

Sri Lanka Tourism Promotion Bureau - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Tourism Promotion Bureau for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 the Financial 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 Sri Lanka Tourism Promotion Bureau as at 31 December 2020, 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 based 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 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.

1.4 Auditor's Responsibility in Auditing Financial Statements

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 skepticism 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.
- Obtained 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 to cease to continue as a going concern.
- Evaluate the structure and content of the financial statements, including disclosures, and the transactions and events on which the content is based are appropriately and fairly included in the financial statements.

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 it has performed according to its powers, functions and duties; and
- Whether the resources 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

The following observations are made.

Non Compliance with the reference to particular Standard	Comments of the Management	Recommendation
(a) Although, assets and liabilities cannot be offset in terms of the Standard No: 01, bank overdraft of Rs. 1,339,466 had been offset against the cash balance.	Sri Lanka Tourism Promotion Bureau has not obtained a bank overdraft. The details of its main account and the relationship between fund management account are shown in Note No.02.11. In issuing cheques by the Bureau, relevant money of it will be transferred from the fund management account to main account by the bank and will maintain the minimum amount of Rs.5 million also. The main objective of this is to earn an interest income by investing idle money daily held in the bank. Therefore, it is informed that the Bureau has not	Assets and liabilities should not be offset in accordance with the Standard No.01.

obtained an overdraft and those two accounts are interconnected.

(b) Without being complied with the Standard No: 02, operating profit before working capital changes amounting to Rs.13,917,455 and cash flow from investing activities amounting to Rs.20,190,078 had been overstated in the cash flow statement.

Noted and actions will be taken to rectify in the future.

Cash flow statement should be prepared in accordance with the Standard No.02.

(c) Although assets and liabilities of the statement of financial position should be converted into the prevailing currency rate as at the closing date of the period under review as per the Standard No.05, the balance of the advance account given by the bureau for promotional activities in abroad amounting to Rs.95,118,163 had been converted into the exchange rate existed as at the date of which advances were issued.

When reconciling, it was observed that foreign missions record the money sent for the foreign promotional activities in the books of accounts in several methods. Some missions record in foreign currencies and some missions record in rupees in the books of accounts. Therefore, accounts of those countries which record the balances only in foreign currencies are accounted at the exchange rate prevailing at the closing date of the year and those countries which record in rupees for the convenience of reconciling, do account the advance balance in that money itself. Profit or loss incurred due to the differences of exchange rate will be accounted after receiving

Actions should be taken to convert into the currency rate prevailing as at the closing date of the year in accordance with the Standard No.05.

the balance confirmation reports accordingly.

(d) Although net amount of defined benefit liability (asset) should be disclosed in the statement of financial position as per the Standard No: 19, investment of gratuity amounting to Rs.15,492,028 and provision for retirement gratuity amounting to Rs.18,469,375 had been separately shown in the statement of financial position.

Accounts have been maintained as per the Public Sector Accounting Standard 19, understanding that investment of gratuity and provision for retirement gratuity can be separately also shown in the statement of financial position and it would be informed that it will be aggregated and recorded in the future.

Disclosures should be made in accordance with the Standard No.19.

1.5.2 Accounting Deficiencies

Audit Observation

Although, interest income for the year under review was Rs.238,476,181, it had been shown as Rs.306,788,637 in the financial statements. Therefore, the surplus for the year under review and the interest receivables under the current assets had been overstated by Rs.68,312,456. Further, interest receivable had been overstated respectively by Rs.34,954,785 and Rs.326,027 as the interest income for the years 2018 and 2019 had not been accurately accounted. Due to that, retained earnings as at the beginning of the year had been overestimated by Rs.35,280,812.

Comments of the Management

This has been already rectified and will be considered in the preparation of accounts in the future (JV 29,30,31) (Annexure 02).

Recommendation

Accurate interest should be accounted.

1.5.3 Unreconciled Accounts

Item	as per Financial Statements Rs.	As per corresponding Record Rs.	Difference	Management Comment	Recommendation
(a) Advances given to foreign missions for foreign promotional activities	21,336,454	20,577,400	759,054	This difference has been occurred due to the prevailing covid pandemic currently and the weaknesses in the documents submitted by missions as well as delay in receiving documents. It will be rectified after receiving the documents. The balance of the advance account as at the end of the year 2019 was Rs.260 million and it has been reduced up to Rs.95 million by the closure of the year 2020.	Actions should be taken to settle the advances without delays in time.
(b) Payable Amount for Sri Lanka Tourism Development Authority	39,274,283	108,336,570	69,062,287	This difference has already been identified and it will be rectified in the future.	Accounts receivables/payables between institutes should be reconciled.

