

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Tourism Promotion Bureau for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Bureau as at 31 December 2019, 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 Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) The Expenditure incurred on acquisition of fixed assets amounted to Rs.23,226,559, vehicle sales income amounting to Rs.4,371,000 and financial lease value of Rs.15,450,000 had not been stated separately in preparation of cash flow statement in accordance with Paragraphs 25 and 26 of Standard 02 .	Arrangements will be made to correct in future.	Actions should be taken in accordance with the Standard
(b) Provision for depreciation had not been made for computer software amounted to Rs. 3,082,050 in terms of Standard 07.	The Computer software has been depreciated by 7.5 per cent in accounts up to year 2013. At present, it has been removed from that depreciation method.	Actions should be taken in accordance with the Standard.
(c) Although a reliable estimate should be made using actuarial techniques when calculating gratuity provisions in terms of Paragraph 61 of Standard 19, the gratuity provisions amounted to Rs.14,986,829 had been	Arrangements will be made accordingly in future.	Actions should be taken in accordance with the Standard.

made based only on the last salary taken and the service period of the officer inconsistent to that.

1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
<p>(a) Since the provisions for depreciation had not been made for the year 2018 for a vehicle purchased in the year 2015 at a cost of Rs. 6,600,000, provisions for depreciation had been understated in the accounts by Rs. 1,650,000 as at the end of the year under review.</p>	<p>Agree with the audit.</p>	<p>The provisions for depreciation should be adjusted accurately.</p>
<p>(b) Although all the costs incurred should be taken into consideration in the calculation of profit of the sales of fixed assets, when calculating the profit for 02 vehicles sold during the year under review for Rs. 4,471,000, the profit had been taken into account without considering the cost of newspaper advertisements amounted to Rs. 408,529.</p>	<p>Agree with the audit and actions will be taken to correct in future.</p>	<p>All the expenditure related to the sale of fixed assets should be added to the value of the assets.</p>
<p>(c) Building rent amounted to Rs. 75,125,536 to be paid for the maintenance of the Bureau Head Office and the Information Centre in the building of the Sri Lanka Tourism Development Authority had not been stated in the financial statements from the year 2010 to the year under review.</p>	<p>The Authority has been made aware of this and as no legal agreement has been entered into between the two parties on the financial value so far, actions will be taken upon the agreement of both parties in future.</p>	<p>The building rent should be stated in the financial statements.</p>

- (d) Even though the computers, office equipment, furniture and fittings and miscellaneous equipment at a cost of Rs.4,594,902 were handed over to the Sri Lanka Army during the year under review, a value of Rs.1,619,645 in less from that amount had been removed from the accounts.
- Agree with the audit observation.
- The accounting deficiency needs to be corrected.
- (e) Although the telephone/janitorial services and security charges payable to the Sri Lanka Tourism Development Authority was Rs. 53,531,048 as per the financial statements of the year under review, thus the balance payable as per financial statements of the Authority was Rs.33,267,512, a difference of Rs.20,263,536 was observed in between those balances.
- Actions are being taken to identify the difference.
- The causes for the difference should be looked into and relevant corrections should be made.

1.5.3 Lack of Evidence for Audit

The following observations are made.

Subject	Amount Rs.	Audit Evidences Unavailable	Comments of the Management	Recommendation
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(a) Receivables from Embassy Offices	7,991,128	Schedule or balance confirmations	This was noted.	The schedule or balance confirmations should be submitted without delay.
(b) Unsettled advances made to Embassy Offices	86,214,842	Balance confirmations	Steps will be taken to settle these amounts in future.	Relevant balance confirmations should be submitted without delay.

1.6 Accounts Receivable and Accounts Payable

1.6.1 Accounts Receivable

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Although the advances provided to the Embassy Offices of 08 countries by the Bureau amounting to Rs.13,774,194 had exceeded one year period, actions had not been taken to recover them.	Actions should be taken to get recovered the advances in future.	The balances receivable should be recovered promptly.
(b) A balance of Rs. 3,304,920 consisted in the balance of Rs.277,917,521 receivable for more than 5 years as at the end of the year under review had not been recovered and the total provisions for bad debts for that had been made available.	Agree with the audit observation.	The balances receivable should be recovered promptly

1.6.2 Accounts payable

Audit Observation	Comments of the Management	Recommendation
The balance of Rs.53,531,048 shown under sundry creditors had consisted of the balances amounting to Rs.8,103,211 for more than 05 years, Rs. 2,344,090 for less than 05 years and more than 03 years, Rs. 12,070,254 for less than 04 years and more than 02 years .	Discussions will be held with the Authority in future in respect of the building rent to be paid to the Tourism Development Authority and the telephone charges balance for 03 months of the year 2014 amounted to Rs. 8,103,211 included in this balance and actions will be	The balances payable should be settled.

taken accordingly and the bills have not been received for the value of Rs. 14,414,343.

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

The instances of non-compliance with laws, rules, regulations and management decisions are as follows.

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 required to be provided in terms of the Act should be submitted.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 102 and 104	Actions had not been taken in respect of misplaced three laptops valued at Rs.308,700 in terms of Financial Regulation.	Actions are being taken to identify computer accessories and actions will be taken to provide information in future.	Arrangements should be made in accordance with the Regulations.
(ii) Financial Regulation 169 (2)	Actions had not been taken in respect of 03 returned cheques in	Relevant officers have been made aware of the returned cheques	Arrangements should be made in respect of the returned cheques

	the year 2016 amounting to Rs.220,000 in terms of this Regulation .	and necessary actions will be taken in future.	in terms of the Regulations.
(iii) Financial Regulation 756	A Board of Survey on fixed assets had not been conducted for the year under review.	The Board of Survey Report on fixed assets for the year 2018 has been completed and actions are being taken at present to identify the items.	The Board of Survey on fixed assets should be carried out in a timely manner.

2. Financial Review

2.1 Financial Results

The financial result of the year under review was a surplus of Rs.282,382,760 and the corresponding surplus for that for the preceding year was Rs.1,644,798,552. Accordingly, a deterioration of Rs. 1,362,415,792 was observed in financial results. The decrease in revenue of Embarkation Levy by Rs. 514,972,943 and Tourism Development Levy Revenue by Rs.380,416,981 and increase in trade related expenses by Rs.448,175,159 had mainly attributed for this deterioration.