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சுற்றுலா அபிவிருத்தி அதிகார சபை
TOURISM DEVELOPMENT FUND

2022

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ஆண்டறிக்கை
ANNUAL REPORT





TOURISM DEVELOPMENT FUND

ANNUAL REPORT

2022





Honourable Harin Fernando

Minister of Tourism and Lands

Honourable Minister,

Re. Tourism Development Fund

I would like to bring to your kind notice that Tourism Development Fund (TDF) was established under Section 23(1) of Tourism Act No 38 of 2005. This fund should be utilized for the development and promotion of tourism Industry. The method of collection as well as its distribution, is specified in this act.

According to section 23(2) of Tourism Act No 38 of 2005, Civil Aviation Authority transfers 1/3 of the Embarkation Levy (EL) (equivalent to USD 5) to the Sri Lanka Tourism Development Authority (SLTDA).

Moreover, another levy called Tourism Development Levy (TDL) is collected from tourism related businesses by SLTDA.

TDF is the addition of both EL and TDL.

TDF is then distributed to SLTDA, SLTPB, SLITHM and SLCB according to the percentage stipulated in the Tourism Act No. 38 of 2005.

TDF for the year 2021 was Rs.1,302.23 million and for the year 2022 it was only Rs. 4,037.87 million.

This report contains details of the TDF collection and disbursement, during the year 2022.

Thank you,
Your's faithfully,

Sgd

Priantha Fernando

Chairman – Sri Lanka Tourism



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Abbreviations used

EL	-	Embarkation Levy
SLCB	-	Sri Lanka Convention Bureau
SLITHM	-	Sri Lanka Institute of Tourism and Hotel Management
SLTDA	-	Sri Lanka Tourism Development Authority
SLTPB	-	Sri Lanka Tourism Promotion Bureau
TDF	-	Tourism Development Fund
TDL	-	Tourism Development Levy



INTRODUCTION

The TDF was established under Section 23 (1) of Tourism Act No. 38 of 2005 and this fund should be utilized for the development and promotion of tourism. The TDF is managed and administered by SLTDA.

According to section 23 (2) of the Tourism Act No. 38 of 2005, and the section 2 (1) of the Finance Act No. 25 of 2003, 1/3 of Embarkation Levy collected by the Civil Aviation Authority is remitted to TDF. Furthermore, TDL collected by Director General of SLTDA in terms of section 12 of the Finance Act No. 25 of 2003 from every registered tourism establishment is also remitted to TDF. As per the section 24 (8) of Tourism Act No. 38 of 2005, all money lying to the credit of the TDF shall be distributed as follows:

- a) A sum amounting to 70% amount for Sri Lanka Tourism Promotion Bureau
- b) A sum amounting to 14% amount for Sri Lanka Tourism Development Authority
- c) A sum amounting to 12% amount for Sri Lanka Institute of Tourism & Hotel Management
- d) A sum amounting to 4% amount for Sri Lanka Convention Bureau

This report provides summary of money received and disbursed of the TDF during the year 2022.

FINANCIAL REVIEW

Chart 1:

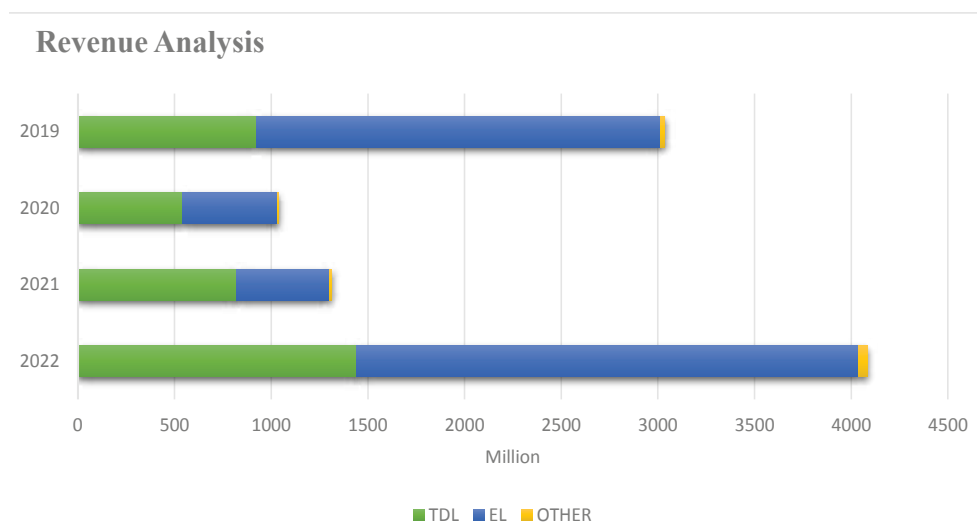
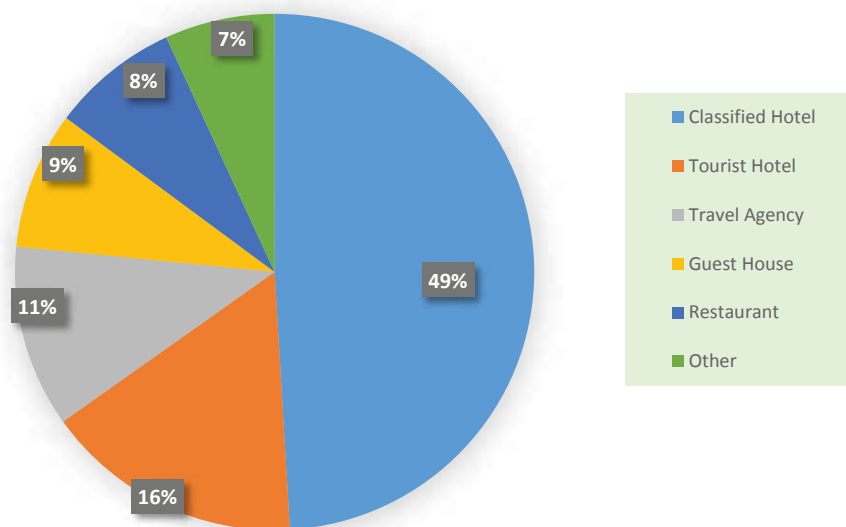


Chart 2:

Contribution to the TDL 2022



C. Financial statements of Tourism Development Fund

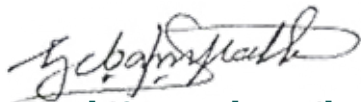
- Statement of Financial Position
- Statement of Financial Performance
- Statement of Changes in Equity
- Statement of Cash Flow
- Notes to the Financial Statements

TOURISM DEVELOPMENT FUND

Statement of Financial Position as at 31st December, 2022

	Note No.	2022 Rs.	2021 Rs.
Current Assets			
Cash & Cash Equivalents	3	830,349,897	547,620,676
Receivables	4	889,139,868	382,275,230
Total Assets		1,719,489,764	929,895,906
Liabilities			
Current Liabilities			
Payables	5	130,962,865	129,963,829
Sri Lanka Tourism Development Authority		222,393,766	111,990,491
Sri Lanka Tourism Promotion Bureau		1,111,968,829	559,952,454
Sri Lanka Institute of Tourism & Hotel Management		190,623,228	95,991,849
Sri Lanka Convention Bureau		63,541,076	31,997,283
Total Liabilities		1,719,489,764	929,895,906

The accounting policies and Notes on pages 39 to 42 form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.



