Mr.Priantha Fernando, Chairman of SLTDA as the acting Director General of SLTDA w.e.f. 01.02.2023 until a permanent Director General appointment has been made. It is important to note that this appointment should be considered as an interim measure, and a permanent CEO will be appointed in the due course.

Acting appointments should not be made for indefinite period violating good governance in future.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.579,760,623 and the corresponding deficit in the preceding year amounted to Rs.101,319,843. Therefore an improvement amounting to Rs.681,080,466 of the financial result was observed. The main reasons for the improvement are the increase in Embarkation Levy Revenue by Rs.295,943,528, increase in fees and licenses revenue by Rs.59,941,265 and increase in other income by Rs.151,232,924.

3. Operational Review

3.1 Uneconomic Transactions

Audit Issue	Management Comment	Recommendation
(a) There were 35 acres lands leased out to 5 companies in Yala tourism development zone in 2014 and another 16.8 acres lands were leased out to 2 companies in 2019 and	As per the Cabinet Decision taken on 14 August 2019 it was decided to cancel the lease agreement and allocate	Attorney General's advice should be obtained regarding all these cases.

2020. However, only 2 companies out of 7 leased companies were engaged in operational activities at the end of the year under review. Although, the Authority was informed by a leased company in 2014 about an interim injunction order issued by the High Court preventing from carrying out operations and the rent in arrears had been paid, the Authority had terminated the lease agreement in May 2020 citing "non-commencement of operations". The lessee filed a case in the Colombo District Court against the termination of the lease agreement and obtained an injunction against the Authority. However, arrangements had been made by the Authority on 22 October 2020, to lease this land to another company. The original lessee then had filed a case against it and without taking Attorney General's advice regarding all these cases, the services of private lawyers had been taken and paid a sum of Rs.3,475,000 as legal fees in the year 2021& 2022.

3.2 Identified Losses

Audit Issue	Management Comment	Recommendation
(a) The total loss of the 05 National Holiday Resorts owned by the Authority for the year under review and the preceding year were Rs.51,269,048 and Rs.72,533,150 respectively. Accordingly, there was a continuous loss of the five resorts in the year under review and the preceding year. However, sufficient attention had not been paid to minimize the loss of those resorts.	Not given	Action should be taken to run the National Holiday Resorts in a profitable way.
(b) Although the office aid assistant attached to the Chairperson's office had requested toners amounting to Rs.1,072,102 from the Sri Lanka Institute of Tourism and Hotel Management through goods requisition notes signed by the Chairperson on several occasions in the year 2020, they were not received to the authority's stores. The Director General of the Institute of Tourism and Hotel Management had informed the	Regarding the stolen toners and photocopy papers incident took place at SLTDA & SLTPB general stores, a disciplinary inquiry is already commenced at SLTDA and ongoing. In addition, there is a pending case at Magistrate Court, Aluthkade.	Action should be taken to allocate an officer to review the CCTV system regularly and strengthen the internal control system. Further, the charge sheets should be issued for responsible officers based on negligence and commence disciplinary

Chairperson and Director General of the Authority through an e-mail message about the said goods request, no internal investigation had been conducted on it even as at the end of the year under review. In spite of that, on 05 August 2021, the said office assistant and the office assistant attached to the Director General's office had stolen photocopy papers and toners worth of Rs.1, 234,540 from the stores. Even though their services were suspended, the laptop computer valued at Rs.198, 500 which had newly purchased had been misplaced in the resort management department on 24 August 2022. Accordingly, it is observed that due to the lack of active intervention of the management regarding the initial complaints and the weaknesses of the internal control systems, an environment in which frauds continue to occur had been created in the Authority.

After the incident, inquiry. preventive actions were taken mainly, the CCTV system was strengthened to ensure safety and security, and responsibilities were allocated, issued comprehensive guideline to the Security personnel. Regarding the recent incident of misplacement of a laptop in the Resorts Management division on August 2022, a complaint has been lodged at the Kollupitiya Police and an internal investigation was carried out. The charge sheets to be issued for responsible officers based on negligence and commence disciplinary inquiry.

