

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Tourism Promotion 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, 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 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 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 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
Action had not been taken to recognize the foreign exchange gain amounting to Rs.32,782,245 on unsettled foreign advances amounting to Rs.42,911,308 provided to Missions on promotional activities as at the end of year under review in contrary to the paragraph 43(a) of the Sri Lanka Public Sector Accounting Standard No.05 – The effects of changes in foreign exchange rates. Further, the above mentioned unsettled foreign advances amounting to Rs.42,911,308 couldn't be verified in audit as no balance confirmation received either from Ministry of Foreign Affairs or relevant Missions and no detailed age analysis received from Bureau for the above balance.	The required foreign currency value is deposited with the Ministry of Foreign affairs (MFA) in Sri Lanka Rupees based on the rate of exchange prevailing at the date of payment to be remitted to the respective mission. MFA has informed that the accounts of both MFA and the missions are maintained in Sri Lankan Rupees and hence the amount deposited with the MFA will be taken as the received amount by the mission and the payment and the balance amount (if any) after the payments will be accounted by the mission accordingly.	Action should be taken to recognize the foreign exchange gain on unsettled foreign advances.

1.5.2 Un-reconciled Control Accounts or Records

Item as per Financial Statements	As per Difference Record	Management Comment	Recommendation
Rs.	Rs.	Rs.	
Payables 26,178,738 2,229,444	28,408,182	We wish to inform you that as per the 2021 accounts the difference in receivable and payable between SLTDA and SLTPB was Rs. 44,607,646 as a result of frequent discussion between parties we have been able to reduce the difference to Rs.2,229,444 by the end of year 2022. We are confident the accounts will be able to reconcile by the end of the year.	Balances should be reconciled periodically and necessary steps should be taken to avoid the differences.

1.6 Accounts Receivable and Payable

1.6.1 Payables

Audit Issue	Management Comment	Recommendation
(a) Outstanding creditor balances aggregating to Rs.12,457,980 for a period of 06 to 11 years had been remained unsettled as at the end of the year under review.	Due to the non-receipt of the required approvals and documents the payments could be affected and will be taking appropriate actions in this regard.	Appropriate actions should be taken in this regard and unsettled creditor balances should be cleared.
(b) Outstanding accrued expenses totaling Rs.1,204,283 for a period of 2 to 4 years had been remained unsettled at the end of the year under review.	As per the accounts of the year 2021, the amount payable during last 2 to 4 years was Rs. 3,778,427 has been reduced to Rs.1,204,283 during the year 2022.	Action should be taken to settle and remove those from the liability list.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(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.	Content is duly noted and will adhere to the requirements in the future.	Reports, publications and plans on the activities of the year should be submitted to the Minister before the expiration of three months from the end of each year.
(b) Sentence 1.9 in Paragraph II of Establishment Code	Although the promotions or appointments could be given with effect from or after the date of establishment a position or being vacant the position, the promotions had been given to 02 lady officers of the Bureau during the year 2015 backdated for more than 09 years in contrary to the Establishment Code without proper approval	The Board of Management approval for the promotions had been granted. The officers had been placed on an Acting basis on the promoted position until the period of time is completed to hold the post.	Promotions or appointments should be made with effect from or after the date of establishment a position or being vacant the position.

and no transparency. Further, the minimum service years of 10 years for the promotion had not been fulfilled by the officers.

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| (c) 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 Bureau to date. | The Bureau follows the Establishments code and the Financial Regulations. Further the Bureau adopts the Government circulars applicable to SOEs. The use of E Code, FR Code and relevant circulars for administrative purposes is approved by the Board of Directors of the Bureau. | Separate Administrative and Financial Manuals in line with the relevant provisions of this Manual should be prepared and should be approved by the Board of Directors. |
| | ii) 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 69 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.1,197,600. | The said payments are made as per the directive issued by the Minister of Tourism as per the powers vested under the section 15.2 of the of the tourism act number 38 of 2005. | Approval of the Treasury with the recommendation of the Line Ministry should be obtained before paying additional allowances. |
| | iii) Paragraph 3.4 (x) | It is required that each SOE has a succession plan. However, the Bureau had not prepared a succession plan to date. | SLTPB follows the scheme of recruitment approved by the Management Services Department. Accordingly, SLTPB awards the grade promotions and internal promotions. As such the succession planning is dependent on those who | A succession plan should be prepared. |

fulfill the qualifications and become eligible for the next promotional grades or posts as per the approved SORs.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.7,094,939,345 and the corresponding surplus in the preceding year amounted to Rs.4,644,467,520. Therefore an improvement amounting to Rs.2,450,471,825 of the financial result was observed. The reasons for the improvement are the increase in Embarkation Levy Revenue by Rs.1,369, 464, 349, increase in Tourism Development Levy by Rs.199,989,695 and increase in interest income on investment by Rs.572,959,702.

