

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Convention Bureau (“Bureau”) 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, the accompanying financial statements give a true and fair view of the financial position of the Bureau 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 Opinion

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

The under mentioned non-compliances were observed.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
a) Sub-section (b), (e) and (h) of the Paragraph 42 of Chapter VIII of the Tourism Act No.38 of 2005	Objectives of the Bureau to provide a common policy designed to ensure marketing of Sri Lanka as a venue in the tourism industry, to prescribe professional standards for persons or organizations involved in handling conventions, meetings, exhibitions and etc. and to provide guidance to the Promotion Bureau to promote Sri Lanka as a tourist destination, had not been fulfilled until the year under review.	The training programs conducted by the Bureau for the tourism industry work to establish professional standards. As scheduled in the SLCB annual activity plan SLCB Research Division conducted the SLCB MICE Training programme for the MICE sector as a full day workshop at the BMICH, A repeat training programme also conducted on well on 15 September 2022 in the northern region as a full day workshop at the Thinnai Hotel, Jaffna.	A common policy should be designed to ensure marketing of Sri Lanka as a venue in the tourism industry, to prescribe professional standards for persons or organizations involved in handling conventions, meetings, exhibitions and etc. and to provide guidance to the Promotion Bureau to promote Sri Lanka as a tourist destination.
b) Paragraph 11 of Part II of Finance Act No.38 of 1971	A short term investment of Rs.118,000,000 and a long term investment of Rs.32,000,000 had been made during the years of 2020 and 2021 without treasury approvals.	Request for approval for the short term and long-term investments has already been sent to the General Treasury.	Action should be taken to obtain the Treasury approval early.
c) Public Administration Circular No. 07/2015 dated 26 March 2015	According to the circular, the amount of Advance that can be	At the Board meeting 22 December 2022, Treasury	Additional payments should not be made without proper approval.

paid was Rs.10,000. Representative tabled a letter sent by the Secretary, Ministry of Tourism and Lands dated 13/12/2022 regarding the payment of Sinhala and Tamil New year special allowance in the year 2021 and 2022 without the treasury approval. Same was discussed in length and board advised to recover the payment of special allowance made for Sinhala and Tamil New year 2021 & 2022 from SLCB staff as per the Treasury directives. Recovery process has started from the month of January 2023 and considering the economic downturn, Management decided to recover the aforementioned amount by 20 equal installments.

d) Operational Manual for State Owned Enterprises (SOE) dated 16 November 2021
i) paragraph 3.2 (i)

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 07 employees from 01 October 2022 without approval of the Treasury with the recommendation of the

As per the directives received from the Hon. Harin Fernando, Minister of Tourism & Lands to increase the transport allowance from Rs. 4,000/- to Rs. 10,000/- to the Tourism Staff by virtue of powers vested in him as the Minister of Tourism,

As per the Department of Management Services Circular allowances should not be paid without obtaining the approval of the Department of Management Services of the General Treasury.

Line Ministry. in terms of section 15 Accordingly, the (2) (b) of the Tourism amount paid as Act No. 38 of 2005 additional allowance as by the letter dated at 31 December 2022 23.09.2022, an was Rs.126,000. information paper was tabled at the 27, October 2022 Board meeting. All the Board members except Treasury representative noted the information paper. Following to the board approval, the payment of travelling allowance has been made.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.95,382,436 and the corresponding surplus in the preceding year amounted to Rs.13,133,911. Therefore an improvement amounting to Rs.82,248,525 of the financial result was observed. The reasons for the improvement are the increase in Embarkation Levy Revenue by Rs.84,555,293 and increase in Call deposit interest by Rs.17,386,202.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue -----	Management Comment -----	Recommendation -----
A vehicle, which was sent to an institution for maintenance work on 24 November 2021, had returned after 1 year and 03 months after the relevant maintenance work. However, due to some further defects, the vehicle should have been sent back for maintenance, but the Bureau had arranged to pay 75 per cent of the bill value	SLCB visited the repair shop (Lakdiwa Engineering) few times with the Technical Officer and it was taken more than a year to complete the repair. The vehicle was returned to SLCB on 1st February 2023. The total repair cost was Rs. 1,179,686/-. Lakdiwa Engineering insisted the total payment to release the vehicle. However, SLCB negotiated 75% of the payment and agreed to release the balance payment within 30 days. SLCB was informed the vehicle was ready to be picked up couple of times. Every single time SLCB visited, there were issues identified	Vehicle maintenance works should be carried out efficiently and effectively and should be satisfied with the completed works before making payments.