3.3 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) The authority had paid a sum of Rs.6, 771,807 to the North Western Provincial Council for the bills submitted as at 27 October 2016 for the construction of a tourist information and facility centre (comfort centre) at Madurankuliya in Puttalam district. However, the authority had not released the money to a sum of Rs.5,846,556 of bills submitted as at 22 December 2016 for the remaining work indicating that the engineering certifications were faulty, even as at the end of the year under review. Due to this, the project had stopped in the middle and remained inactive. It was revealed at physical audit verification that the poor maintenance carried out to date had led to water leakage and rotting of the constructions.	Not given	Capital projects should be closely supervised and action should be taken to conduct capital projects in a cost effective manner.

(b) According to the investigations carried out by the enforcement unit from August 2018 to July 2022, 640 unregistered entities operating as tourism enterprises or tourism services had been identified. However, out of them, only 20 entities had registered even as at 03 July 2022. Accordingly, it was observed that the regulations conducted by the enforcement unit for the institutes that carried out business in the tourism sector informally were at a very low level. The management had not made a sufficient evaluation of the performance of this unit and a sum of Rs.13, 397,500 had been paid as allowances for the consultant, investigating officer and legal advisor of that unit from August 2018 to July 2022.

While the enforcement unit has identified unregistered entities, several factors have contributed to the delay in taking legal actions. However, the organization is now in a position to proceed with enforcement measures, except for the need to gather sufficient evidence.

Action should be taken against the unregistered entities.

(c) The Authority had entered into an agreement with a private company on 18 June 2011, to establish a sewage and waste water purification system for the hotels and related institutions within the Passikudah National Resort premises. Keeping the maintenance of the system, collecting fees from 14 hotels located in the premises and paying the amount so recovered to the above private company were the responsibilities of the Authority. The Authority had given the land of 118 perches required for the project. However, the amount due from 14 hotels was Rs.354, 623,534 from the year 2013 up to the end of the year under review, and proper measures had not been taken to recover the money. Further, the total amount to be paid to above private company as per the agreement was Rs.362, 971,725 exceeding the receivable amount from hotels. Although, an offer letter was issued to a joint venture in the private sector to get financial advice about the affordability to take over the system to the Authority at a cost of Rs.1, 644,750 on 20 April 2021, a final conclusion had not been taken even by the end of the year under review.

Not given

Action should be taken to come to a final conclusion early and minimize the losses to Authority.

(d) Lands amounting to 510.086 acres of Kuchchaveli had been taken over by the Authority in 2011 and 2014 for tourism development projects. Only 35 acres of these lands had been leased out to 2 companies in the year 2020 and 14 acres land had been leased out to another company in May 2021. However, there was only one company in operation out of the 3 leased companies as at the end of the year under review.

We have obtained all necessary approvals to sign lease agreements with 4 new investor projects totaling 46 acres of land. We also have received four more new proposals for Kuchchaweli Beach Resort which are in the evaluation stage by the DPEC (Development Project Evaluation Committee) appointed by the Secretary, Ministry of Tourism..

Action should be taken to attract capable investors for leasehold lands and commence operations early.

(e) The Authority had received 2057.90 acres of lands in 12 islands of Kalpitiya in 2010 and 2012, as free grants for tourism activities. Out of those 12 islands, only 206.74 acres of lands belonging to 05 islands had been leased out for 03 companies during the years of 2010, 2011 and 2020. However, none of those companies had commenced operations by the end of the year under review. Out of the leased companies, 2 companies had rent arrears of Rs.43, 275,455 and Rs.9, 063,277 respectively for 3 to 5 years.

Projects got delayed due to investors not getting relevant approvals water bungalows, an issue with fishing community, islands size not sufficient..etc. In May 2023, the SLTDA had signed 4 more lease agreements with 4 investors.

Action should be taken to attract capable investors for leasehold islands, corporate with them for obtaining relevant approvals and commence operations early.

However, due to infrastructure limitations and approval delays, the progress of the commenced projects even are slower than expected.

