

Sri Lanka Tourism Promotion Bureau - 2023

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 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, 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 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 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 Audit Observations on the Preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a) As at 31 December 2023, the balance of the foreign currency account was Rs.110,434,523. However, as per the policy of the previous year it should be Rs.108,817,399 when considering the exchange rate published by the Central Bank, thus indicates a difference of Rs.1,617,124. Further, no policy had been disclosed in the financial statements on the exchange rate applied.	The bank will use the selling rate when making the payment for the overseas invoices and the conversion to the local currency will be based on the buying rate. Accordingly, the balance available in the foreign currency account is valued taking the spot rate as 29 December 2023.	Action should be taken to disclose the policy relating to exchange rate and apply the same.
(b) An amount of Rs.6,866,554 mentioned as a payable to India had been deducted from the foreign advance account due to submission of settlements by the Ministry of Foreign Affairs as a total without details. Since the assets accounts had been off set the liability account, payable to India account balance and Foreign advance account balance had been understated by said amount.	Since details were not informed to us with regards to the remittance of funds by the Foreign ministry we have set off against the said amounts from the total advance due from the Foreign ministry.	Balances of different accounts should not be set off each other.
(c) Although the correct fixed deposit interest for the year was Rs.1,283,462,464 as per the calculation of the audit, it had been recognized as Rs.1,274,245,046, thus there is a difference of Rs.9,217,418. Further, interest receivable as at 31 December 2023 was Rs.340,742,327 as per the calculation of audit. It had been recognized as Rs.335,968,864 in the accounts with a decrease of Rs.4,773,463.	When calculating interest provision for the period we calculated using 364 days. However, later it was noted that BOC has calculated using 365 days and NSB using 364 days. Therefore, when we receive the actual remittance at the time of maturity of FDs we adjust the actual interest income accordingly in the accounts. Furthermore, the difference highlighted is less than 1% of the total accrued income for the year 2023.	Interest income should be recognized correctly in the accounts.

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| <p>(d) The amount of Rs.500,000,000 remitted to the treasury during the year had been recognized as an expenditure in the statement of financial performance instead of being recognized in the statement of changes in equity and there was no arrangement to present it separately in the cash flow statement.</p> | <p>The Treasury has requested the contribution as a way of levy for the financial year 2023. Therefore, SLTPB recorded this levy as a payment out of the surplus for the year 2023 as done in the past and in order to be consistent with the past years the said contribution of Rs.500,000,000 was recorded under the financial performance.</p> | <p>The treasury contribution should be recognized in the statement of changes in equity and it should be presented separately in the cash flow statement.</p> |
| <p>(e) The remaining amount of Rs.1,608,302 from the advances given by the Bureau to two foreign missions had been sent by the missions to the Ministry of Foreign Affairs during the period of 2018 – 2020 and it had been directly remitted to the General Treasury. However, those balances were due at the end of the year under review as per the financial statements of the Bureau.</p> | <p>Despite many reminders Foreign ministry did not remit the amounts. We will obtain the advice from the AMC whether there is a possibility of writing off since the funds were remitted to the General Treasury.</p> | <p>Action should be taken to clear the receivable from the accounts following proper procedure after obtaining advise from General Treasury.</p> |

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
<p>A balance of Rs.2,320,040 due from foreign missions for the period from 2016 to 2019 had not been settled even at the end of the year under review and also an amount of Rs.967,738 due from the Ministry of Foreign Affairs remained in arrears for a period of 3 to 5 years.</p>	<p>Agreed with observations and we are continuously following up with the Foreign ministry for the recovery of the due amounts.</p>	<p>Early action should be taken to recover this amount.</p>

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
<p>(a) Outstanding creditor balances aggregating to Rs.11,521,809 for a period of 07 to 13 years had been remained unsettled as at the end of the year under review.</p>	<p>Non-submission of payment vouchers has resulted in SLTPB not settling of same. We will obtain direction from our AMC and be followed by the board of management.</p>	<p>Appropriate actions should be taken in this regard and unsettled creditor balances should be cleared.</p>

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| <p>(b) Outstanding accrued expenses of Rs.677,930 for a period of 5 years and accrued expenses totaling to Rs.6,257,806 for a period of one year had been remained unsettled at the end of the year under review.</p> | <p>Since, this outstanding balance of Rs.677,930 is related to the officer, who was attached to the foreign mission in the UK. SLTPB still did not receive the clearance to make the payment of his last month's salary. Further accrued total expense of Rs.6,257,806 has reduced to Rs.1,265,870 as at 31 May 2024.</p> | <p>Action should be taken to settle and remove those from the liability list.</p> |
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1.6.3 Advances