1.6 Accounts Receivable and Payable

1.6.1 Accounts Payable

Audit Observation

There were accrued expenses aggregated to Rs.4,135,110 which was outstanding ranging from year 01 to year 06 and not settled even as at the end of the year under review.

Comments of the Management

This amount has already been reduced up to Rs.3,665,909.33 by now and it would be informed that actions will be taken to settle the remaining balances. (Annexure 04)

Recommendation

Actions should be taken to settle the accruals without delay.

1.6.2 Advances

Audit Observation

(a) Balances had not been confirmed for the advances remitted for promotional activities in foreign currency during the year under review amounting to Rs.36,495,001 and the outstanding advance balance even as at the end of the year under review was amounted to Rs.11,369,702 due to non-submission of the bills by the missions. The delay of those was ranging from 17 months to 37 months as at the end of the year under review.

(b) Although the tax invoice has been received from the external institute for the advance amount of Rs.1,575,000 given on 03 June 2010, it had been shown as unsettled advances even as at the

Comments of the Management

Due to the prevailing Covid pandemic currently, this delay has been occurred and balance confirmations from some countries have been received by now. Some will be scheduled to receive. This will be rectified in the future accordingly.

The reason for this difference was the difficulty in verifying through an accurate report stating whether the work has been really done or not, although the tax invoice had been received by the

Recommendation

Actions should be taken to settle the advances without any time delay.

Actions should be taken to settle the advances after obtaining required confirmations.

closing date of the year under review. Bureau. Therefore, these money has been recorded as advances by the Bureau.

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

Reference to Laws, Rules, Regulations, etc. -----	Non-compliance -----	Comments of the Management -----	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.	It was noted.	The reports, publications and plans should be submitted to the Minister on time.
(b) Financial Regulations 102 and 104 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	Actions had not been taken in respect of misplaced three laptops valued at Rs.308,700 in terms of Financial Regulation.	It was reported that three laptops valued at Rs.308,700 had been misplaced.	Actions should be taken regarding the misplacement in accordance with the Financial Regulations.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs.391,127,400 and the corresponding surplus for the preceding year was Rs.26,641,245. Accordingly, an improvement of Rs.364,486,161 was observed in the operating results. Although, the total income for the year under review was decreased by Rs.1,488,601,095, decrease in trade related expenses by Rs.1,832,554,498 was the main reason for this improvement.

3. Operational review

3.1 Uneconomic Transactions

Audit Observation	Comments of the Management	Recommendation
Trade mark of the Bureau currently is “So Sri Lanka” and the trade mark till 2018 was “Wonder of Asia”. Accordingly, 398 flags with “Wonder of Asia” mark and each valued at Rs.4,300 had been remained in the stores without any use as at the closing date of the year under review and the value of those was Rs.1,711,400.	Bureau did not have any attractive flags like this earlier and these flags had been used by the institute and line institutes in several years and at several occasions. It was a decision taken by the institute to change the trade mark of “Wonder of Asia” as “So Sri Lanka” and therefore, promotions on “Wonder of Asia” had to be stopped. Due to that, those flags could not be used and it is scheduled to dispose those flags in the future.	Considering the requirement, purchases should be made.

3.2 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
Although, a management assistant of the Bureau has been gone abroad on no pay leave on 07 January 2019, actions had not been taken to recover the outstanding distress loan amounting to Rs.172,375 from her even as at the end of the year under review. Further, there was a loan balance of Rs.180,806 as at the end of the year under review which should be recovered from an officer who had been interdicted on 02 June 2020.	This management assistant has been obtained prior approval for foreign leave temporarily from 07.01.2019 to 29.03.2019 and had gone abroad for around 03 months. Therefore, 14 days with pay and 68 days with no pay has been approved for this. Subsequently, during her foreign stay, as per the management service circular 04/2018, foreign leave has been applied again and obtained approval from 30.03.2019 to 29.03.2020 for medical	Actions should be taken to recover the outstanding loan balance from the officers prior to approve the no pay leave and loan balances should be recovered either from the officer who has been interdicted or from the guarantees.

treatments. Due to that, outstanding from her to the institute could not be recovered before the approval of foreign leave for the second time. However, when she was in abroad second time, we tried to inform her through her parents and all the letters sent were returned by the post office informing that their residence has been changed. Therefore, actions are being taken to recover this money informing through Bahrain Embassy. Further, it was informed at the Audit and Management Committee to issue directions to recover the loan from guarantees. Proper disciplinary inquiry is being conducted against the assistant director who has been interdicted by now. Actions will be taken to recover the outstanding money after the decision taken by that disciplinary inquiry.