(f) The United Nations Development Programme on the Implementation of Biodiversity Finance Initiative (BIOFIN) had been implemented by the Authority from January to March 2019 incurring a total cost of Rs.15.1 million exceeding the approved cost of Rs.6.917 million by UNDP under the board approval. UNDP had granted only the approved amount and the balance Rs.8.183 million had been incurred through the funds of the Authority without proper cost benefit analysis. Quarterly progress reports had not been submitted to UNDP as per the agreement. Further, an officer who had retired on 08 June 2021 had participated in the summit of Global Tourism Sustainability Certification incurring a cost of Rs.455, 017.

Not Given

All programmes should be conducted in a cost effective manner to obtain the sole benefit for tourism sector in Sri Lanka.

Thereon, the service of that officer couldn't be obtained further. Moreover, there were only 31 hotels had been granted sustainable development certificates from 138 number of classified hotels as at 26 October 2022, no renewals had been made once in two years although it had left more than 03 years and no sustainable tourism inspectors trained to date.

(g) Action had not been taken to take over the ownership of a land in Mannar to date, though a sum of Rs.61,000,000 had been paid in 2019 by the Authority.

It is true that we have already deposited a sum of Rs. 61 Mn in 2019 with the Divisional Secretary of Mannar town to start the land acquisition process. Subsequently, the section two notices were also published for the land acquisition by the DS Mannar Town, but then there were some private owners who were not willing to give their lands for the identified purpose of tourism resort development. Thereafter, in the year 2022, based on the request of the DS – Mannar Town, a joint site inspection was made by the SLTDA officers together with the relevant officials accordingly, reduced land area of approximately 120-140 acres were identified with the agreement of all parties for the DS to proceed with the acquisition work and SLTDA is constantly following up on the same.

Land acquisition process should be followed up and taken over the land early.

(h) Action had not been taken to settle the advances paid more than 04 years ago on acquisition of land amounting to Rs.39, 227,275 and construction of buildings amounting to Rs.12, 264,582.

Comment was not clear.

Action should be taken to settle the advances immediately after the given work completed.

3.4 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
There were shortage of 108 items in 06 assets classes and excess of 139 items in 04 assets classes recognized in annual fixed assets verification at holiday resorts as at the end of the year under review. No action had been taken to rectify those shortage and excess items. Thereon, it was not satisfactory in audit regarding the internal control system of fixed assets.	Action will be taken to reconcile the excess and shortages revealed at the physical verifications of assets of National Holiday resorts.	Action should be taken to reconcile the excess and shortages in time.

3.5 Transactions with Contentious Nature

Audit Issue	Management Comment	Recommendation
A land of 50 perches in Resort area nearby Yala National Park owned by the Authority had been granted to a private company to establish a Leopard Research Centre under public private partnership with the Board approval on free of charge during the year 2021. It was observed a conflict of interest in signing the agreement and method of selecting the private company was doubtful in audit.	It is true that the chairperson who signed the lease agreement for the said 'Leopard Research Centre' at that time was a related party to the private entity involved in the agreement. However, the initial discussions about this project started in 2017 and all required consents/approvals were obtained during 2017-2019 period, where the final approval of the board of directors was granted in October 2019. During the said period, the chairperson in question was not at all connected or a part of the SLTDA and therefore we believe that this should not be considered as a conflict of interest.	Action should be taken to avoid transactions with conflict of interest.

3.6 Idle or Underutilized Assets

Audit Issue	Management Comment	Recommendation
(a) Out of the 37 guest houses owned by the Authority, 9 guest houses had not been leased out for a period ranging from two to eight years, so the property remained underutilized.	Not given.	Action should be taken to utilize the investment properties effectively.
(b) Although, a sum of Rs. 173,159,909 had been paid on land acquisition for tourism	Malaysian investor project was cancelled due to failure to fulfill	Action should be taken to utilize the

development project in Dedduwa and the process had been completed as per Galle District Secretary's letter No.DPS/LND/03/BAN/General and dated 20 June 2017, tourism development projects had not been commenced there even by the end of the year under review.

the condition of then Prime Minister and Tourism Ministry to transfer Rs.500 million to Sri Lanka in phase 1. Further, SLTDA is continuously working on demarcation clearance and avoid encroachment to attract investors.

investment properties effectively.