Audit Issue	Management Comment	Recommendation
<p>Balance confirmations had not been received on Foreign Mission Advances aggregating to Rs.45,707,620 as at the end of year under review.</p>	<p>SLTPB has received a confirmation letter from the Ministry of External Affairs regarding only the payments done through the year 2023. According to that confirmation letter the received to the value of Rs.3,264,261 being the value of remittance sent during the year of 2023 only.</p>	<p>Action should be taken to reconcile the advances with the Ministry of External Affairs.</p>

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
<p>(a) Sub-section 09 of Paragraph 40 of Chapter VII of the Tourism Act No. 38 of 2005</p>	<p>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.</p>	<p>Noted.</p>	<p>Action should be taken to comply with the Act.</p>

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| (b) | Paragraph 2.3 of Guidelines on Corporate Governance for State Owned Enterprises | A strategic plan for the Bureau had been prepared for the four years period from 2020-2023 and had not been updated to date. | Noted and will take action in the future. | The strategic plan should be prepared for a five years period and submitted to the Treasury and updated in each year. |
| (c) | Paragraph 6.6 of the Operational Manual for State Owned Enterprises (SOE) dated 16 November 2021 | The Annual Report for the year 2022 had not been tabled in the Parliament to date. | No comments | Annual Report should be tabled in Parliament on or before 31 May in the following year. |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.3,492,042,780 and the corresponding surplus in the preceding year amounted to Rs.2,442,010,989. Therefore, an improvement amounting to Rs.1,050,031,791 of the financial result was observed. The reasons for the improvement are the increase in Embarkation Levy Revenue by Rs.1,318,778,832, increase in Tourism Development Levy by Rs.604,418,231 and increase in interest income on investment by Rs.582,237,191.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
A marketing plan had not been prepared by the Bureau for the year under review to identify the priority areas for promotion though 90 percent of the total expenditure amounting to Rs.1,760,268,107 had been spent on marketing activities.	Bureau do not prepare separate marketing plan, it is included in the annual Action plan with details for the year.	A marketing plan should be separately prepared by the Bureau.

3.2 Transactions in Contentious Nature

Audit Issue	Management Comment	Recommendation
There were 500 number of “Visit Sri Lanka” branded flags had been printed at a cost of Rs.10,120,000 for the TAAI Convention held in Sri Lanka in July 2023 neither following procurement procedure nor board approval and under the approval of the Chairman. However, the quality and the specifications had not been met and a satisfactory report had not been submitted to date. Further, it was observed that the cost was above the estimate and it was Rs.17,600 without VAT per flag.	We wish to confirm that the flags were purchased from M/S Salacine LTD through a Department Procurement committee decision. Payment for the flags were paid after adjusting for the size difference as well as after a price negotiation and with the Board Approval.	Prior approval should be obtained for the deviations and should be complied with the existing guidelines.

3.3 Procurement Management

Audit Issue	Management Comment	Recommendation
At the purchasing of air tickets for the participants in promotional programmes held in Germany and China in the year 2023, it was observed that procurement procedure had not been commenced in time, limited time period given for invitation for bids, payments made over the estimate without proper approval and no negotiations made.	Agree with the observation but this was due to finalizing programmes at the end because of economic crisis and delay in obtaining approvals.	Steps should be taken to adhere with Government Procurement Guidelines.

3.4 Human Resource Management

Audit Issue	Management Comment	Recommendation
(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.	The required amended scheme of recruitment was approved in 2022. Therefore, applications for the internal interviews were called and held for the Deputy MD, Director, Asst Director posts in 2023 and applications were called for Junior Manager posts. The Board of Management had been proposed to reinterview and the re-interviews are being scheduled at present.	Action should be taken to fill the vacancies of the positions early.

- (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.
- 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.
- All recruitments and promotions should be adhered to approved SOR.
- (c) (c)Permanent appointments had been granted to 18 number of employees recruited in contract basis on 10 October 2019 under board approval subject to approval of Department of Management Services although there were no vacancies in permanent cadre as at date and no approval obtained from the Secretary of the Line Ministry. However, it had been informed on 16 July 2020 to those employees that not to report for duties until inform after obtaining the approval from Department of Management Services. Thereon, a case had been filed by them against the Bureau.
- Department of Management services had not granted approval to recruit permanent basis Management Assistants for the contract basis employees. The Labour Tribunal had ordered to reinstate the employees with compensation. Therefore, the Bureau had filed an appeal at HC against the order of LT and later had been informed that the applicants of the LT case had also filed an appeal against the order issued in favour of them.
- All appointments should be adhere to MSD guidelines.