



Sri Lanka Tourism Promotion Bureau

Annual Report 2010

Contents



Passion.
Warmth.
Adventure.
Beauty.



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Review - Minister of Economic Development



The tourism sector has been identified as one of the vital sectors propelling the Sri Lanka's economic growth in the next decade.

The master plan developed by the Ministry of Economic Development "The Tourism Development strategy 2010-2011" is based on the "Mahinda Chintana" vision for future which aims to generate environment friendly sustainable tourism instead of relying only in leisure seeking popular tourism.

This tourism development strategy addresses the wider issues related to the industry covering the government policy, capacity and manpower buildup requirements, infrastructure development, improving service standards, marketing and promotions, regulations, guidelines, public relations, tourist safety and improvements to domestic tourism.

According to the core philosophy of the "Mahinda Chintana" the ultimate beneficiaries of economic development should be the people of the country and the Ministry of Economic Development will adhere to this principal in its drive to develop tourism as a key service industry in Sri Lanka.

Vision

“To establish and position Sri Lanka as Asia’s most treasured and greenest island, with its beautiful beaches, warm and friendly people, with a strong nature, culture and adventure offering, raising its profile to that of an Asian tourism icon and make it the largest foreign exchange earner benefiting the stakeholders of tourism and the people of Sri Lanka.”

Mission

- Being a catalyst to improve, enhance and maintain the much needed infrastructure.
- Establishing and enhancing a high quality product and service based to satisfy and delight tourists focusing on their safety and security.
- Ensuring a level of volume and yield generating tourists to sustain and grow investment in tourism.
- Positioning Sri Lanka as a treasured island and a tourism earth lung working towards being carbon neutral making Sri Lanka a top of mind destination among potential customers.
- Meeting the human resource demands of the industry through development of professionalism, skills development and training.
- Involving all stakeholders in the formal and informal sectors, at the center and the regions, and within and outside of the industry to develop and promote Sri Lanka tourism.
- Expanding the base of domestic tourism to better serve the travel needs of Sri Lankans and to help better promote international tourism.

Chairman's Message



Dr Nalaka Godahewa *Chairman*

Sri Lanka Tourism Development Authority, Sri Lanka
Tourism Promotions Bureau, Sri Lanka Convention
Bureau & Sri Lanka Institute of Tourism & Hotel
Management

2010 was an important and peaceful year. We are ever
grateful to the Government of Sri Lanka for ushering in
the main pre requisite for tourism and that is peace!

Continuing with the growth from June 2009, the number of tourists arrived in Sri Lanka reached a record of 654,476 in 2010 which was a sharp increase of 46.1%. Therefore, the increase of 206,856 of the tourists within one year is truly historical.

We spent quite sometime developing the tourism master strategy in the period under review in which most of the areas that could not be given attention so far, were placed in the priority list.

A significant step forward is reflected with the revival of the development in Kalpitiya, Kuchchaveli, Pasikudah and regular surveying of lands that were suitable for tourism development. Establishment of one stop shop to facilitate investors, Home stay program Unit were achievements, considering their progress from the day of establishment.



We have many challenges from Infrastructure development to training. Every facilitation is given to developers through simplification of procedures . As for the training, the Authorities are finalizing the alternate systems of producing the required trained personnel into the market through licensing, franchising etc. We also established a new hotel school in Ratnapura. Sri Lanka Convention Bureau too made a valuable contribution to develop the MICE tourism section during this year.

Our task is to make tourism a leading foreign exchange earner and to derive benefits to all stake holders. We can achieve both in the coming years.

Dr Nalaka Godahewa
Chairman



Corporate Information

Name - Sri Lanka Tourism Promotion Bureau (SLTPB)

Legal Form – Statutory body incorporated under Tourism Act No 38 of 2005. (The new Tourism Act No. 38 of 2005 came into effect in 1st October 2007. According to sections 67(1) of Tourism act No 38 Ceylon Tourist Board Act No. 10 of 1966 was repealed, The Ceylon Tourist Board hence ceased operations with effect from 30th September 2007. The Tourism promotions arm of the then Tourist Board came under SLTPB).

Offices - Head Office is located at No.80, Galle Road, Colombo 03. (Tourist Information Centers are in BIA, Katunayake and Kandy.

Auditors – Auditor General of Sri Lanka

Bankers – Bank of Ceylon.

Role OF SLTPB – To Stimulate sustainable international demand for Sri Lanka Tourism experiences and inspire, guide and support the Sri Lanka Tourist Industry in the delivery of the Sri Lanka Tourism product offerings and the generation of the desired economic benefits to its stakeholders and the Sri Lankan economy by:

- Formulating and championing a clear destination marketing strategy.
- Articulating, promoting and establishing a compelling destination brand that strategically differentiates it from competition.
- Facilitating sales for achieving visitor arrival and earnings objectives by engaging and supporting the distribution network-both the traditional and that emerging via the internet environment.
- Identifying and supporting the development of unique Sri Lankan Tourism experiences in keeping with the needs and expectations of the targeted market segments.
- Ensuring that the Sri Lankan Tourism products and services and all elements of the brand live up to its branding and brand positioning strategies.
- Monitoring the changing international tourism industry landscape gathering key insights and trends for improved decision making and communicate them to relevant industry stakeholders for their own use in business planning and development.
- Working closely with organizations that could assist in facilitating and or supporting the achievement of the organization's goals.

The Bureau's Objectives-

- Marketing and promoting of Sri Lanka directly or indirectly as a tourist and travel destination of Quality in accordance with the Tourism Development Plan in consultation with the Sri Lanka Tourism Development Authority.
- Promoting Sri Lanka as a gateway to the south Asian Region
- Making Sri Lanka known as the centre of excellence in tourism management and development in the region.



Board of Management

1. Senior Management

Designation	Division	Full Name	Period of service in current position – date commenced and ending
Chairman	SLTPB & SLTDA	Mr. Eranga Basnayake	1st Jan 2010- 14th June 2010
Chairman	SLTPB & SLTDA	Mr. Nalaka Godahewa	15th June 2010 – 31st Dec 2010
Managing Director	SLTPB	Mr. Dileepa Mudadeniya	1st Jan 2010- 11th Aug 2010
Actg Managing Director, Director/International Relations & Research	SLTPB	Mr. M.B. Kiriella	12th Aug 2010 – 31st Dec 2010
Actg Marketing Director	SLTPB	Ms. Madubhani Perera	1st Jan 2010 – 31st Dec 2010