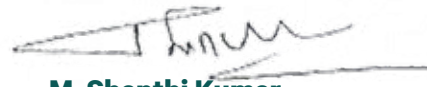
Sampath Ganepalaarachchi
Director/Finance Management



Priantha Fernando
Chairman



Nishantha Cooray
Board Member



M. Shanthi Kumar
Board Member

TOURISM DEVELOPMENT FUND

Statement of Financial Performance For the year ended 31st December, 2022

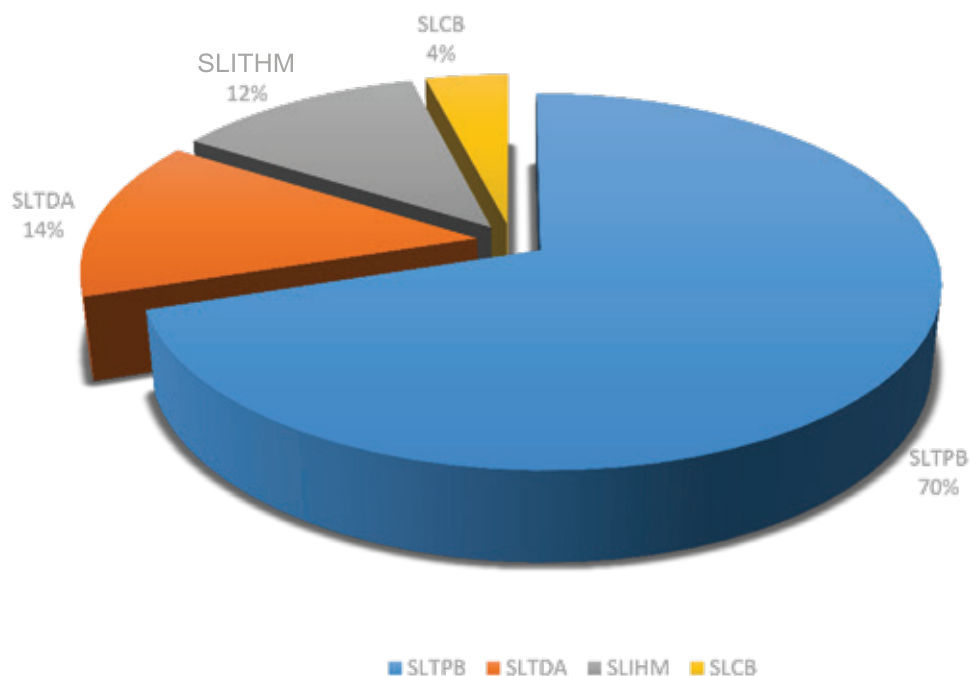
	Note No.	2022 Rs.	2021 Rs.
Revenue			
Tourism Development Levy and Embarkation Levy	6	4,037,871,205	1,302,233,847
Other Revenue	7	44,145,468	11,460,295
Total Revenue		4,082,016,673	1,313,694,142
Expenses			
Fund Administration Cost	8	7,753,673	3,826,845
Finance Cost	9	2,483,715	1,438,488
Fund Disbursement	10	4,057,665,139	1,299,948,737
TDL 0.5% Remittance to Treasury	11	14,114,147	8,480,072
Total Expenses		4,082,016,673	1,313,694,142
Surplus / (Deficit) for the Period		-	-

Statement of Changes in Equity

Management and the administration of the Tourism Development Fund is been carried out by the Sri Lanka Tourism Development Authority as per the Finance Act No.25 of 2003 & Tourism Act No 38 of 2005. Therefore, Statement of Changes in Equity will not be prepared for the Tourism Development Fund. Further the Fund has not generated profit or loss as a result of transactions. Total net receipt has been distributed among four institutions as specified by the section (24) (8) (a) of Tourism Act No.38 of 2005 as follows.

▣ Sri Lanka Tourism Promotion Bureau (SLTPB)	70%
▣ Sri Lanka Tourism Development Authority (SLTDA)	14%
▣ Sri Lanka Institute of Tourism & Hotel Management (SLITHM)	12%
▣ Sri Lanka Convention Bureau (SLCB)	04%

Chart 3 - Percentage distribution of TDF to SLTPB, SLTDA, SLITHM and SLCB



TOURISM DEVELOPMENT FUND

Statement of Cash Flow For the year ended 31st December, 2022

	Note No.	2022 Rs.	2021 Rs.
Cash Flow from Operating Activities			
Receipts			
Tourism Development Levy and Embarkation Levy	12	3,532,669,408	1,160,420,314
Other Receipts		44,616,312	74,835,688
Payments			
Disbursement	13	(3,269,070,316)	(998,984,934)
Other Payments		(25,486,183)	(5,207,824)
Net Cash Flow from Operating Activities		282,729,221	231,063,244
Net Cash Flow from Financing Activities			
Cash and Cash Equivalents at Beginning of Period		547,620,676	316,557,432
Cash and Cash Equivalents at the End of Period		830,349,897	547,620,676
Net Decrease / (Increase) in Cash and Cash Equivalents		282,729,221	231,063,244