3. Operational Review

3.1 Management Inefficiencies\

Audit Issue	Management Comment	Recommendation
(a) It was observed that none of the promotional activities that were planned to be held in Germany, France, Italy, Scandinavia, Spain, Austria, Czech Republic, Japan, America, Canada, Turkey, Singapore, Thailand, Malaysia, Indonesia, Philippines had been carried out during the year under review.	As you were aware, the activities of SLTPB were hampered by 3c's namely COVID situation in the Global arena, crisis in FOREX in the country and Circulars issued by the Government. Accordingly, SLTPB was compelled to restrict its promotional activities.	The promotional activities should be held as planned to improve the attraction to Sri Lanka as a tourist destination.
(b) The board of directors of the Bureau had approved the participation for the Arabian Travel Market (ATM-2022) from 09 to 12 May 2022 on 17 December 2021 at a cost of Rs.90,000,000 and subsequently this cost had been increased up to Rs.120,464,910 on 29 March 2022 by Chairperson of the Bureau due to Rupee value depreciation. Though the bids were called to reserve the space of 250sqm, the board of directors had reduced the space to 150sqm due to economic condition. However, being reduction in space had not been affected to reduction of cost.	Due to time constraints and less bargaining power due to refusal by other bidders and acceptance with conditions which were not attainable at that time, SLTPB had no option.	Steps should be taken to avoid such losses in future.

Thereon, the initial cost had been increased by USD 16,175. In addition VAT charges of USD 2,444.55 and USD 525 for ribbon, scissors, candles and tray had been incurred. Therefore, it was observed that the Bureau had not planned the event properly although the decision was taken in December 2021.

3.2 Transactions in Contentious Nature

Audit Issue	Management Comment	Recommendation
<p>The Bureau had participated in an International Power Boat Competition which was not included in Action plan held in Bentota area during the year 2017 organized by Lanka Power Boat Association agreed to a contribution of Rs.7,600,000 with the approval of Board of Directors. However, it was observed that no bank guarantee provided by the Association for 20 percent of total cost, most of the promotional activities had not been fulfilled by the Association, agreed cost had been increased by Rs.3,172,859 or 42 percent, no procurement procedure followed on selecting shipping company for the transportation of power boats from England & Return, delay occurred in conducting power boat competition and delay in uploading the boats to the ship.</p>	<p>This competition has been included in amended action plan 2017 later and it was conducted as per the instructions given by then Minister of Tourism and then Minister of Sports. No detailed report received from the Organizer regarding the achievement of key deliverables in promotional activities. Shipping company was selected and informed by Ceylon Shipping Corporation. It was recognized at the final payment stage that the organizer was the Managing Director of both Shipping company in England and agent company in Sri Lanka. However, final payment was released as per the instructions given by then Minister and Secretary to the Ministry.</p>	<p>Procurement procedure should be applied in every purchase or services obtaining and agreements should be signed to bind with the key deliverables to be achieved.</p>

3.3 Procurement Management

Audit Issue	Management Comment	Recommendation
<p>Although the Board of Directors had approved the participation in the Travel fair of the South Asia's Travel & Tourism Exchange (SATTE 2022) on 21 September 2021, actions had not been taken to call bids for the</p>	<p>Decision to participate in the event was taken at the last minute due to the uncertainty prevailing at that time. Hence, due to the time constraints we obtain the services from the Official fair</p>	<p>Steps should be taken to adhere with Government Procurement Guidelines.</p>

selection of a stall designing and Construction Company for the event till 09 May 2022. Further, approval was granted by the Board Decision No.01/27/2021 dated 20 April 2022 to obtain services for stand design and construction through a specifically named fair organizer exceeding the original estimated value from Rs.7,000,000 to Rs.11,357,500 in contrary to Government Procurement Guidelines.

Organizer to construct the stand for the event by following the procurement process.

3.4 Human Resource Management

Audit Issue	Management Comment	Recommendation
<p>(a) Action had not been taken to fill the vacancies of the positions including Deputy Managing Director (Operations), Director (Innovative Development), Director (Promotion), 02 no of Assistant Director (Marketing), Assistant Director (SPR), Assistant Director (Finance), internal auditor and 11 junior managers.</p>	<p>The required amended scheme of recruitment was approved in 2022. Therefore, applications for the internal interviews were called in 2023 and the first set of interviews are scheduled to be held on 12 May 2023. The positions will be filled in the order of seniority.</p>	<p>Action should be taken to fill the vacancies of the positions early.</p>
<p>(b) It was observed in audit that there were instances of officers who had not fulfilled the initial qualifications as per the Scheme of Recruitment of the Bureau approved by Department of Management Services dated 09 February 2010, had been recruited to the Bureau.</p>	<p>During recruitment qualifications in line with approved SORs is being considered by the respective interview panels. As such as per SOR approved in 2009 if the officers had qualifications in line with the qualifications they have been considered. However, no recent recruitments have been made that are not directly matching the qualifications stated in the SORs.</p>	<p>All recruitments and promotions should be adhered to approved SOR.</p>