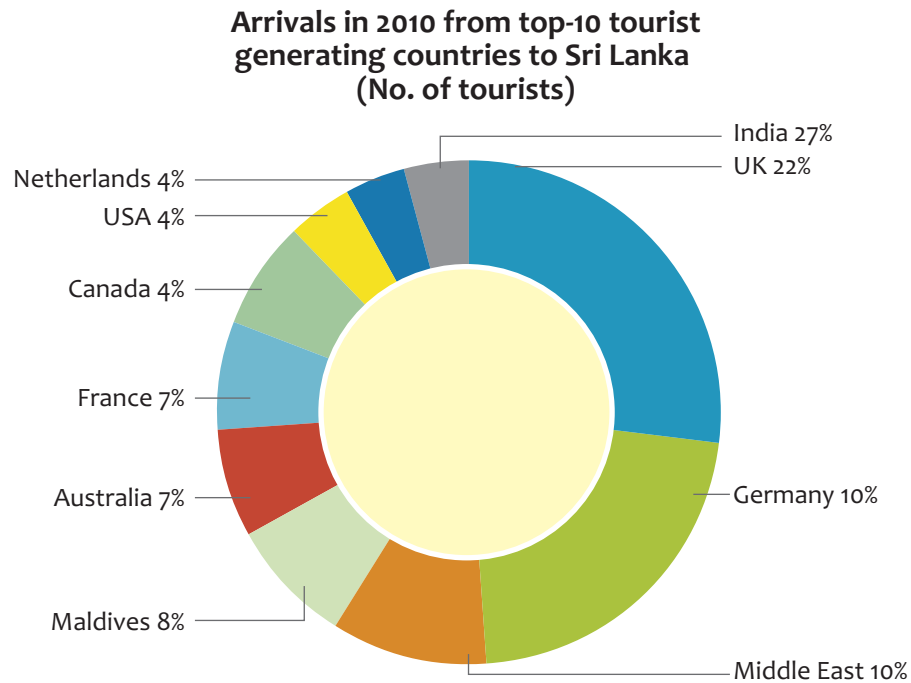
Board Members

Designation	Full Name	Period of service in current position – date commenced and ending
Chairman	Mr. Eranga Basnayake	1st January 2010- 14th June 2010
Board Member	Mr. B.M.U.D. Basnayake	1st January 2010- 14th June 2010
Board Member	Mr. Seenivasagam Kalaiselvam	1st January 2010- 14th June 2010
Board Member	Mr. Gehan M Perera	1st January 2010- 14th June 2010
Board Member	Mr. Sanath Ukwatte	1st January 2010- 14th June 2010
Board Member	Mr. Chandra J. Wickramasinghe	1st January 2010- 14th June 2010
Board Member	Mr. Mervyn Fernandopulle	1st January 2010- 14th June 2010
Board Member	Mrs. Amal Goonethilake	1st January 2010- 14th June 2010
Board Member	Mr. Ajith D. Gunewardane	1st January 2010- 14th June 2010
Board Member	Dr. B.M. Suneth Batagoda	1st January 2010- 14th June 2010
Observer (by Invitation)	Mr. Manoj Gunewardana	1st January 2010- 14th June 2010
Observer (by Invitation)	Dr. Buddhi Keerthisena	1st January 2010- 14th June 2010
Chairman	Dr. Nalaka Godahewa	15th January 2010- 31st Dec 2010
Board Membe	Mr. Seenivasagam Kalaiselvam	15th January 2010- 31st Dec 2010
Board Member	Dr. B.M. Suneth Batagoda	15th January 2010- 31st Dec 2010
Board Member	Mr. Bashwara S. Gunarathne	15th January 2010- 31st Dec 2010
Board Member	Mr. Nilmin Nanayakkara	15th January 2010- 31st Dec 2010
Observer (by Invitation)	Mr. Manoj Gunewardana	15th January 2010- 31st Dec 2010
Observer (by Invitation)	Dr. Buddhi Keerthisena	15th January 2010- 31st Dec 2010

SLTPB, in 2010

Presenting the new face of an alluring and unified Sri Lanka.

SLTPB continued with its marketing and promotional initiatives to showcase Sri Lanka as a preferred destination among global travelers. Brand recall was strengthened in the top-10 tourist generating countries that accounted for 72.46% of the total 654,476 tourists that arrived in Sri Lanka in 2010, while also exploring opportunities to image-build in other countries around the world.



While India accounted for the highest number of arrivals, UK remained the prime generator of tourist-nights.

‘No. 1 destination to visit in 2010’, New York Times

Rs. 526 Mn worth publicity for Sri Lanka, through the Visiting Journalists Programme (VJP)

‘Zoom Sri Lanka’ an interactive travel planner designed by SLTPB, to help travelers know the country better

1.8 Mn affluent British readers, reached through an advertising supplement in ‘The Times’, UK

US\$ 50 Mn worth publicity received from IIFA

Sri Lanka showcased as a preferred destination at Travel and Leisure Fairs, and Road shows in;

New York
London
France
Germany
China
Russia

India
Vienna
Italy
Dubai
Malaysia
Netherlands

Sweden
Switzerland
Czech Republic
Japan

Marketing and Promotions



Key markets

UK

- **Chelsea Flower Show, London**

SLTPB created destination awareness through the Chelsea Flower Show, London on ... Organized by the Royal Horticulture society (RHS), the show attracted over 157,000 and is billed as a prestigious evening in the UK social calendar graced by Her Majesty the Queen. SLTPB sponsored the display stand of the Orchid Society of Great Britain (OSGB).

India

- **'Times' Travel Fair - Bangalore 19-21 February 2010 & New Delhi 5-7 March 2010**

B2B opportunities were created for Sri Lankan travel trade, with Indian and global counterparts who participated at the 'Times Travel Fair' (TTF) organized by the 'Times of India Group' in association with Expo India and WOW Entertainment. Ramayana Trail was showcased to Indian devotees

- **Road Shows & Press Conferences - New Delhi & Mumbai 27-29 April 2010**

Destination awareness of Sri Lanka was created among leading Indian media and travel agents and one-to-one discussions held between Sri Lankan and Indian travel trade.

Collaborating partners:

Officials from SLTPB, Sri Lanka Conventions Bureau (SLCB), members of Sri Lankan Airlines, Sri Lankan inbound DMC, Hotels, etc selected by SLTPB

SLTPB initiatives:

- > Press conference held for approximately 60 print and electronic media personalities, including journalist from leading TV and radio channels, Newspaper and life style magazines.

China

- **Guangzhou International Travel Fair (GITF) - 25-27 March 2010, and Road Shows in Shenzhen and Guangzhou**

A Sri Lankan stand created destination awareness among potential Chinese travelers and global participants and provided an opportunity for Sri Lankan travel agents to meet Chinese travel counterparts.

- **World Expo 2010 - Shanghai May-October 2010**

Visual brand recall created for 'destination-Sri Lanka' in an attempt geared to capture a slice of the mass Chinese outbound market.

Marketing & Promotions



- **Beijing International Tourism Expo (BITE) & Road Shows - 25 June - 01 July 2010**
Premier events actively supported by the Beijing Tourism Administration, opportunities were created for the Sri Lankan travel trade to conclude travel deals during this 'October Golden Week' in China.
- **China International Travel Mart (CITM) 2010 - 18-21 November 2010**
The CITM trade fair, an annual event jointly organized by China National Tourism Administration (CNTA) and, was held at Shanghai New International Expo center, with wide spread participants from diverse sectors of the Chinese travel industry including, inbound and out bound travel agencies, hotels, airlines and travel companies and was an ideal opportunity to collaborate with Chinese travel industry stakeholders under one roof.
- **Kunming Road Show - 24 November 2010**
Destination awareness was created in the Yunnan province, while special fares were negotiated on flights operations commenced through Chinese Eastern Airlines

Russia

- **Otdykh Leisure 2010 Travel and Tourism fair - Moscow 21-24 September 2010**
Destination awareness was created among exclusive Russian travelers and travel trade, with a Sri Lankan stand themed on the culture and heritage of Sri Lanka and Ceylon Tea
- **MITT 2010 – International Trade Fair for Travel and Tourism – 17th to 20th March 2010 - Moscow 17-20 March 2010**
Market intelligence was gathered on Russian travelers and their travel –interests. Interaction between Sri Lanka Tourism officials and influential Russian travel trade professionals were facilitated and a free full-page advertising supplement on Sri Lanka was published in the MITT 2010 Catalogue.

Germany

- **International Tourismus Börse (ITB) Messe Berlin - Berlin 10-14 March 2010**
Traditional Sri Lankan warmth and hospitality was promoted among German and European travel industry, with positive image-building measures to reflect the post conflict resurgence in tourism through a press release, newsletter circulated to 30,000 travel agents, and live interviews on German TV and radio networks

Key media/PR activities undertaken during ITB 2010 included;

- A special press release distributed at the awards night
- ITB special newsletters sent to 30,000 travel agents highlighting initiatives of Sri Lanka Tourism, future plans, updates on SriLankan Airlines, update on awards won by Sri Lankan hotels and travel trade including; FIT Reisen Award to Barberyn Ayurvedha Resort, Geo Saison Award for TUI Innovative Tour to Sri Lanka.
- Interview with major German private TV channel RTL /RTL 2 (multiple airing on RTL, RTL2, VOX and NTV)
- Live - Interview with Sonnenklar TV on 12 March 2010
- Radio Interview with Radio Energy Vienna
- Pitched Sri Lanka for ITB News on Radio RTL

France

- **Destination Nature- Consumer Fair on Travel & Tourism - Paris 26-28 March 2010**
Top-of-mind recall created among French travelers by focusing on branding Sri Lanka as a destination for nature, wild life and adventure
- **IFTM Trade Fair - Paris 21-24 September 2010**
Opportunities were created for Sri Lankan travel trade to meet high-profile decision makers in global tourism

USA

- **New York Times Travel Show - 26-28 February 2010**
Sri Lanka was billed as the 'No 1 destination to visit in 2010' by the New York Times

Japan

- **Sri Lankan Cultural Performance - 18-26 April 2010**
Positive image building was conducted across key Japanese cities, on post-conflict resurgence in Sri Lankan tourism, while cultural performances were held to create awareness of Sri Lankan traditions.
- **JATA World Tourism Congress and Travel Fair 2010, - and Festival on Sri Lanka Tokyo 24-26 September 2010**
Sri Lanka promoted as a visitor-friendly destination among Japanese travel trade and consumers

Emerging markets

Czech Republic

- **World Festival of Puppet Art - Prague 31 May- 6 June 2010**
Sri Lanka was selected as one out of 44 participants from 273 contesting countries at this world festival.
A Destination promotion video was presented at the organizers gala dinner.

