

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 2024 comprising the statement of financial position as at 31 December 2024 and the statement of 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 2024, 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 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 Audit Observations on the Preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a) A sum of Rs.9,762,550 was received by the Bureau from the Ministry of Tourism and Land during the year under review in relation to Foreign Mission Programmes. However, due to the absence of supporting documentary evidence from the line ministry, the bureau was unable to determine the specific programme to which the receipt pertained. Consequently, the amount was credited to the advance account rather than being credited to the corresponding programme expenditure. As a result, current assets were understated, while foreign mission expenses were overstated by the same amount in the financial statements.	As the details were not provided by the Ministry of Foreign Affairs we are not able allocate the funds remitted against a specific advance. Hence the amounts were set off against the total funds remitted to the Ministry of Foreign Affairs.	Money received from others should be accurately recorded, and the accounts should be prepared accordingly.
(b) Since advance had not been settled after the completion of the foreign mission programme, the total amounting to Rs.19,146,179 had been remained unsettled for more than five years. It was further observed that over 80 percent of the total advances are remained in account over one year. It was also noted that the expenditure related to certain programmes for which advanced were granted had not been accounted in the relevant financial year.	The policy has implanted to recover the balance remained in foreign mission programme by release only 75 percent of the requested advance amount initially, with the remaining 25 percent to be disbursed upon submission of the required documentation. After this policy, Bureau could recovered Rs.1,607,911,441 in 2025, including Rs.1,521,947.18 related to 2018.	Advances should be settled immediately after the completion of the relevant task.

1.5.2 Unreconciled Control Accounts or Records

Item	As per Financial Statements Rs	As per Corresponding Record Rs.	Difference Rs.	Management Comment	Recommendation
(a) Payable to Sri Lanka Tourism Development Authority	35,782,947	40,867,737	5,084,790	This amount was mainly related to utility and service expenses handled by the Sri Lanka Tourism Development Authority (SLTDA) on its behalf. However, due to insufficient documentation, the related receivables recorded by SLTDA cannot be verified at this time.	Balances should be reconciled periodically and necessary steps should be taken to avoid the differences.
(b) Receivable from Sri Lanka Tourism Development Authority	1,343,218,923	1,336,721,250	6,497,673	Bureau had prepared its final accounts based on information from SLTDA. As per working records, Rs.6,497,672 is receivable from SLTDA for 2023, and SLTDA has submitted receivable details totaling Rs.1,336,721,249 for 2024.	Balances should be reconciled periodically and necessary steps should be taken to avoid the differences.

1.5.3 Inappropriate Valuation or Estimation

Audit Issue	Management Comment	Recommendation
The Stock balance as at 31 December 2024 had not been adjusted to reflect the stock verification values as per stock verification conducted on 27 January 2025. As a result, the closing stock balance of Rs.28,958,260 reported in the financial statement could not be verified during the audit.	Agreed. The corrections have already been done.	Verification of stock should be done accurately, and the closing stock should be identified accordingly.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
The receivable balance as at the end of the year under review was Rs.2,434,702,487. Out of that a sum of Rs.3,535,976 and Rs.64,470,114 had been outstanding over 5 years and one year respectively. However, Bureau had failed to recover these long outstanding balances due on 30 April 2025.	Out of the total receivable amount of Rs.2,434,702,487, current balance is Rs.813,936,456 and outstanding receivable related to Hikkaaduwa Tickets considered as Bad and Doubtful debts in the financial statements. Furthermore, as per the direction given by the AMC the same will be forwarded for the Board of Management for the approval for the write off as per the circular issued on PED 01/2021(i) write offs.	Board of Directors should ensure that the due process is followed before write off the loss.

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 pertaining to 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.	Agreed. However, some reports cannot be submitted by the due dates due to practical constraints. Half-year accounts may not be submitted before the end of the seventh month, as they require prior review by the AMC and approval from the Board of Directors.	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) Paragraph 3.4 of Public Enterprises Circular 01/2021 dated 16 November 2021 Operational Manual	The Bureau had not prepared a succession plan as at 30 April 2025.	Agreed. The necessary steps will be taken to develop a comprehensive succession plan	A succession plan should be prepared.
(c) Public Enterprises Circular 01/2021 dated 16 November 2021	The strategic plan should be prepared for a five years period and submitted to the Treasury.	The Sri Lanka Tourism Development	The strategic plan should be prepared for a five years period and

Paragraph 2.3 of Guidelines on Corporate Governance	Further, the plan should be updated annually to reflect changes in the business environment and shall be submitted to the General Treasury, no later than 15 days prior to the commencement of the ensuing year. However, a strategic plan for the Bureau was prepared for a four year period from 2020-2023 had not been updated no plan prepared for the period covering the 2024 onward.	Authority has submitted to the Treasury and updated in each year. 2024-2027 strategic plan on behalf of all four institutions, based on information provided by divisional heads from each institution.
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(d) Paragraph 3.1 of Public Administration Circular 30/2016 dated 29 December 2016	Although the consumption of fuel must be re-tested after a period of 12 months from each fuel test or after running a distance of 25,000 km or after carrying out a major repair to the engine, whichever occurs first the Bureau had not re-tested the consumption of fuel of 06 vehicles.	GPS technology is used to monitor Bureau's vehicles, and fuel is obtained	The consumption of fuel must be re-tested according to the circular
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2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 3,762,053,673 and the corresponding surplus in the preceding year amounted to Rs.4,018,524,800. Therefore, a deterioration amounting to Rs.256,471,127 of the financial result was observed. The reasons for the deterioration are decrease of Embarkation Levy income & decrease of interest income.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) The Sri Lanka tourism Logo had been changed five times over the last 15 years with the intention of increasing tourist arrivals to the country and with an expenditure of Rs.10,029,207 incurred for the Logo launched in 2023 without obtaining required authority.	The logo was changed 12 years ago. However, the relevant files are currently unavailable.	Before changing the Logo, approvals should be obtained from the relevant authority.

(b) The remittance receivable from the Ministry of Tourism and Land amounting to Rs.8,134,572 related to the expo exhibition held in 2020 had been written off during the year under review without obtaining approval of Board of Directors.	As per the direction given on 11 September 2024 at AMC, to treat the balance receivable fund of Rs.8,134,572 for EXPO 2020 as a levy made to the consolidated fund. Furthermore, covering board approval is sought from BOM.	Prior board approval should be obtained before any format write-off is made.
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3.2 Procurement Management

Audit Issue	Management Comment	Recommendation
At the purchasing of air tickets value of Rs.4,752,900 for the participants in promotional programmes held in Germany in 2024, it was observed that procurement process had not been commenced in a time, and procurement guideline had not been followed in relation to invitation for bids, payments and negotiations.	Ministry approval was received last moment for Germany programme.	Procurement guideline should be followed for procurement process.