of Rs.1,179,686 in the year 2023. and communicated verbally to attend. Finally, Lakdiwa Engineering insisted that we should pick up the vehicle. SLCB has not released the balance payment yet and plans to get directions from Secretary, Ministry of Tourism regarding the matter. While the balance payment of 25% pending Secretary directive, Lakdiwa Engineering insist the balance payment immediately.

3.2 Operational Inefficiencies

Audit Issue -----	Management Comment -----	Recommendation -----
<p>MICE Promotion Program– Bangladesh which was proposed to be implemented on 26 April 2022 had been actually conducted 4 months later, on 01 September 2022. It had been organized at a cost of 3,778,622. But it was observed that the expected arrival of 80 tourism officials was not at a satisfactory level. Furthermore, it was observed that only travel agents and 14 journalists had participated out of 90 MICE industry stakeholders and 30 journalists invited by the Sri Lankan Embassy in Dhaka. Moreover it was observed that the expected results of the programme had not been achieved at a satisfactory level due to problems such as lack of space in the premises where the programme was held, lack of internet facilities, breakdowns in power supply etc.</p>	<p>The programme was delayed due to prevailed situation in the country. The Board of Management advised to organize the programme at the Sri Lanka High Commission premises considering the forex issue faced by the country. If SLCB arranged the programme as planned at a hotel with the coordination with Public Relation Company, SLCB was able to get required numbers. The post event report clearly mentioned the issues experienced and same was submitted to the Board of Management and SLCB made recommendations to overcome such situations in future.</p>	<p>Actions should be taken to achieve the expected results of the programmes conducted by SLCB at a satisfactory level in future.</p>

3.3 Human Resources Management

Audit Issue -----	Management Comment -----	Recommendation -----
<p>As per paragraph 3.4 of Operational Manual for State Owned Enterprises (SOE) dated 16 November 2021, it is required that each SOE has a succession plan. However, the Bureau had not prepared a succession plan to date.</p>	<p>At present SLCB has no Succession Plan but SLCB will make arrangements to develop Succession Plan in future.</p>	<p>A succession plan should be prepared for the Bureau.</p>

4. Accountability and Good Governance

4.1 Corporate Plan

Audit Issue -----	Management Comment -----	Recommendation -----
As per Paragraph 2.3 of Guidelines on Corporate Governance for State Owned Enterprises dated 16 November 2021, the strategic plan should be prepared for a five years period and submitted to the Treasury. Further, The plan shall be updated each year in line with the changes in the business environment and shall be submitted to the General Treasury, not later than 15 days before the commencement of the ensuing year. However, a strategic plan for the Bureau had been prepared for the four years period from 2020-2023 and had not been updated to date.	SLCB will take necessary actions to prepare Strategic Plan for next five-year period and to update annually in line with the business environment changes.	The strategic plan should be prepared for a five years period; keep updated every year and submitted to the Treasury.

4.2 Internal Audit

Audit Issue -----	Management Comment -----	Recommendation -----
As per Paragraph 4.4 of Guidelines on Corporate Governance for State Owned Enterprises dated 16 November 2021, every SOE should have an Internal Auditor who report only to the Board through the Audit Committee. However, Assistant Manager – Internal Audit position of the Bureau had been vacant from 09 September 2022 to date.	Board approval had already requested to fill the vacate post. As per the directions received from Ministry of Tourism, recruitments are currently suspended by the government and advised to cover up duty of the Assistant Manager – Internal Audit by an internal employee until government lift the recruitment suspension. Recruitment process will start as soon as the government restrictions lifted.	Arrangement should be made to fill the position early.