Switzerland

- **Winter destination Road show - Switzerland 20-23 September 2010**
A captivating destination presentation on Sri Lanka was viewed by over 381 travel agents at this, the only road show in Switzerland to promote long haul destinations.

Sweden

- **TUR 2010 - Gothenburg 25 -28 March 2010**
'Sun, sand and sea' image branded successfully to Swedish visitors at SLTPBs first foray to image build in the post-travel advisory Swedish travel market.

Netherlands

- **Vakantiebeurs – Travel & Tourism Fair - 12 - 16 January 2010**
Destination awareness on Sri Lanka was created among 100,000 plus travelers,

Over 20,000 trade and press participants and 1,445 exhibitors from 160 countries.

Malaysia

- **Malaysian Association of tour and travel Agents Fair (MATTA) - 12-14 March 2010**
Improved travel prospects between the two countries with operations commenced by Sri Lankan Airlines, Malaysian Airlines and Air Asia

Dubai

- **Arabian Travel Mart (ATM) - 4 -7 May 2010**
Positive image building conducted among key travel trade participants from 6 continents

Italy

- **BIT 2010 Travel and Tourism Fair (BIT) - 18-21 February 2010**
Tourism attractions in Sri Lanka promoted among 130,000 professional tour operators, 5,000 global travel trade companies, exhibitors from 130 nations, and Over 3,500 accredited press representatives.

Vienna

- **'Ferien Messe-2010' the International Fair for Holidays, Travel and Leisure - 14-17 January 2010**
Sri Lanka showcased as a diverse travel destination among global visitors and travel trade community.

Events



- **IIFA 2010 - 3 - 5 June**

The largest Film Awards in Asia, the International Indian Film Academy Awards (IIFA), have, since its inception a decade ago, become a global phenomenon in the entertainment industry, with the event being hosted by many leading cities around the world including Yorkshire, Dubai and Macau in recent years. The IIFA Weekend brings with it not only glamour, excitement, activity and entertainment but creates unparalleled business opportunities and long term economic benefits for the host nation. A celebrity-studded, glamorous fashion event was held showcasing collections from designers associated with Indian films and featured an iconic designer from Sri Lanka.

IIFA AWARDS Presentation Ceremony:

The IIFA Awards evening is a glamorous stage production combining the best of Indian and international entertainment, breathtaking performances, star struck fans, glitz and glamour.

- **Colombo Fashion Week - 5 - 7 February 2010**

Held at Hilton Colombo, CFW 2010 proved to be one of the most glamorous business meetings which showcased the Sri Lankan fashion industry and provided several opportunities for local designers to introduce their brands in local and international markets.

Destination branding within the affluent travel market

- With a 5 year plan to make Colombo the South Asian hub for Fashion , the event will attract high spending, affluent and creative business leaders and travelers to Sri Lanka
- Creates a positive lifestyle image for the nation
- Affluent travelers visiting Sri Lanka for the event are a successful tool to improve word of mouth image building in their respective countries
- Intense global media coverage for the nation
- ‘Pongal Hiruvizha’ on Thaipongal day - Vavuniya 14 January 2010
- ‘Pongal Hiruvizha’ an evening of entertainment evening was organized in Vavuniya to coincide with Thaipongal day celebrations.

Events

- **Dayata Kirula 2010 - 4 - 10 February 2010**

A national exhibition held annually and organized by the Ministry of Finance and Planning, the event is a forum to showcase the development activities initiated by all ministries and state establishments and to build a dialogue with the general public. The 2010 edition of the event was held at the Sri Lanka Buddhist Academy, Pallekale, and Kandy.

- **Japanese Professionals Surfer's Tournament - 19 - 23 March 2010**

The event, conducted by the Japanese Professionals Surfer's Association, (JPSA) the leading authority for professional surfing in Japan with support provided by the Ministry of Defense in Sri Lanka, attracted 110 Japanese visitors to the competition, and key Japanese media.

- **Champion of Champions Surf Contest - Arugambay 18 - 24 June 2010**

Held for the 2nd consecutive year with support from the UK Pro Surf Association, the event attracted the participation of a large contingent of British surfers who were part of a group of over 100 visitors from UK, sponsored by SriLankan Airlines.

- **Sigiriya Art and Craft Mela - 23-27 June 2010**

The event, aimed to be held annually, is geared to promote both domestic and international tourism by showcasing the diversity of authentic craftsmanship in Sri Lanka, and popularized the Sigiriya Crafts Complex as a must-visit local attraction.

Advertising

‘Travel Lanka’ Magazine

A definitive magazine that collates monthly updates on activities and events focusing on travel and tourism in Sri Lanka, important tourist information and facts and facets of the nation.

DAN TV – Tamil Diaspora media communication for Europe & Middle East

The influential TV Channel which broadcast positive messages both during and after the end of the conflict, has, since May 2010, provided continuous advertising time to promote tourism in Sri Lanka by repeatedly airing 30 second commercials.

Sri Lanka supplement in the ‘The Times’ – UK

Advertising in ‘The Times’, was a timely opportunity to present the new face of a unified, stable and prosperous Sri Lanka; that is emerging as a significant Asian economy and tourist destination.

Other activities

Zoom Sri Lanka’ – Interactive travel partner

Zoom Sri Lanka – an island nation online www.zoomsrilanka.com

- Comprehensive search-engine friendly travel content
- Demographic and geographic insights and information on Sri Lanka
- Maps with well defined routes, approximate duration of journeys
- Total tourism information package

Visiting Journalist Programme 2010

VJP 2010, succeeded in attracting 226 influential print and media personnel from across key markets and a phenomenal Rs. 526.8 Mn worth of publicity for the nation.

Strategic Planning & Research

- International Market Research
Over the past 10 years, Insignia has conducted in depth studies in most of Sri Lanka's key markets for the Canadian Tourism Commission – recognized as one of the leading NTO travel marketers worldwide. These studies were conducted for 6 important key markets and involved 3 phases process which are,
- Trade Interviews
- Focus Groups
- Quantitative studies

	Sri Lanka Market Share
U.K	2.4%
Germany	2.0%
France	1.3%
Russia	2.0%
Middle East	5.1%
India	4.0%
China	0.2%

Phase 1 : In-Depth Travel Trade Interviews

Phase 2 : 5 days online focus group study in Germany, India & UK

Phase 3 : Consumer Quantitative Survey

By analyzing these we were able to identified key barriers in each market, how to implement an aggressive consumer advertising campaign and how to develop a focused brand positioning strategy. This market model was known as “A Way Forward Model – Path to Purchase”.

- Focused Group Discussions
Group discussions were held with industry stake holders for three new products,
Wild life – held in September
Shopping – held in October
Weddings & Honeymoons – Held in December

During these secessions industry stake holders were keen on discussing their problems such as higher prices, promotions and they also address the problems of high cost for hoardings.

