

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Tourism Development Fund for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 Finance 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 Fund as at 31 December 2022, 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

I expressed qualified opinion 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 Public Sector 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 fund's stability 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 fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the fund's financial reporting process.

As per Sub Section 16(1) of the National Audit Act No. 19 of 2018, the fund 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 of the fund.

1.4 Auditor's Responsibility for the Audit of the 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 scepticism 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.
- Obtain 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 fund'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 fund'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 the fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 fund, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the fund has complied with applicable written law, or other general or special directions issued by the governing body of the fund;
- Whether the fund has performed according to its powers, functions and duties; and
- Whether the resources of the fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
Bank overdraft amounting to Rs.575,721,381 as per the cash book maintained under the Tourism Development Fund had been set off from cash and cash equivalents in the statement of financial position at the end of the year under review in contrary to the Sri Lanka Public Sector Accounting Standard No.01.	Comments were not given.	Bank overdraft should be separately shown in the statement of Financial Position.

1.5.2 Un-reconciled Control Accounts or Records

Item	As per Financial Statements Rs.	As per corresponding Record Rs.	Difference Rs.	Management Comment	Recommendation
(a) Administration fees Payable to Sri Lanka Tourism Development Authority	7,041,214	74,142	6,967,072	Comments were not given	Balances should be reconciled periodically and necessary steps should be taken to avoid the differences.
(b) Payable to Sri Lanka Tourism Development Authority	222,393,766	150,204,306	72,189,460	Agreed. Reconciliation process got delayed since no officer allocated for the officer who go on medical leave. It was affected to finalizing the accounts and these differences were occurred.	Balances should be reconciled periodically and necessary steps should be taken to avoid the differences.

(c) Payable to Sri Lanka Tourism Promotion Bureau	1,111,968,829	751,021,532	360,947,297	Agreed. Reconciliation process got delayed since no officer allocated for the officer who go on medical leave. It was affected to finalizing the accounts and these differences were occurred.	Balances should be reconciled periodically and necessary steps should be taken to avoid the differences.
(d) Payable to Sri Lanka Institute of Tourism and Hotel Management	190,623,228	128,746,548	61,876,680	Agreed. Reconciliation process got delayed since no officer allocated for the officer who go on medical leave. It was affected to finalizing the accounts and these differences were occurred.	Balances should be reconciled periodically and necessary steps should be taken to avoid the differences.
(e) Payable to Sri Lanka Convention Bureau	114,911,748	94,286,188	20,625,560	Agreed. Reconciliation process got delayed since no officer allocated for the officer who go on medical leave. It was affected to finalizing the accounts and these differences were occurred.	Balances should be reconciled periodically and necessary steps should be taken to avoid the differences.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) The Tourism Act No. 38 of 2005 (i) Section 24(3)	The Rules for the management and administration of the Tourism Development Levy had not been formulated in accordance with the Section. However, the administrative expenses amounted to Rs. 7,201,468 had been paid during the year under review as per the decision of the Board of the Directors.	Agreed, and the administrative expense is charged based on the Board approval given.	The Rules for the management and administration of the Tourism Development Levy should be formulated
(ii) Section 24 (8) &(9)	A sum of Rs.1,250,000,000 had been invested in an one month maturity fixed deposit in contrary to the objective mentioned in the Sections that to utilize the all money received to the Fund for the promotion of Sri Lanka as a Tourist Destination and related marketing activities.	Since the reconciling part takes time, it is noted that a considerable amount of tax collected remains idle in the main accounts for a reasonable time. The Board of Directors has given their approval to invest and earn interest until the fund is disbursed. Finally, the total interest income of Rs.26,712,329 was also disbursed among the four institutions.	Reconciling the deposits to the fund should be done in a timely manner which will mainly affect the disbursement of the fund to 04 institutions and the remittance to Treasury.
(b) Section (3) of the Part I of the Finance Act No.35 of 2018	Although, levy collected at the rate of 0.5 per cent from the institutes which had obtained the license under the Tourism Act No. 38 of 2005 should be furnished to the consolidated fund within 30 days from the date of collection of the levy, the levy collected in 2022 amounting to Rs. 14,114,147 had been	Among the total receipts credited to the TDF bank accounts, it needs to separate the payments made for 0.5% from the other receipts and it can be identified after the reconciliation of the bank accounts and checking with each and every receipt since many other deposits are credited to the TDF accounts. This process takes time as usual, however, in the year	Action should be taken to remit the Treasury Portion of TDL on time.

remitted to Treasury with a delay from 53 days to 150 days range of period. 2022, it took longer than usual to reconcile and identify the taxes collected since the subject officer was on medical leave. Hence, it was unable to Remit the collected 0.5% TDL to the treasury within 30 days from the date of collection.

<p>(c) Paragraph 6.6 of Operational Manual for State Owned Enterprises (SOE) dated 16 November 2021</p>	<p>Although, accounts should be handed over to the Auditor General within sixty (60) days after the close of the financial year, the annual financial statements of the Tourism Development Fund for the year under review had been submitted to the Auditor General on 10 May 2023 with a delay of 70 days due to improper management in human resources.</p>	<p>Comments were not given.</p>	<p>Accounts should be handed over to the Auditor General within sixty (60) days after the close of the financial year.</p>
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2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a revenue of Rs. 4,082,016,673 and the corresponding revenue in the preceding year amounted to Rs. 1,313,694,142. Therefore an improvement amounting to Rs.2,768,322,531 of the financial result was observed. The reasons for the improvement are mainly due to increase in Embarkation Levy by Rs.2,113,882,345 and Tourism Development Levy by Rs.616,120,939.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
<p>Even though, a sum of Rs.116,567,818 had been directly remitted to the Bank from the year 2017 to the year 2021, it had been continuously brought forward under current liabilities instead of being correctly identified and</p>	<p>Not agree, this is not a continuous balance. Due to the pandemic situation in the country and the travel restrictions, we have introduced a new system to make payments without coming to SLTDA. However, some of the tax payers have made the payments using the online system and using cash deposit machines without mentioning the details of the references. This was the reason behind</p>	<p>Action should be taken to recognize the payees and accounted for early.</p>

accounted for.

increasing this unclear amount gradually during the years 2020 and 2021. The net amount of the unidentified taxes amount of Rs.116, 567,818 is shown in the final account that is still unable to recognize as the TDL due to the non -availability of the details of the payee. Action is being taken to recognize the payees.