Notes to Accounts

1. Tourism Development Fund

As per the Tourism Act No.38 of 2005 under section 23(I) there shall be established a fund to be called the “Tourism Development Fund”. This fund shall be utilized for the development and the promotion of tourism. The collection and disbursement of TDF is to be carried out in accordance with the Finance Act No.25 of 2003 and Tourism Act No.38 of 2005.

2. Accounting Requirements

The TDF accounts have been prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

3. Cash & Cash Equivalents

Detail	2022 Rs.	2021 Rs.
Bank of Ceylon Account No 07122882	(575,721,381)	442,859,122
Bank of Ceylon Direct Deposit Account No 73104820	156,071,278	104,761,554
3.1 Fixed Deposit – One-month Maturity (BOC Corporate Branch)	1,250,000,000	-
Total	830,349,897	547,620,676

3.1 Fixed Deposit – One-month maturity

Due to an unavoidable circumstance arising in the TDL unit, it was unable to disburse the collected TDL and EL income in a timely manner. Therefore, funds collected were temporarily invested in a fixed deposit with the approval of the Board of Directors, till disbursement, with the purpose of avoiding keeping idle funds in a current account without earning interest.

4. Receivables

Detail	2022 Rs.	2021 Rs.
Embarkation Levy Receivable	536,533,176	181,331,378
TDL Receivable	350,000,000	200,000,000
Debtor - Other	2,606,692	943,852
Total	889,139,868	382,275,230

5. Payables

Detail	2022 Rs.	2021 Rs.
SLTDA current Account with TDF	2,002,988	1,654,865
Accrued Expenses-Administration Fees	4,756,876	2,462,093
Accrued Expenses-Audit Fees	249,000	573,945
Accrued Expenses-Stamp Duty	32,350	42,000
Other current Liabilities (Deposits without details)	116,567,818	115,403,635
TDL 0.5% remittance to Treasury	7,353,833	9,827,291
Total	130,962,865	129,963,829

6. Taxes – Fund source

Detail	2022 Rs.	2021 Rs.
6.1 Embarkation Levy	2,597,860,560	483,978,215
6.2 Tourism Development Levy 1%	1,425,896,499	809,775,560
TDL 0.5% Collection	14,114,147	8,480,072
Total	4,037,871,205	1,302,233,847

6.1 Embarkation Levy

According to section 23 (2) (a) of the Tourism Act, Sri Lanka Civil Aviation Authority (SLCAA) shall pay 1/3rd of the sum collected, by way of Embarkation Levy (EL) to SLTDA. However, at present SLTDA not receives as accordingly and receives a Sri Lankan rupee value equivalent to United States Dollars 5 only, which is not equivalent to the 1/3rd of the sum collected, by way of EL collected by SLCAA.

Detail	2022 Rs.	2021 Rs.
Amount received	2,061,327,383	302,646,862
Amount receivable	536,533,151	181,331,353
Total Embarkation Levy	2,597,860,560	483,978,215

6.2 Tourism Development Levy

According to Finance Act No, 25 of 2003 every tourism establishment needs to pay Tourism Development Levy. Sri Lanka Tourism Development Authority collects the TDL and credits it to the Tourism Development Fund. During the period of January to December 2022, Tourism Development Levy Collection was Rs.1,075 million. Further, the due date of the TDL payments for the quarter ending 31st December 2022 is 31st March 2023, hence Rs 350 million provisions have been made for the period of October to December 2022.

