

Sri Lanka Tourism Development Fund - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Tourism Development Fund (Fund) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, 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 2023, 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' 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 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
Interest income of Rs.8,539,589 which had been due as at 31 December 2023 for investment on fixed deposits had been recognized as Rs.3,872,877 with a difference of Rs.4,666,712.	We will do the relevant rectification in the books of accounts.	The relevant adjustments should be made to the accounts in 2024.

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) Payable to Sri Lanka Tourism Development Authority	335,956,251	408,683,267	72,727,016	These balances will be reconciled and will make necessary rectifications if any.	Balances should be reconciled periodically and necessary steps should be taken to avoid the differences.
(b) Payable to Sri Lanka Tourism Promotion Bureau	1,679,781,256	1,677,438,210	2,343,046		
(c) Payable to Sri Lanka Institute of Tourism and Hotel Management	287,962,501	233,982,276	53,980,225		
(d) Payable to Sri Lanka Convention Bureau	95,987,500	43,614,771	52,372,729		

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.,7330,117 had been incurred during the year under review as per the decision of the Board of the Directors.	Agreed with the observation. The “Administrative Expenditure” is charged based on a Board Decision.	The Rules for the management and administration of the Tourism Development Levy should be formulated.
(ii) Section 24 (8) &(9)	A sum of Rs.850,000,000 had been invested in 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.	These investments have been made on short term basis until those funds are utilized for the disbursements and also the relevant interest income also disburse among the 04 institutions as per the percentages mentioned in the Tourism Act.	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 been obtained for the licenses 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 month of January & February 2023 amounting to Rs.2,743,629 had been remitted to Treasury with a delay from 119 days to 150 days range of period. Also, the levy amounting to Rs.15,774,967 from month of March to December 2023 had not been remitted to the treasury even by 19 March 2024.	Agreed with the observation and will take necessary actions to expedite the remittance process to the General Treasury.	Action should be taken to remit the Treasury Portion of TDL on time.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a revenue of Rs.5,922,646,401 and the corresponding revenue in the preceding year amounted to Rs. 4,082,016,673. Therefore an improvement amounting to Rs.1,840,629,728 of the financial result was observed. The reasons for the improvement are mainly due to increase in Embarkation Levy by Rs.1,726,465,034 and Fixed deposit interest by Rs.78,597,123.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation

Even though, a sum of Rs.876,828,957 had been directly remitted to the Bank from the year 2017 to the year 2023 by registered hoteliers and owners of tourism business, it had been continuously brought forward under current liabilities instead of being correctly identified and accounted for

Management Comment

SLTDA had several meetings with the management of BOC to seek a permanent solution for this matter, with the assistance of ICT of SLTDA.

Recommendation

Action should be taken to recognize the payees and accounted for early.