

## Tourism Development Fund - 2012

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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In my opinion except for the effects of the matters described in paragraph 1.2 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 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for small and medium-sized Entities.

#### 1.2 Comments on Financial Statements

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##### 1.2.1 Accounts Receivable and Payable

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Action had not been taken either for the recovery of the money in terms of Financial Regulation 486 or any other course of action in connection with 8 dishonoured cheques valued at Rs.143,504 relating to the period from the year 2004 to the year 2008.

##### 1.2.2 Non- compliance with Laws, Rules, Regulations and Management Decisions.

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The following non- compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non- compliance
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Section 24(2) of the Tourism Act, No. 38 of 2005 and Section 12(2) of the Finance Act No. 25 of 2003.	The reports on the recovery of Tourism Levy had not been furnished to the Deputy Secretary to the Treasury within 30 days from the recovery of the Tourism Development Levy.

Section 24(3) of the Tourism Act, No.38 of 2005 Rules for the management and administration of the Tourism Development Levy had not been formulated.

2. Financial Review  
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2.1 Financial Results  
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According to the financial statements presented, the income earned from the working of the Fund during the year under review amounted to Rs.1, 975 million as compared with the income of Rs.1,695 million for the preceding year, thus indicating an increase of Rs.280 million in the income. The increase in Tourism Development Levy income and the Embarkation Tax income had been the major reasons for the increase in the income.

3. Operating Review  
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3.1 Management Inefficiencies  
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3.1.1 Funds Management  
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The following matters were observed.

- (a) Tourism Development Levy amounting to Rs.2, 603,074 in respect of the years 2010, 2011 and 2012 had been under – recovered from a registered Tourist Transport Institution.
- (b) The Fund had paid a sum of Rs.4,162,318 to the Sri Lanka Tourism Development Authority as the administration expenses. Nevertheless, the Tourism Act, No.38 of 2005 had not made provisions for the payment of administration expenses.
- (c) According to the Notification published in the Gazette Extraordinary No.1303/22 of 29 August 2003 in terms of provisions in the Finance Act, No.25 of 2003, every person departing by an aircraft or ship should pay an Embarkation Tax of US \$15

and US \$ 2.5 respectively. The Director General of Civil Aviation who recovers the Embarkation Tax had recovered that Tax from the year 2004 to 31 December 2012 at the exchange rate of Rs 100 per the United States Dollar. As such a substantial amount of the Embarkation Tax receivable by the Fund during the year under review and the preceding years had been deprived of. It was revealed that the loss per year amounted to about Rs 850 million.

- (d) A database of the institutions from which Tourism Levy should be recovered had not been prepared. As the Levy collected each year and the sales income of the institutions had not been recorded in a register, a control of the arrears of the Levy had not been exercised.

#### 4. Systems and Controls

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Deficiencies in systems and controls 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.

- (a) Accounting
- (b) Distribution of Funds
- (c) Collection of the Tourism Development Levy
- (d) Collection of the Embarkation Tax
- (e) Review of the Financial Records of the Licensed Institutions.