Detail	2022 Rs.	2021 Rs.
The amount received for Jan-Dec 2022	1,012,961,594	584,284,544
The amount receivable for Oct-Dec 2022	350,000,000	200,000,000
Under Provision for Oct-Dec 2021	64,619,807	26,018,317
TDL Refund	(1,684,902)	(527,301)
Total TDL for Jan-Dec	1,425,896,499	809,775,560

7. Other Revenue

Other revenue mainly consists of the fixed deposit interest and the default interest which is charged from the registered establishments for not paying the TDL on the due date as per the Finance Act. In addition, a 20% surcharge is imposed on institutions those who submitting infelicitous financial statements.

Detail	2022 Rs.	2021 Rs.
Default interest	16,065,404	11,338,526
20 % Surcharge	1,367,734	121,769
Fixed Deposit Interest	26,712,329	-
Total	44,145,467	11,460,295

8. Fund Administration Cost

Detail	2022 Rs.	2021 Rs.
Stamp Duty	40,150	26,325
Administration Expenses	7,201,468	3,656,520
Audit Fee	512,055	144,000
Total	7,753,673	3,826,845

9. Finance Cost

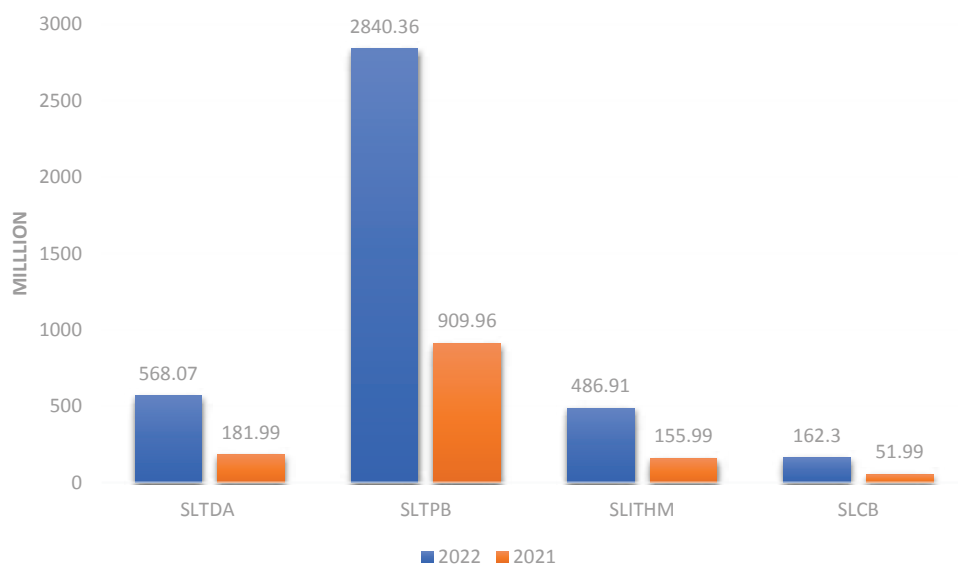
Detail	2022 Rs.	2021 Rs.
Bank charges	60,000	60,000
Bank charges - Collection commission	2,423,205	1,377,840
Return cheque charges	510	648
Total	2,483,715	1,438,488

10. Fund Disbursement

Disbursement was made according to the section 24(8) of the Tourism Act No. 38 of 2005

Detail	2022 Rs.	2021 Rs.
Sri Lanka Tourism Development Authority	568,073,119	181,992,823
Sri Lanka Tourism Promotion Bureau	2,840,365,597	909,964,116
Sri Lanka Institute of Tourism and Hotel Management	486,919,817	155,993,848
Sri Lanka Convention Bureau	162,306,606	51,997,950
Total	4,057,665,139	1,299,948,737

Chart 4 – TDF Distributed to SLTDA, SLTPB, SLITHM and SLCB in Rs. Million – 2021 and 2022



11. TDL 0.5 % Remittance to Treasury

Detail	2022 Rs.	2021 Rs.
TDL 0.5% Remittance to Treasury	14,114,147	8,480,072
Total	14,114,147	8,480,072

Note

As per the provision of section 24 (1) of the Tourism Act, and section 12 of the Finance Act No 25 of 2003, Every Institution registered at SLTDA, shall pay 1% of the Tourism Development Levy (TDL) those who are having their turnover above 3Million per quarter (Rs 12 million per Annam).

