

## **Tourism Development Fund - 2017**

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The audit of financial statements of the Tourism Development Fund for the year ended 31 December 2017 comprising the statement of the financial position as at 31 December 2017 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 20 of the Tourism Affairs Act, No.38 of 2005. My comments and observations which I consider should be published with the Annual Report of the Fund appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor's Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conduct my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the Fund's and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **2. Financial Statements**

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### **2.1 Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the Tourism Development Fund as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Non – compliance with Laws, Rules, Regulations and Management Decisions**

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The following instances of non – compliance were observed in audit.

#### **Reference to Laws, Rules and Regulations**

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#### **Non- compliance**

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(a) Section 24(3) of the Tourism Affairs Act, No.38 of 2005.	Rules had not been prepared for the management and the administration of the Tourism Development Tax.
(b) Financial Regulation 169(2) of Financial Regulations of the Democratic Socialist Republic of Sri Lanka	A sum of Rs.143,505 relating to 07 cheques could not be able to be recovered due to the Institution being supplied services before the realization of the cheques.

### **2.3 Transactions not supported by Adequate Authority**

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A sum of Rs.7,765,924 had been paid to the Sri Lanka Tourism Development Authority as administrative expenses in the year under review on a Decision of the Board of Directors dispute provisions had not been made available in the Tourism Affairs Act, No.38 of 2005 for the payment of administrative expenses.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the income generated by the operating activities of the Fund in the year under review amounted to Rs.3,933 million as compared with the income of the preceding year amounting to Rs.3,644 million, thus indicating an improvement of Rs.289 million in the year under review as compared with the preceding year.

The increase of the development tax income by a sum of Rs.265 million as compared with the preceding year had been the main reason for the above improvement.

#### **4. Operating Review**

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##### **4.1 Performance**

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One - third of the Embarkation Tax in terms of Section 2 of the Finance Act, No.25 of 2003 and the Tourism Development Tax under the Tourism Affairs Act, No.38 of 2005 had been the income of the Fund and, provisions had been made available by the Act to provide 70 per cent, 12 per cent, 14 per cent and 4 per cent respectively to the Sri Lanka Tourism Promotions Bureau, Sri Lanka Tourism and Hotel Management Institute, Sri Lanka Tourism Development Authority and to the Sri Lanka Conventions Bureau for the expenditure incurred for the promotion and for the development of the Tourism Industry. As such, a total sum valued at Rs.3,924,644,605 had been provided as sums of Rs.2,747,251,224, Rs.470,957,352, Rs.549,450,245 and Rs.156,985,784 respectively to the above Institutions in the year under review.

##### **4.2 Management Activities**

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The following observations are made.

- (a) Even though a Levy should be charged from every ticket issued for a passenger who leaves Sri Lanka from a vessel which leaves Sri Lanka and a portion of that Levy should be remitted to the Authority in terms of Section 2(b) of the Finance Act, No.25 of 2003 , a Levy had not been charged from the passengers who travel by vessels and had not been sent to the Authority. Action had not been taken to recover the Embarkation Tax Income amounting to Rs.6,406,106 receivable to the Fund relating to the year under review, US\$ 1.66 each from a passenger in this connection on 27565 passengers being left the country as per the information of the Department of Immigration and Emigration in the year 2017.
- (b) Even though an Embarkation Tax Income amounting to Rs.2,557,359,000 remains receivable for the passengers who left the country by aircrafts on the number of Sri Lankans and Foreigners aged over 02 years who had left Sri Lanka by aircrafts in the year 2017 being 3,653,370 as per the information of the Department of Immigration and Emigration, a sum of Rs.2,378,828,212 had been reported as the Embarkation Tax of the Tourism Development Fund as per the financial statements in the year 2017. As such, a difference of Rs.178,530,788 was observed.

**5. Systems and Controls**  
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Deficiencies in systems and control observed during the course of audit were brought to the notice of the Director General from time to time. Special attention is needed in respect of the following areas of control.

<b>Areas of Systems and Controls</b> -----	<b>Observations</b> -----
(a) Collection of the Embarkation Tax	(i) Not charging levy from the passengers who travel by vessels.  (ii) Not comparing levy charged from the passengers who travel by aircrafts, with the information of the Department of Immigration and Emigration.
(b) Collection of the Tourism Development Tax	Differences remaining between the tax amount recovered from the customers and the tax recovered to the Fund.