HR, Administration and Finance

Staff	Number of employees
As at 1st January 2010	40
Add : New Recruitments	05
Less ; Retired/ Resigned	05
As at end December 2010	40

SLTPB approved cadre, salary structure and Vacancies

As per the Department of Management Services circular no 30, staff of SLTPB has been absorbed to the approved new cadre and implemented new salary structure as per MSD circular no 30 (1). SLTPB published a paper advertisement to filling vacancies and interviews were held in the month of September 2010 and thereafter appointments were given in December 2010 accordingly.

Appointed a HR consultant to the SLTPB

SLTPB commenced a tender to outsource a HR consultant/ Agency to carry out HR functions of SLTPB. The restructuring proposals have been finalized and selected Mcquire Rens & Jones (Pvt) Ltd as HR consultant to the SLTPB. The manuals developed by this company are as follows.

- HR Structural Audit
- Employee Opinion survey
- Developing recruitment and selection policy.

HR Development Initiatives

- MICE Professional Development Program.
The training was conducted by Sri Lanka Convention Bureau was held 16th & 17th July at Ramada Resort, Kalutara. Ms. Nirosha Alwish, Mr. Rizard Mohamad of SLTPB were participated.
- Telephone Etiquettes Customer Service
The one day workshop on Telephone etiquettes Customer Service was held at Hotel Galadari organized by the plantomz Global on 4th August 2010, Ms.Ajantha Gunasena & Ms. Chandani Herath participated.
- British Council English course.
The staff of SLTPB were offered English Certificate course at British Council. For the first batch Ms. Dilani Rajapakshe, Ms. Rasika Sandamali & Ms. Nirosha Alwis were participated.

Balance Sheet

AS AT 31ST DECEMBER 2010

	Note	2010 Rs	2009 Rs
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	2	18,051,625.75 18,051,625.75	22,445,754.79 22,445,754.79
CURRENT ASSETS			
Inventories		3,524,419.21	3,930,419.51
Debtors	3	33,141,568.90	32,771,967.50
Pre payments		1,540,259.37	10,355,364.07
Advances	4	4,803,676.04	331,498.75
Deposit receivable		424,621,335.73	347,987,926.58
Short Term Investment		-	100,000,000.00
Cash at Bank and in hand	5	177,457,518.50	30,709,377.66
Sub Total		645,088,777.75	526,086,554.07
CURRENT LIABILITIES			
Creditors	6	185,352,336.26	40,658,764.83
Deposit payable		8,395,126.79	5,126,559.04
Accrued expenses		93,941,483.40	208,846,308.17
Provision for Retirement Gratuity	7	5,004,637.50	4,741,257.50
Sub Total		292,693,583.95	259,372,889.54
NET CURRENT ASSETS		352,395,193.80	266,713,664.53
CAPITAL EMPLOYED		370,446,819.55	289,159,419.32
NON CURRENT LIABILITIES			
Long Term Borrowings		66,666,666.68	-
RESOURCES AVAILABLE			
Revenue Account		270,710,996.35	256,090,262.80
Capital contribution		33,069,156.52	33,069,156.52
TOTAL		370,446,819.55	289,159,419.32

Dr.Nalaka Godahewa

Chairman

Sri Lanka Tourism Promotion Bureau

P.N.Dissanayake

Director/Financial Management

Sri Lanka Tourism Promotion Bureau

Income Statement

FOR THE YEAR ENDED 31ST DECEMBER 2010

	Note	2010 Rs	2009 Rs
Embarkation Levy		683,451,883.18	533,778,920.80
Tourism Development Levy		359,274,914.50	265,548,964.96
Other income	8	78,559,590.72	58,484,446.57
Sub Total		1,121,286,388.40	857,812,332.33
Expenditures :			
Administration & Establishment	9	65,776,368.17	53,543,535.65
Marketing and Promotional	10	996,662,439.26	686,196,790.76
Administration - Foreign	11	32,910,539.37	35,634,597.39
Finance		7,217,523.64	767,828.14
Total of Expenditure		1,102,566,870.44	776,142,751.94
Add: Building Improvement		4,098,784.41	23,949,087.96
Total		1,106,665,654.85	800,091,839.90
Excess of, income over expencesess / Expenses over Income		14,620,733.55	57,720,492.43
Prior Year Adjustment	12	-	121,673,153.01
Surplus/(Deficit) brought forward		256,090,262.80	76,696,617.36
Surplus/ (Deficit)		270,710,996.35	256,090,262.80

Cash Flow Statement

FOR THE YEAR ENDED 31.12.2010

Cash flows from operating activities

Net profit before taxation and extraordinary item 14,620,733.55

Adjustments for

Depreciation for the year	3,956,274.62	
Staff loan interest	(60,442.69)	
Provision for gratuity	346,540.00	
Exchange Gain/loss	1,219,153.86	
Losses & write off	(18,161.42)	5,443,364.37

Operating surplus/ (deficit) before working capital changes 20,064,097.92

Changes in working capital - Inflow / (Outflow)

Decrease in Inventories	406,000.30	
Increase in Debtors	(369,601.40)	
Decrease in Prepayment	8,815,104.70	
Increase in Advances	(4,472,177.29)	
Increase in Deposit Receivable	(76,633,409.15)	
Decrease in short term investment	100,000,000.00	
Increase in Creditors	144,693,571.43	
Increase in Deposit payable	3,268,567.75	
Decrease in Accrued expenditure	(114,904,824.77)	62,068,169.96

Cash generated from operations 82,132,267.88

Gratuity Paid (83,160.00)

Net cash from operating activities 82,049,107.88

Cash Flows from investing activities

Purchase of assets	(2,028,076.41)
Interest from staff loan	60,442.69

Net cash used in investing activities (1,967,633.72)

Cash flows from financing activities

Long Term Borrowings	66,666,666.68
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Net cash used in financing activities 66,666,666.68

Net increase in cash and cash equivalents 146,748,140.84

Cash and cash equivalents at beginning of period 30,709,377.66

Cash and cash equivalents at end of period 177,457,518.50

Notes to Accounts

2.0 Property Plant and Equipment

Description	Balance as at 01. 01. 2010	Additions 2010	Transfer 2010	Balance as at 31.12.2010	Acc. Depreciation as at 01. 01. 2010	Depreciation for 2010	Acc. Depreciation as at 31.12.2010	Net Book Value as at 31.12.2010
Telephone	215,141.43	222,358.57	-	437,500.00	19,036.49	27,416.55	46,453.04	391,046.96
Office Equipment	2,688,428.67	69,592.33	-	2,758,021.00	300,956.94	207,870.19	508,827.13	2,249,193.87
Furniture & Fittings	8,544,131.45	38,277.00	47,266.56	8,535,141.89	1,130,949.32	597,169.71	1,728,119.03	6,807,022.86
Miscellaneous Equip.	752,897.66	78,383.19	22,145.50	809,135.35	79,721.42	55,307.80	135,029.22	674,106.13
Motor vehicles	7,400,000.00	-	-	7,400,000.00	1,450,000.00	1,850,000.00	3,300,000.00	4,100,000.00
Computer equipment	7,949,033.26	985,946.55	210,900.00	8,724,079.81	2,944,019.30	3,365,504.47	6,309,523.77	2,414,556.04
Computer software	867,750.00	-	-	867,750.00	63,944.21	65,081.25	129,025.46	738,724.54
Air conditioner	20,000.00	697,900.00	-	717,900.00	3,000.00	37,924.65	40,924.65	676,975.35
Total	28,437,382.47	2,092,457.69	280,312.06	30,249,528.05	5,991,627.68	3,956,274.62	12,197,902.30	18,051,625.75

