

Tourism Development Fund - 2011

1. Financial Statements

1.1 Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Tourism Development Fund as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Comments on Financial Statements

1.2.1 Accounts Receivable and Payable

Even though 07 dishonored cheques valued at Rs. 143,504 had been outstanding for a period ranging from 02 to 07 years, appropriate actions had not been taken for the recovery of the value of these cheques, in terms of Financial Regulation No. 189.

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

Instances of non-compliance observed in audit are given below.

- (a) Returns relating to the collection of Tourism Development Levy (TDL) should be furnished to the Deputy Secretary to the Treasury within 30 days after the collection of TDL, in terms of Section 24(2) of the Tourism Act No. 38 of 2005 and Part II of the Finance Act No. 25 of 2003. However, the Fund had failed to comply with that requirement.
- (b) A register mentioning the particulars of the TDL payments had not been maintained in terms of Section 24(4) of the Tourism Act No. 38 of 2005.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the income derived from the activities of the Fund for the year under review was Rs.1,695 million as compared with the corresponding income of Rs.1,517 million for the preceding year, thus indicating an improvement of Rs.178 million in the financial results.

2.2 Management of the Fund

Activities of the Fund should be carried out according to the provisions of the Tourism Act No. 38 of 2005. The following matters were observed in respect of the management of the Fund.

- (a) The TDL should be collected in terms of Section 12 of the Finance Act No. 25 of 2003 on the turnover of the every licensed institution. However, no TDL had been collected from 1,089 licensed institutions, out of 2,372 institutions.
- (b) The TDL amounting to Rs. 492,490 had been repaid to the payer without having audited accounts.
- (c) A sum of Rs.3,343,507 had been paid as administrative expenses to the Tourism Development Authority by the Fund. However, there were no provisions in the Tourism Act No 38 of 2005 to pay the administration expenses. The Chairman of the Tourism Development Authority (SLTDA) had informed me on 02 May 2012 as follows.
“According to the Act the TDF should be administrated & managed by the SLTDA. For this purpose SLTDA incur expenses such as salaries of employees, depreciation of data processing assets, stationeries and etc, that no other institution that receives the disbursement from the fund would incur. Considering this fact the SLTDA board decided to charged a nominal fee out of the fund in a way that it will be shared by all four institutions”

2.3 Internal Audit

Internal audit functions of the Fund had to be covered by the Internal Audit Division of the SLTDA. However, no any internal audit function relating to the operations of the Fund had been carried out by the said audit division, during the year under review.

3. Systems and Controls

Deficiencies in Systems and Controls observed during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting.
- (b) Distribution of funds.
- (c) Collection of Tourism Development Levy.
- (d) Issuing of licenses.
- (e) Review of financial statements of the licensed institutions.