

Tourism Development Fund - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Tourism Development Fund for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance 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 financial statements give a true and fair view of the financial position of the Fund as at 31 December 2024, 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 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) The Authority had not maintained a comprehensive database relating to Tourism Development Levy due from all tourist enterprises and tourist service providers required to register under its purview. As a result, the Authority had failed to calculate the annual Tourism Development Levy income and the corresponding receivables accurately for the year under review. Hence, the accuracy of the reported income could not be ascertained, in audit	The Authority is ensuring proper database for registered enterprises as per the Financial Act, No. 25 of 2003. "Every intuition shall remit the amount estimated as the Tourist Development Levy for each quarter and submit an audited financial statement of annual accounts within ninety days of the end of the financial year. However, registered institutes are not following the Act properly, causing SLTDA to struggle to identify the actual income and receivable income for the year.	The Authority should maintain a comprehensive database relating to Tourism Development Levy due from all tourist enterprises and tourist service providers required to register under its purview.

(b) Cheques received from hoteliers during the period 2019–2024 amounting to Rs.1,516,571, for the settlement of Tourism Development Levy (TDL) had been shown as dishonored Cheques in the financial statement without being debiting to the respective debtors account. Further, the management had not taken appropriate action to recover the amount due from the respective parties.	Management has sent letters to relevant customers to collect this outstanding balances.	Management should take appropriate action to recover the amount due from the respective parties.
(c) No provision had been made for the Fixed deposit interest income receivable amounting to Rs.5,986,301, for the year 2023 and the income received during the year had been recognized as income at the year under review. As a result, the income had been overstated by similar amount.	Agreed with the observation	Income should be reported accurately.

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)	Although the rules governing the management and administration of the Tourism Development Levy should be formulated by the authority as per the said section, the Authority had not yet formulated such rules. However, administrative	Agreed, and the administration expense is charged based on the board approval given	The Rules for the management and administration of the Tourism Development Levy should be formulated.

expenses amounting to Rs.13,084,078 were incurred during the year under review based on a decision made by the Board of Directors.

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| <p>(ii) Section 24 (8) & (9)</p> | <p>The money collected by way of the levy by the Director General should be disbursed in the manner set out in subsection (8) and used solely for the purposes of promoting and marketing tourism. Contrary to this section, a sum of Rs.850,000,000 was invested in fixed deposits.</p> | <p>TDF operates two bank accounts: a collection account and a main account. However, immediate disbursements is not feasible due to the complexity of reconciling individual receipts. The Board of Directors approved a temporary investment to earn interest until disbursement, resulting in a total interest income of Rs.62,809,315.</p> | <p>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.</p> |
| <p>(b) Section (3) of the Part I Finance Act No.35 of 2018</p> | <p>According to the Tourism Act No. 38 of 2005, the levy collected at the rate of 0.5 percent from institutions licensed under the Act should be remitted to the Consolidated Fund within 30 days from the date of collection. However, a sum of Rs.10,023,421 collected during the period July to December 2024 had not been remitted to the Treasury as of 19 March 2025. Further, a sum of Rs.15,774,966 collected during the period March to December 2023 had been remitted in March 2024, and Rs.5,222,058 collected from January to June 2024 was remitted in November 2024.</p> | <p>The TDF bank accounts need to reconcile 0.5 percent levy payments from institutions, make it challenging to accurately identify and clarify these payments within the standard timeframe of 30 days from collection.</p> <p>This delay may take longer to complete the reconciliation process, as all relevant payments must be received before verifying and distinguishing the specific amounts related to the 0.5 percent levy. This complicates maintaining accurate financial records and compliance with Tourism Act No. 38 of 2005 guidelines.</p> | <p>Action should be taken to remit the Treasury Portion of TDL on time</p> |

2. Financial Review

2.1 Financial Result

The revenue of the year under review amounted to Rs.6,986,754,805 and the corresponding revenue in the preceding year amounted to Rs.5,922,646,401. Therefore, an improvement amounting to Rs.1,064,108,404 of the revenue was observed. The reasons for the improvement are mainly due to increase in Tourism Development Levy by Rs.1,108,264,204 and Default interest by Rs.38,471,243.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) Although the Tourism Development Levy amounting to Rs.1,828,538,560 was directly remitted to the bank by registered hoteliers and tourism business owners from year 2016 to 2024 and it has been continuously carried forward under current liabilities without identifying and remitted to the respective agencies.	Management is ongoing discussions with BOC management to resolve these issues and proceed. Meanwhile, Fund will call the higher management of the BOC to discuss about the collection commission.	Action should be taken to recognize the payees and accounted for early.
(b) An amount of Rs.5,818,276 equivalent to 0.5 percent of gross profit of each hotelier related to the Tourism Development Levy (TDL) collected by the Fund prior to the year 2024 on behalf of the Treasury, had been retained without being remitted to the Treasury .	Fund had made a payment of Rs.10,023,421 to the Treasury bearing cheque number 191386 on 01 April 2025.	Action should be taken to remit the Treasury Portion of TDL on time
(c) Since non availability of proper mechanism between Authority and the Fund in respect of license renewal process, the Authority had renewed the 2025 license without recovering the outstanding Tourism Development Levy of Rs.922,343 from a resort in respect of the year 2023.	Management has sent letter to relevant customer to collect this outstanding balance.	Action should be taken to recover the amount due from the respective party.
(d) Sri Lanka Tourism Development Fund (SLTDF) had retained a sum of Rs.2,602,909,032 without being distributed among respective agencies as at the end of year under review.	Fund has only received approval for the last total fix deposit amount is Rs.850,000,000, and therefore, Fund has not received an approval to create a fixed deposit for the additional Funds.	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.