Notes to Accounts

	2010 Amount Rs.	2009 Amount Rs.
3.0 Debtors		
Sundry debtors - SLTDA	30,967,542.30	30,636,582.50
Sundry debtors - SLTTHM	208,171.60	-
Employees - Loans & Advances	1,965,855.00	2,135,385.00
Total Debtors	33,141,568.90	32,771,967.50
4.0 Advances		
Advances - Expenses	4,803,676.04	331,498.75
Total Advances	4,803,676.04	331,498.75
5.0 Cash at Bank and in hand		
Cash at Bank - HO - Main Acct	141,288,205.78	4,534,826.34
Cash at Bank - HO - Private Sector	29,929,681.65	10,546,827.78
Cash at Bank - Kandy	482,293.33	623,311.29
Cash at Bank - Bank Transfer	5,673,237.95	2,454,089.36
Overseas Office - UK	5,399.43	12,478,799.60
Overseas Office - India	78,700.36	71,523.29
Total of Cash in hand & Bank balance	177,457,518.50	30,709,377.66
6.0 Creditors		
Sundry Creditors - IIFA - Sch. - 01	141,701,672.99	-
Sundry creditors - SLTDA	43,433,204.77	40,649,069.83
Sundry creditors - SLTTHM	217,458.50	9,695.00
Total Creditors	185,352,336.26	40,658,764.83
7.0 Provision for Retirement Gratuity		
Gratuity payable brought forward	4,741,257.50	4,238,165.00
Less : Gratuity paid during the year 2010	83,160.00	233,932.50
	4,658,097.50	4,004,232.50
Add : Provision for gratuity - 2010	346,540.00	737,025.00
Total Provision for Retirement Gratuity	5,004,637.50	4,741,257.50
Gratuity was provided in the account before completion of minimum period of service (minimum 5 years)		
8.0 Other Income		
Sale - literature & Photographic materials	358,563.00	1,012,808.50
Interest - Staff loans	60,442.69	75,457.82
Others	78,140,585.03	57,396,180.25
Total Other Income	78,559,590.72	58,484,446.57

	2010 Amount Rs.	2009 Amount Rs.
9.0 Administration & Establishment		
Salaries & Allowances	16,365,343.79	16,708,840.97
Holiday Pay	53,846.80	34,924.50
Overtime	595,200.65	745,879.69
Board's contribution to EPF	1,813,437.37	2,006,491.17
Board's contribution to ETF	374,056.64	399,870.92
Staff Welfare	1,304,119.29	722,149.61
Travelling - Local	40,414.50	55,881.50
Misc. Supplies	444,548.29	657,783.80
Stationery	1,410,718.80	1,433,359.03
Printing & Publications	32,000.00	1,417.50
Telephone	1,953,382.06	1,511,274.07
Postage & Stamps	5,292,330.25	3,579,580.29
Rent - Building	10,311,004.00	4,471,104.34
Electricity	2,390,492.02	1,770,743.64
Maintenance - Equipment	1,636,150.50	2,525,679.21
Advertising - General	2,312,012.45	413,663.20
Maint. & Repairs - Vehicles	609,578.79	531,921.12
Hire of Vehicles	1,747,688.18	1,773,354.06
Board Members' Allowance	79,500.00	68,500.00
Attendance Incentive	570,453.85	563,795.88
Water	209,936.55	141,310.44
Procurement Committee Allowance	298,500.00	42,000.00
Books & periodicals	300,287.80	203,696.10
Fuel Charges	748,495.50	775,586.10
Uniform to Staff	55,600.00	345,106.00
Entertainment local	147,122.07	558,388.25
Cleaning Suppliers	978,277.95	882,633.38
Security	548,625.80	1,246,126.59
Maintenance Building	500,000.00	37,860.60
Rates & Licences	2,922.00	185,790.48
Audit Fees	200,000.00	796,261.60
Legal Fees	209,615.00	387,414.00
Economic Service Charge	72,276.03	238.23
stamp Duty	9,425.00	8,150.00
Losses and Write off	(18,161.42)	1,909,105.43
Gratuity	346,540.00	(611,235.09)
Menus & Flowers	100,750.00	95,000.00
Insurance	761,643.92	504,337.68
Staff Training	764,902.35	1,871,879.13
Depreciation	6,207,438.03	2,517,937.56
NBT	3,995,893.36	1,669,734.67
Total Administration & Establishment	65,776,368.17	53,543,535.65

Notes to Accounts

	2010 Amount Rs.	2009 Amount Rs.
10.0 Marketing & Promotional		
Promotions & Advertising (Foreign)	205,286,633.00	195,558,337.10
Local Awareness Campaign	18,706,295.85	-
Promotions & Advertising -Local (Ministry)	56,678,024.32	37,634,569.48
Giveaways	1,411,914.60	788,418.25
Production of Tourist Communication Material	28,011,565.09	14,422,430.29
World wide Advertising & Web Marketing	-	66,804,999.84
Events	20,562,665.37	63,995,061.53
Fam Tours	22,701,569.95	20,471,670.34
Strategic Framework	592,880.00	3,633,297.99
Retainer Fees-PR	60,617,091.62	74,328,162.21
Artwork/Creatives	10,000,000.00	2,076,765.24
Market research	10,000,000.00	12,000,000.00
IIFA	476,944,887.87	-
ITB	25,100,776.53	23,231,772.65
WTM	38,333,362.71	25,571,913.16
Web maintain & E News	2,620,191.29	2,650,259.55
Visit Sri Lanka	6,944,786.27	-
Retainer Fees-Advertising Agency	3,825,000.00	-
Exchange Gain/Loss	1,219,153.86	572,653.22
Ramayanaya	1,919,619.56	1,841,524.63
Working with Embassy -Overseas	5,186,021.37	2,992,082.38
Global Media Buying	-	137,622,872.90
Total of Marketing & Promotional	996,662,439.26	686,196,790.76
11.0 Administration - Foreign		
Administration - Foreign	32,910,539.37	35,634,597.39
Total Administration - Foreign	32,910,539.37	35,634,597.39
12.0 Prior Year Adjustment		
Prior Year Income	-	16,736,747.67
Less		
Prior year Expenditure	-	104,936,405.34
Total	-	121,673,153.01

1 Accounting Policies**1.1 Accounting Requirements:**

The Financial Statements have been prepared in accordance with the generally accepted accounting principles. No adjustments have been made for inflationary factors affecting the accounts.

1.2 Post Balance Sheet events:

The materiality of events occurring after the balance sheet date has been considered and appropriate adjustments were made in the accounts, where necessary.

1.3 Inventories /Stocks:

Stocks have been generally valued at cost or net realizable value whichever is lower.

1.4 Depreciation

Depreciation has been provided on cost or valuation of the assets on straight-line method as follows.

Description	Rate
Furniture & Fittings	7.5%
Computer & Equipment	25%
Motor Vehicles	25%
Air Conditioner	7.5%
Office Equipment	7.5%
Telephone	7.5%
Miscellaneous Equipment	7.5%
Software	7.5%
Building Improvement	10%

Depreciation was provided for the above mentioned assets from the date of acquisition.

1.5 Property Plant And Equipment

Premises of the Sri Lanka Tourism Promotion Bureau belongs to the Sri Lanka Tourism Development Authority.

1.6 Implementation of Tourism Act No. 38th of 2005

Tourism Act No. 38 of 2005 was implemented with effect from 1st ,October 2007. New establishments were incorporated with effect from 1st, October 2007 in the following manner.

- Sri Lanka Tourism Development Authority
- Sri Lanka Tourism Promotion Bureau
- Sri Lanka Institute of Tourism & Hotel Management
- Sri Lanka Convention Bureau

Distribution of the Tourism Development Fund:

As per section 23(1) of Tourism Act. Tourism Development Fund can be utilized for promotion and marketing Sri Lanka as a Tourist Destination. The fund is managed and administered by Sri Lanka Tourism Development Authority.

Notes to Accounts

The distribution of the fund is carried out as per Sections 24 (8) of Tourism Act in the following percentages.

Local Authority	Attributable Percentage
Sri Lanka Tourism Development Authority	14%
Sri Lanka Tourism Promotion Bureau	70%
Sri Lanka Institute of Tourism & Hotel Management	12%
Sri Lanka Convention Bureau	4%

1.7 Foreign Currency Transactions.

These transactions are converted on the following rates.

- Receipts & Payments - Actual
- Current assets and liabilities - Balance sheet date
- Fixed assets - Purchase date
- Remittance - Actual

1.8 a) Capitalization of Assets

The total value Rs.1,795,030.91 was capitalized for the period of 1st January to 31st December 2010. Total assets value as at 31.12.2010 was Rs. 30,249,528.05.