However, in amendment of part ii of the Finance Act No. 25 of 2003, with effect from 1st January 2019, a rate of 0.5% of TDL is charged to those who are having their turnover of less than 3Million per quarter (Rs 12 million per Annam) and shall remit to the Deputy Secretary to the Treasury. During the year under review, Rs 14.1Million of TDL has been collected at the rate of 0.5% and remitted to Treasury accordingly.

12. Tourism Development Levy and Embarkation Levy

Detail	2022 Rs.	2021 Rs.
Total TDL Receipts during the year	1,290,010,646	788,606,884
Total EL Receipts during the year	2,242,658,762	371,813,430
Total	3,532,669,408	1,160,420,314

13. Disbursement

Detail	2022 Rs.	2021 Rs.
Sri Lanka Tourism Development Authority	457,669,844	139,857,891
Sri Lanka Tourism Promotion Bureau	2,288,349,221	699,289,454
Sri Lanka Institute of Tourism and Hotel Management	392,288,438	119,878,192
Sri Lanka Convention Bureau	130,762,813	39,959,397
Total	3,269,070,316	998,984,934



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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எனது இல.
My No.

TIP/A/SLTDF/07/22/FA

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

07 June 2023

Chairman

Sri Lanka Tourism Development Authority

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka Tourism Development Fund for the year ended 31 December 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial 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 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 the National Audit Act No.19 of 2018 and the Finance Act No. 38 of 1971. The report of the Auditor General in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka will be tabled in Parliament in due course.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my 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.

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දුරක 306 72, පොල්විල පාර, පිටතරටුමිටිය, ශ්‍රී ලංකාව



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1.2 Basis for Qualified Opinion

The following observations are made.

- (a) A difference of Rs.6,967,072 had been observed between the payable to Sri Lanka Tourism Development Authority by Tourism Development Fund amounting to Rs.7,041,214 as at the end of the year under review as Administration fees, Audit fees & stamp duty and the amount of Rs.74,142 mentioned as receivables from the Tourism Development Fund in the financial statements of Sri Lanka Tourism Development Authority for the year under review. However, both accounts had been administrated under same management.
- (b) 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.

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 (As applicable), 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 ability 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 intends 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 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 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 The National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

2.1.1 Except for the effects of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the fund as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidences obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 To state that any member of the governing body of the fund has any direct or indirect interest in any contract entered into by fund which is out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018

2.2.2 To state that the fund has not complied with any applicable written law, general and special directions issued by the governing body of the fund as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for ;

Reference to law/ direction

Description

(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.

(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.

(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 remitted to Treasury with a delay from 53 days to 150 days range of period.

(c) Paragraph 6.6 of Operational Manual for State Owned Enterprises (SOE) dated 16 November 2021

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.

2.2.3 To state that the fund has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018

2.2.4 To state that the resources of the fund had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance

with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

2.3 Other Audit Observations

- (a) 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 accounted for.
- (b) Due to the lack of proper updating of the accounts of the Tourism Development Fund, the following differences were observed between the balances confirmed in writing to be paid to the under mentioned 04 institutions from the income of the fund as at 31 December 2022 and the balances shown in the financial statements of the fund for the year under review.

	Sri Lanka Tourism Development Authority (Rs.)	Sri Lanka Tourism Promotion Bureau (Rs.)	Sri Lanka Institute of Tourism and Hotel Management (Rs.)	Sri Lanka Convention Bureau (Rs.)
Balance payable as per the financial statements of the Fund as at 31 December 2022	222,393,766	1,111,968,829	190,623,228	114,911,748
Balance due confirmed in writing to institutions	150,204,306	751,021,532	128,746,548	94,286,188
Difference	72,189,460	360,947,297	61,876,680	20,625,560


W.P.C. Wickramaratne
Auditor General



TOURISM DEVELOPMENT FUND

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