

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 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy information, 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 2023, 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 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 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
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 even by the end of the year under review.	An ongoing initiative is underway to develop a cohesive policy designed to ensure the coordinated and cooperative development and marketing of Sri Lanka as a venue for international, regional and domestic conventions, meetings, exhibitions and incentive travel.	Provide guidance to the Promotion Bureau to promote Sri Lanka as a tourist destination.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.36,103,317 and the corresponding surplus in the preceding year amounted to Rs.95,382,436. Therefore, a deterioration amounting to Rs.59,279,119 of the financial result was observed. The reasons for the deterioration are the increase in contribution made to Treasury by Rs.20,000,000 and marketing related expenditure by Rs.173,957,668.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
The lease agreement for the Bureau's office had expired on 17 December 2022. However, during this year too, the lease	SLITHM has submitted the renewal request with rental agreement for two years (2022 and 2023). Rent per month has been increased from Rs.	Land matter should be clarified and Bureau should enter into the agreement.

agreement had not been renewed and three monthly installments of Rs.151,250 each and seven monthly installments of Rs.267,000 each totalling to Rs.2,322,750 had been paid during the year under review without proper approval.

110,000/- to Rs. 267,000/-. This includes Rs. 42,000/- for monthly Electricity and other facilities. SLCB has submitted a board paper regarding this increased rent and explained that SLCB was unable to sign the agreement due to the ownership of the land is with the SLTDA. Therefore, without clarifying whether SLITHM empowered to enter into an agreement without the land owners' consent is questionable. Therefore, SLCB request clarification from the Board on the above, before signing the agreement.

3.2 Transactions of Contentious Nature

Audit Issue	Management Comment	Recommendation
<p>Despite the opportunity to call for bids through the competitive bidding method, it was observed in the audit that the Bureau had acted out of proper procurement process by stating Sri Lanka Association of Professional Conference Exhibition and Event Organizers (SLAPCEO) which had been registered under Bureau address, is the only professional organization that can perform MICE in Sri Lanka and MICE Expo Colombo conducted during the year under review, had been awarded to them at a cost of Rs.48,084,013.</p>	<p>SLAPCEO is an independent private association from Bureau. An official letter has sent to inform them to change their address.</p>	<p>Action should be taken to avoid conflict of interest in transactions and go for competitive bidding process as much as possible to avoid malpractices.</p>

3.3 Utilization of Resources of other organizations

Audit Issue	Management Comment	Recommendation
<p>The Bureau had paid an amount of Rs. 11,516,808 on 23 November 2023 which was to be paid in addition to the compensation received from the insurance company for the cost of repairing a jeep which was involved in an accident in the</p>	<p>From the inception, previous SLCB Chairman have opted for allowances due to unavailability of an official vehicle assigned. Chairman requested his entitlement and there was no provision to purchasing a vehicle. Therefore, Ministry informed a vehicle availability and requested to settle the</p>	<p>Bureau should take action to avoid the utilization of assets of other institutions although it is financial worthy.</p>

year 2019 belonging to the Ministry of Tourism. This decision was taken on the basis of acquisition of the relevant vehicle to the bureau, but prior agreement or cost benefit analysis had not been made in this regard. However, the two parties had not entered into a proper agreement in this regard so far and by the Ministry Secretary's letter No. MT/ADM/01/22/2021/CAU-4004 dated 27 February 2024, the relevant jeep had been assigned for the use of the bureau for a period of 05 years.

pending repair costs. In return, the vehicle will be assigned for five years. Bureau has obtained the vehicle by paying the outstanding amount of 11.5 Mn.

Obtained the vehicle for 5 years by paying 11.5 Mn is financially benefited for SLCB, which will save approx. Rs. 483,192/- for SLCB as per the cost benefit analysis. As per the cost benefit analysis, if SLCB has obtained a vehicle for Chairman for 5 years period on operating lease basis, the cost bureau has to bear is minimum Rs. 12 Mn. (200,000 per month x 5 years) Rs. 200,000/- is the treasury approved maximum monthly rental for operating lease vehicle and current market rate of operating lease vehicle is Rs. 250,000/- per month. Event at Rs. 250,000/-, there are no vehicles in the market as per the specifications issued by the treasury.

Hence, obtaining the vehicle for 11.5 Mn for a 5 years period is financially worthy

3.4 Human Resources Management

Audit Issue

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.

Management Comment

As per the SLCB Scheme of Recruitment (SOR) which was approved by the Department of Management Services (DMS), all the recruitment and filling the vacant positions done by calling applications from the general public by newspaper advertisement with formal interview process. Hence, a Succession Plan cannot be implemented at the bureau.

Recommendation

A succession plan should be prepared for the Bureau.

4. Accountability and Good Governance

4.1 Corporate Plan

Audit Issue

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.

Management Comment

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.

Recommendation

The strategic plan should be prepared for a five years period; keep updated every year and submitted to the Treasury.