- b) The carrying amount of the Lap Top Computer Rs.97,838.58 was permanently withdrawn from Tangible assets during 31st December 2010. The compensation recovered from the salary was Rs.116,000.00.

1.9 Related party transactions

No related party transactions were available to disclose as per the SLAS 30.

1.10 Provision for Gratuity

Gratuity provision for the period ending 31st December 2010 Was Rs 346,540.00 as per Gratuity Act No. 12 of 1983. Total gratuity payable as at 31st December 2010 was Rs.5,004,637.50.

1.11 Taxation

The Tourist Board was exempted from income tax under section 8 (a)(XX) of the Inland Revenue Act. 28 of 1979. However, as per the Inland Revenue amendment act No.10th of 2002 returns of the Sri Lanka Tourism Promotion Bureau should be furnished to the Inland Revenue Department. The following taxes i.e. Value Added Tax, Withholding Tax and Stamp Duty etc., due to the Inland Revenue Department has been made in relation to the period of 1st January to 31st December 2010.

1.12 Cash Balance

The cash balance of Rs.177, 457,518.50 prevailed as at 31st December 2010.

1.13 Payments due to SLTDA

Before 30th September, 2007 all Financial Accounts were maintained by Sri Lanka Tourist Board. After the Act came into effect these accounts were split into the respective four areas.

For monies held in overseas accounts on behalf of Sri Lanka Tourist Board (India, UK, France etc.,) it was decided to transfer them back to respective local authorities that was formed as per the new act.

As per the Act, accounts balance to be paid to SLTDA was Rs.35, 993,986.61 (France – 8,980,922.01, Germany - 422,233.76, UK – 19,968,160.76, China – 1,965,152.81, India - 4,657,517.27) held in foreign accounts (on behalf of Sri Lanka Tourist Board) was transferred to SLTPB. It was monies due to SLTDA, as such we are shown as a debtor in their books of accounts. We have also shown SLTDA as a creditor as we need to pay them Rs. 43,433,204.77.

1.14 Receivables due from SLTDA

As of 30th September, 2007, expenses to be paid by Sri Lanka Tourist Board Marketing Division were transferred to reflect as a provision in their books of accounts. All the liabilities of Sri Lanka Tourist Board were transferred to SLTDA from 1st of October, 2007.

After the act came into effect these payments were paid by SLTPB on behalf of SLTDA, due to lack of funds at SLTDA. It was requested that SLTPB pay for these expenses to be reimbursed later by SLTDA. As such, a total amount of Rs. 17,753,319.51 is shown in our books of accounts as receivable from SLTDA.

Before 1st October 2007, Sri Lanka Tourist Board collected money from participants in Trade Fairs. These funds were collected from participants in Trade Fairs for the period of October to December 2007. At the end of September 2007, accounts were closed and these collected funds were transferred to SLTDA. These monies are due to SLTPB; as such they should be transferred to SLTPB. We show them as receivable from SLTDA in our books of accounts, total amount of Rs.30, 967,542.30.

Retiring Gratuity write-off amounts to Rs.1, 348,260.09 from SLTPB debtors account has been reversed during the period of 31st December 2010, as per the Government audit query year 2009.

1.15 Short Term Investments

SLTPB held Rs.100, 000,000.00 in a Call Deposit at a rate of 12.5% per annum with Bank of Ceylon Corporate Branch. This Call Deposit was withdrawn during the period of 31st December 2010.

1.16 Building Improvement

SLAS 19, Operating Leases, accounting treatment on lease payments and subsequent cost on maintenance and improvement are recognized as an expense in the year it is incurred as it does not transfer substantially all the risks and rewards incidental to ownership.

The cost of the asset should be recognized in the books of accounts for the period of which the SLTPB has the ownership. Accordingly the lease agreement has been sign only for a period of one year. Therefore, the expenses incurred for the building has been recognized only for the period that has the lease ownership.

When considering the materiality of the expenditure of the organization, the cost on building improvements being written- off during the period incurred as neither hold ownership of the premises nor agreed between SLTPB and SLTDA in the rent agreement for recovery of such cost incurred.

Notes to Accounts

1.17 Movement of the accumulated surplus

Financial statement of year 2009 has been restated to reflect the adjustments done as per the following schedule.

	Rs.
Depreciation Motor Vehicle	(2,230,585.33)
Attendance Incentive	(7,747.50)
Insurance	(21,499.92)
Equipment Maintenance	1,232,094.08
Cleaning Service	33,936.75
Staff welfare	1,515.01
Over Time	3,287.08
Event	(92,243.50)
Advertising	1,113,255.00
Trade Fair	(21,764,920.39)
Entertainment Local	(10,959.00)
Domestic Tourism(Ministry)	(23,000.00)
World wide Advertising	(4,000.00)
Salary	19,571.50
Telephone	10,936.62
Trade Fair	567,126.82
Stationary	(2,300.00)
Embarkation Levy	(23,879.84)
TDL	(23,300,624.56)
Security	310,215.37
Electricity	219,632.17
Losses & write off	(2,416.66)
Gratuity	(1,348,260.09)
	(45,320,866.39)
Uk-Trade Fair	(549,476.28)
Embarkation Levy	(16,602,250.00)
	(17,151,726.28)
Total	(62,472,592.67)

1.18 Refundable Value Added Tax – Rs.43,071,919.00

SLTPB in the process of finalizing the Refundable VAT with Value Added Tax Department and VAT Audit Branch of Department of Inland Revenue and Tax Advisor to the Ministry of Finance and Planning.



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

TM/H/SLTPB/FA/10



23 February 2012

The Chairman

Sri Lanka Tourism Promotion Bureau

Report of the Auditor General on the Financial Statements of the Sri Lanka Tourism Promotion Bureau for the year ended 31 December 2010 in terms of Section 14 (2) (c) of the Finance Act, No. 38 of 1971

The audit of the Financial Statements of the Sri Lanka Tourism Promotion Bureau (SLTPB) for the year ended 31 December 2010 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 Section 13 (1) of the Finance Act, No.38 of 1971 and Section 20 of the Tourism Act No.38 of 2005. My comments and observations which I consider should be published with the annual report of the Bureau in terms of Section 14 (2) (c) of the Finance Act, appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act was furnished to the Chairman of the Bureau on 03 August 2011.

1.2 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

1.3 Scope of Audit and Basis of Opinion

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka

Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting policies used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I believe that my audit provides a reasonable basis for my opinion. Sub-sections (3) and (4) of Section 13 of the Finance Act No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

2. Financial Statements

2.1 Opinion

In view of my comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the Sri Lanka Tourism Promotion Bureau for the year ended 31 December 2010 presented for audit.

2.2 Comments on Financial Statements

2.2.1 Rendition of Financial Statements

The financial statements of the Bureau for the year under review had been furnished for audit on 28 February 2011. However, these financial statements had been withdrawn on 14 December 2011 based on the discussion had with the management of the Bureau in order to make the corrections highlighted in the draft audit report. Subsequently, the revised financial statements had been furnished for audit on 12 January 2012.

2.2.2 Accounting Deficiencies

Following observations are made.

- (a) The building, which is occupied by the Bureau, is belonging to the Sri Lanka Tourism Development Authority (SLTDA) and according to the lease agreement, written approval should be obtained from the SLTDA to make improvement to the building. However, capital expenditure for modernization of the building amounting to Rs. 23,949,088 and Rs.4, 098,784 had been incurred by the Bureau for the years

2009 and 2010 respectively without obtaining the approval. The total expenditure had been written off against the income without taking actions to recover the cost from the SLTDA.

- (b) A sum of Rs. 20,350,099 had been accounted for as income from the International Indian Film Academy (IIFA) festival. However, actual income of the festival had not been properly identified and accounted for as receivable income. For example, the income receivable on ticket sales from the IIFA cricket match.

2.2.3 Accounts Receivable and Payable

Following observations are made.