3.7 Delay in Projects or Capital Work

Audit Issue

(a) Dunhinda Ella Project had been started in February 2017 with the aim of constructing 20 eco-friendly stalls, 02 benches per stall, safety fence and a name board at a value of Rs.7, 488,133 and had expected to be completed by 15 of December 2017. As at 22 January 2018, only 10 stalls and name board had been constructed at an aggregated cost of Rs.2, 864,289 and the work had stopped. Nevertheless, Authority had decided to construct 5 more stalls in the year 2021 under Dunhindha Project- Phase II at a cost of Rs.2,350,000, the construction of 5 rooms in the original plan had been abandoned. Further, due to delay of 4 years, cost per room had been increased up to Rs.470, 000 of which cost per room then was Rs.272, 429. It was an increase of 72 per cent.

(b) A sum aggregating to Rs.32, 593,999 in work in progress account relating to Madurankuliya, Dunhinda Ella and Kalpitiya domestic tourism projects had been remained for more than 05 years period as abandoned projects.

(c) No physical progress achieved to date on the contract awarded on 01 January 2021 for the construction of Yala Entrance Gate and Resort office building to a sum of Rs.55,000,000 due to no proper feasibility study conducted and prior approvals taken from Department of Wild Life Conservation.

Management Comment

Not given

The projects has not been completed and once those are completed will do the necessary accounting adjustments in the books of accounts.

The Master Plan for Yala was developed by the SLTDA with the participation and inputs from all stakeholders including the Department of Wildlife Conservation (DWC). The construction of the SLTDA site office and entrance structure was a

Recommendation

Capital projects should be closely supervised and action should be taken to conduct capital projects in a cost effective manner.

Action should be taken to follow up capital projects closely and complete in an effective manner.

Action should be taken to follow up capital projects closely and complete in an effective manner.

part of this master plan and accordingly, the SLTDA invited bidders for construction of site office and entrance structure and a contract was awarded accordingly in January 2021. However, when the initial work started, the DWC based on objections made by certain parties informed SLTDA that the selected office location could have some impact on the free wild animal movement within the resort and after a joint site inspection, suggested an alternate location for the site office. However, when this procedure was completed, the country was going through the economic crisis resulting in extra ordinary increases in construction material costs and thus the awarded contractor declined to continue the project at the agreed contract value. Taking this into consideration and also the government’s direction issued to stop all construction projects, the SLTDA decided to stop the said work and consider the same in future.

3.8 Procurement Management

Audit Issue	Management Comment	Recommendation
<p>A procurement had been started in the year 2019 to supply and installation of 50 KW Solar Powered Electricity Generating System and Lightening Protection System to the Authority for a total estimated cost of Rs.15, 000,000. It had not been completed even at the end of year under review. Further, the approval of the Ceylon Electricity Board had not been obtained to date as decided in pre bid meeting held on 22 February 2022 and Technical Evaluation Committee had comprised only from the internal members of the Authority violating</p>	<p>The relevant technical evaluation committee is comprised of officers from Development, Resort management, and finance divisions and they are not directly involving the above-said project. Moreover, this project is done under the supervision of state engineering corporation (consultant). And also, DPC committee is comprised of a senior officer from the ministry</p>	<p>The relevant technical evaluation committee should be comprised from an independent person who is competent in technical matters. Further action should be taken to implement important projects efficiently and effectively.</p>

the Government Procurement Guidelines. of tourism. Therefore, the procurement process is done based on transparency and consistency.

3.9 Human Resource Management

Audit Issue	Management Comment	Recommendation
An officer who had interdicted by the letter of DG-SLTDA dated 12 January 2023, had been reinstated from 30 March 2023 as per a Board decision subject to issue a charge sheet and commence formal disciplinary action. The charge sheet dated 28.04.2023 had been issued to the above officer and the response received on 17.05.2023. The inquiry officer and prosecuting officer had been appointed by the SLTDA. However, no formal disciplinary action had been commenced to date.	The disciplinary inquiry to be commenced in the due course.	The disciplinary inquiry should be commenced and completed early.