- (a) Sundry debtors amounting to Rs. 28,841,977 and Rs. 446,346 had not been recovered from the years 2007 and 2008 respectively.
- b) Receivable amounts from the organizing firm of the IIFA festival had not been accounted for as receivables from the said organization. For example, according to the information made available to audit, a sum of Rs. 20 million (approximately) should be recovered from the above firm relating to the hotel room facilities provided by the Bureau, on behalf of the firm.
- c) A sum of Rs. 141,701,673 had been accounted for as payable to the goods and services provided to the IIFA festival, under the creditors without ascertaining whether the goods and services were actually and accurately obtained.
- (d) Action had not been taken to recover the sponsorship income related to the UK Office amounting to Rs. 2,428,920, through the responsible Officers over a period of two years.

2.2.4 Unreconciled Differences

According to financial statements of the Tourism Development Fund, Tourism Development and Embarkation Levy payable to the Bureau was Rs.304,046,470. However, as per the financial statements of the Bureau, it was shown as Rs.377,971,471. The difference of Rs.73,925,001 had not been reconciled and adjusted in the accounts.

2.2.5 Non compliance with Laws, Rules, Regulations and Management Decisions

Following Instances of non-compliance were observed in audit.

- (a) VAT refunds should be claimed within 2 months of the last day of the taxable period in terms of Section 58 of the Value Added Tax Act No. 14 of 2002. However, refundable VAT amounting to Rs.43,071,919 had been shown in the accounts since the year 2007 without taking actions to obtain refund.
- (b) Preparation of a procurement plan and forwarding of the copies of the contract agreements, in respect of contracts awarded to VAT registered suppliers to the Auditor General on or before 15th day of the following month after entering into the contracts had not been forwarded, in terms of Sections 4.2.1 and 8.12 of the National Procurement Agency Circular No.09 dated 01 March 2006.
- (c) Preparation of Bills of Quantities, allocation of adequate time to submit the tenders, certification of goods and services rendered by the authorized Officers and application of laws pertaining to the procurements had not been followed in terms of Sections 4.3, 6.2.1, 8.9.1, 8.12.3 and 7.8 of the Procurement Guidelines dated 25 January 2006.
- (d) A fixed assets register had not been maintained for the computers, computer accessories and software and other assets owned by the Bureau, in terms of the Treasury Circular No.IAI/2002/2 dated 28 November 2002 and FR502(2).
- (e) **Public Enterprise Guidelines for Good Governance Circular No.PED/12 of 2 June 2003.**
 - (i) Tabling monthly performance reports, operating statements, value of materials procured, statement of human resources, age analysis of debtors, creditors and stocks, statements of non- moving, slow moving and obsolete stocks etc, had not been submitted to the Board in terms of Section 4.2.2 of Chapter 4 of the circular.
 - (ii) An updated copy of the Corporate Plan approved by the Board had not been forwarded to the Auditor General at least 15 days before the commencement

of the financial year in terms of Sections 5.1 and 5.2 of Chapter 5 of the circular.

- (iii) Even though the Draft Annual Report and Accounts should be rendered to the Auditor General within 60 days after the closure of the financial year in terms of Section 6.5.1 of Chapter 6 of the circular, the Draft Annual Report for the year under review had not been furnished to the Auditor General even up to 31 October 2011.
- (iv) Any welfare scheme adopted by an enterprise should have the approval of the General Treasury. However, the Bureau had failed to obtain the approval for the Employees' Medical Insurance Scheme as per the requirement in Section 9.12 of Chapter 9 of the circular.
- (v) Though the manual of procedures with a chapter on human resource management providing rules and regulations on all matters relating to management of human resources should have been approved by the Board together with the concurrence of the Secretary to the Treasury in terms of Section 9.14.1 of Chapter 9 of the circular, the Bureau had failed to comply with that requirement.
- (f) Although excess cash of the public institutions as at 31 December 2010 should be credited to the Consolidated Fund, after considering the working capital requirements of ensuing 6 months, it had not been credited to the Consolidated Fund in terms of the Public Enterprises Circular No.PED/56 dated 11 January 2011. According to the calculations made by the audit the excess cash might be around Rs. 100 million for the year under review.
- (g) Proper numbering system had not been applied to official receipts of the Bureau in terms of Financial Regulation 168.
- (h) Copies of the letters related to the recruitments, transfers, promotions, payments of salary increments and disciplinary actions against the employees had not been furnished to audit in terms of Section 2.10 of Chapter VI of the Establishments Code.

2.2.6 Lack of Evidence for Audit

The evidence such as supporting documents, vouchers, detailed schedules, contract agreements, tender documents etc. relating to ten items in the accounts aggregating Rs.307,505,022 had not been furnished to audit.

3. Financial and Operating Review

3.1 Financial Review

3.1.1 Financial Results

- a) According to the financial statements presented, the operations of the Bureau for the year ended 31 December 2010 had resulted in a surplus of Rs. 14,828,497 against the surplus of Rs. 57,720,492 for the preceding year, thus indicating a decrease of Rs.42, 891,995 in the financial result. The increase of marketing and promotion expenses by Rs. 310 million was the main reason for the decrease in financial results.
- b) Material adjustments had been made during the year under view to the financial results of the Bureau for the preceding year due to the non-application of reliable and relevant accounting estimates to prepare the financial statements. The net deficit of Rs.4,752,100 for the preceding year had been revised by Rs.62,472,592 or 1314 %. As a result, financial result of the preceding year had been revised as surplus of Rs. 57,720,492. Hence, making of such material adjustments to the financial results of the year under review in the ensuing year, cannot be ruled out in audit.

3.2 Operating Review

3.2.1 Uneconomic Transactions

Following observations are made

- (a) 1400 cushion cover sets had been purchased for Rs.5,278,111 to use at Sugathadasa Stadium without calling for tenders. Unit price of a cushion cover was Rs. 3,770. The normal average market price of the similar cushion cover was approximately 20% to 25% less than the unit price paid.
- (b) A bank Loan amounting Rs. 200 million had been obtained on 02 June 2010 for the IIFA festival without ascertaining the actual requirement of the funds availability at

the Bureau. After 20 days, a sum of Rs. 120 million had been repaid to the Bank with the interest of Rs. 300,000. Out of the remaining balance, a sum of Rs. 66.6 million had been shown in the account as a long term liability. A sum of Rs. 5,852,511 had been paid as interest up to the end of the year under review, while the remaining loan balance of Rs. 80 million had been kept as an idle asset.

3.2.2 Marketing and Promotion Activities

Sums of Rs. 997 million and Rs.706 million had been spent for the marketing and promotion activities of the Bureau during the year under review and preceding year respectively. The following observations are made with regard to the some of the promotional activities conducted during the year under review.

(a) Conducting the International Indian Film Academic Award Festival (IIFA)

The estimated cost and sponsorship income of the festival were Rs. 698 million and Rs.160 million respectively. According to the sample audit carried out in this regard, the following matters were observed.

- (i) According to the financial statements of the Bureau, the actual sponsorship income was Rs. 10.6 million. In addition, a sum of Rs. 95.3 million received as goods and services for the commercial sponsorship had not been brought to the accounts. Further, sponsorship income granted in various currencies i.e. Sri Lankan Rs. 15 million, US\$ 50,000 and Indian Rs. 1.5 million had been obtained by the organizing firm of the Festival, contrary to the conditions in the agreement entered into between the said firm and the Bureau.

(ii) IIFA Cricket Match:

- Even though tickets were sold at various prices such as Rs.7500,Rs.5000, Rs.4000,Rs.3000 and Rs.1000, no income was received by the Bureau from the cricket match held at SSC ground on 4 June 2010.Information relating to number of tickets printed, their serial numbers and the ticket handing over and taking over particulars had not been furnished to audit.
- According to the meeting held with the Minister on 8 May 2010, it had been decided to handle ticket selling activities through the Bureau, except the VIP tickets. However, contrary to this decision, ticket selling activities had been awarded to a private company which is engaged in travel operating business

by the Managing Director of the Bureau, without having relevant approvals and also without signing an agreement with the said company.

- According to the information provided by the company, 4,457 tickets were sold for Rs. 12,826,500 through another private company on 2% commission and through the Sri Lanka Cricket Board (SLCB). Also, the company had spent a sum of Rs. 9,929,490 as ground expenses, out of their collection.
- Further, a sum of Rs. 2,554,609 had been paid by the company to the SLCB in order to hand over this sum to the UNICEF to use for charity purposes. However, there is no evidence relating to the handing over of money to the UNICEF.
- In addition, ticket income which had been separately collected by the SLCB amounting to Rs. 7,897,000 had not been handed over either to the Bureau or to the company. Due to non-availability of evidence relating to the collected money, this had to be considered as fraudulent matter.

(iii) Providing of Air Travel Facilities:

According to the information made available to audit, only 436 participants had used the air travel facilities provided by the Bureau to travel from India. If the air travels facilities provided by the Air Lanka Ltd. was used, it could have been provided transport facilities to entire passengers. However, without considering the required number of flights, four charter flights had been arranged by incurring an additional cost amounting to Rs. 58.8 million. Also, the passengers' information relating to the use of charter flights had not been furnished to audit. Further, an additional cost of Rs. 1.75 million had been incurred to provide 47 air tickets exceeding the agreed number of air tickets which had been agreed to provide by the Bureau.

(iv) Providing of Ground Travel Facilities:

Budgeted amount for ground travel was Rs. 8 million. However, sums of Rs. 15 million and Rs.2.5 million had been spent for providing of normal and luxury vehicles respectively. The payments had been made without having the basic information, such as vehicle numbers, departure and arrival time and places of travel. Hence, accuracy of payments could not be satisfactorily vouched in audit. In addition, a sum of Rs. 2.3 million had been paid to luxury vehicles without obtaining the certification with regard to the use of the vehicles for specific purpose.

(v) Providing of Accommodation:

- According to the agreement entered into between the Bureau and the organizing firm of the festival, the Bureau has agreed to provide 2,650 room nights to the participants. Whilst, the Hotel Owners Association (HOA) agreed to provide 2874 room nights in free of charge. Thus, agreed amounts of room nights by the HOA was adequate to fulfill the condition in the agreement. However, without using the allocated room nights by the HOA in full, a sum of Rs. 6 million had been spent for additional 464 room nights.
- According to the invoices submitted by the hotels, a sum of Rs. 39.6 million had been requested to pay for the use of additional rooms. However, details relating to guests accommodated had not been submitted to audit.
- According to the information made available for audit, 450 guests were participated to the festival. Therefore, 1800 (450 x 4) room nights would have been sufficient to provide 4 days of accommodation to the guests. However, 3784 room nights had been utilized. Due to lack of information relating to the participants and guests occupied in the rooms, utilization of such an amount of room nights had been observed as wasteful expenditure.
- Further, a sum of Rs. 12.7 million had not been recovered from the organizing firm of the festival with regard to the providing of 645 room nights to the said firm.

(b) Research on Foreign Tourism Markets

A market research had been conducted by the Bureau with a view to understand the prevailing low market growth in the country, during the period of 2000-2007 when compared to the market growth in India and average growth in the entire industry. A sum of Rs.23 million had been spent to conduct this research. The following observations are made in this regard.

- (i) According to the budget speeches made during the last two decades and as per the Central Bank reports, the civil war situation, which was prevailed in the country before 2009, was the main obstacle that effected to the development of the tourism industry. However just after the ending of the war, the industry has been started to

develop rapidly. Therefore, the government has predicted that the growth of the industry would be around 16% per annum.

- (ii) Therefore, on the ground of available clear evidence to the prevailing problem and after beginning the rapid growth in the industry, implementing of such kind of market research during the years 2009 and 2010 by incurring a sum of Rs. 23 million could not be considered as rational and reasonable management decision. Hence, this entire expenditure is considered as an uneconomic expenditure.
- (iii) Preparation of expenditure estimates and obtaining the approval for tender documents from the tender board had not been made for the above research.
- (iv) Tender had been awarded to a company registered in Canada, through an Agent without having the legal power of attorney.
- (v) All the payments have been made without having work done certificates and without obtaining a performance bond. Even though the tender was submitted in Sri Lankan Rupees, the payments had been made in US\$ without considering the foreign exchange procedures.
- (vi) The main objectives of the research were to apply research findings to the strategic planning process. However, there was no evidence to show the application of the findings for the Strategic Planning process of the Bureau.

(c) Conducting Country Specific Programmes

According to the action plan of the Bureau for the year under review, country specific programmes had been planned to implement in 15 countries and regions. Following matters were observed in the audit examination carried out relating to the promotional programme conducted in Middle- East Region.

- (i) The estimated and actual cost for the programme were Rs. 7.8 million and Rs. 4.6 million respectively. Preparation of budget for the programme had not been made, based on the reliable and relevant information. When compared to the estimated cost, the actual cost was only 59%.

- (ii) Procedures relating to the implementation of such programmes had not been introduced. In addition, criteria had not been determined relating to the selection of countries to conduct the programmes.
- (iii) Performance of the programmes conducted had not been evaluated.
- (iv) Even though it had been expected to conduct the programmes with the participation of 50 Tourism Agents in each of the country, only 5 to 15 Agents were participated.
- (v) Even though it had been scheduled to be held a media conference and conduct a feasibility study, these activities had not been carried out.
- (vi) Without applying a selection procedure, service of a dance troupe had been obtained for this programme incurring a sum of Rs.1,161,690 including the air tickets.

(d) Feel Negambo Event

Following observations are made.

- (i) A local tourism promotional programme named “Feel Negambo” had been held, during 11 to 13 December 2009, by the Bureau with the participation of Western Provincial Council (WPC), Sri Lanka Convention Bureau and Negambo Tourist Association. Main objectives of the event were to promote Negambo as a destination for family and youth travelers and a venue for meetings and incentives.
- (ii) The estimated cost for the event was Rs.18.8 million, whereas the actual cost was 20.8 million. Even though the actual cost was exceeded the estimate by 15%, actual participation were far below the expected participants of 15,000. The details of actual participants could not be ascertained. However, very low ticket sales revenue indicated the low number of participations. Only 1.6% of event tickets were sold, as compared to the expected event tickets revenue.
- (iii) According to the WPC and a report submitted to the Ministry, this event was not succeeded though a sum of Rs. 20.8 million had been spent.

3.2.3 Human Resource Management

According to the information submitted to audit, number of employees of the Bureau, belonging to the 07 categories were 46 and 40 relating to the year under review and the preceding year respectively. Sums of Rs. 20.3million and Rs.20.6

million had been paid by the Bureau for salaries, wages and other allowances of the employees during the year under review and preceding year respectively.

3.2.4 Transport Fleet

Following observations are made

- (a) Two vehicles (a motor car and a van) had been vested with the Bureau during the year under review. According to the information provided to audit, distance traveled and the running cost of the vehicles during the year under review were 51,550 Km and Rs. 1,369,993 respectively. Thus, the running cost per Km without the depreciated value was Rs.26.57.
- (b) In addition, a sum of Rs. 3,079,019 had been paid to hire the vehicles during the year under review. Distance travelled was 71,316Km. Hence, the cost per Km of the hired vehicles was Rs. 43.

3.3 Corporate Plan

A corporate plan for the Bureau for 2010 to 2013 had been prepared. However, some of the major activities had been implemented without following the guidance in the corporate plan.

3.4 Budgetary Control

Following observations are made

- (a) Even though a budget had been prepared, the Board approval for the budget had not been obtained 3 months before the beginning of the financial year, in terms of Section 8 (1) of the Finance act No.38 of 1971 and Section 5.2.6 of the Public Enterprise Guidelines for Good Governance circular No.PED/12 of 02 June 2003.
- (b) Even though the main functions of the Bureau are directly connected with the promotional activities, a detailed marketing and promotional budget had not been prepared indicating foreign and local promotion programmes separately.
- (c) Significant variances were observed between the estimated expenditure and the actual for the year under review, thus, indicating that the budget had not been made use of as an effective instrument of management control

4. Systems and Controls

Observations made in systems and controls during the course of audit were brought to the notice of the Chairman of the Bureau from time to time. Special attention is needed in respect of the following areas of control.

- a) Accounting.
- b) Conducting promotional programmes.
- c) Project management.
- d) Assets management.
- e) Debtors and creditors
- f) Payment of advances

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