

TOURISM DEVELOPMENT FUND ANNUAL ACCOUNTS - 2013

Invest in Sri Lanka Tourism



Sri Lanka Tourism
Development Authority

Hon. Basil Rajapaksha M.P.
Minister of Economic Development

Hon, Sir

Tourism Development Fund

As per the Tourism Act No. 38 of 2005 under section 23 (1) there shall be established “Tourism Development Fund”. This fund shall be utilized for the development and promotion of tourism. The collection and the disbursement of the TDF to be carried out in accordance with the financial Act No. 25 of 2003 (Financial Act) and tourism Act No. 38 of 2005 (Tourism Act).

According to section 23 (2) tourism act one third of Embarkation Levy (EL) was paid to SLTDA from the Civil Aviation Authority and from Tourism Establishment as TDL on quarterly basis.

The Tourism Fund collected during the period of 01st January to 31st December 2013 was Rs. 2625.1 Mn, where it was Rs. 1974.8 Mn in 2012.

This report provides details regarding the collection and disbursement of the Tourism Development Fund for the year 2013.

Thank you

Yours faithfully

Sgd
D. S. Jayaweera
Director General
Sri Lanka Tourism Development Authority

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TOURISM DEVELOPMENT FUND
Statement of Financial Position
as at 31 st December 2013

	Note No	2013 Rs	2012 Rs
Current Assets			
Cash & Cash Equivalants		822,889,099.72	278,352,579.52
Receivables	8	633,886,904.04	401,496,310.67
Total Assets		1,456,776,003.76	679,848,890.19
Current Liabilities			
Payables	9	3,890,830.99	2,068,724.71
Sri Lanka Tourism Development Authority		203,403,924.19	94,889,223.17
Sri Lanka Tourism Promotion Beureau		1,017,019,620.94	474,446,115.84
Sri Lanka Institute of Hotel Management		174,346,220.73	81,333,619.86
Sri Lanka Convention Bureau		58,115,406.91	27,111,206.62
Total Liabilities		1,456,776,003.76	679,848,890.19

D. S Jayaweera
Director General
Sri Lanka Tourism Development Authority

P.N. Dissanayake
Director/Financial Management
Sri Lanka Tourism Development Authority

Tourism Development Fund
Statement of Financial Performance
For the year ended December 31, 2013

		2013	2012
	Note No.	Rs:	Rs:
Revenue			
Taxes	3	2,619,040,948.38	1,971,124,560.78
Other Revenue	4	6,099,936.95	3,749,067.37
Total Revenue		2,625,140,885.33	1,974,873,628.15
Expenses			
Fund Administration Cost	5	5,193,657.45	4,162,318.08
Finance Costs	6	5,943.00	7,192.86
Fund Disbursement	7	2,619,941,284.88	1,970,704,117.21
Total Expenses		2,625,140,885.33	1,974,873,628.15
Surplus/ (Deficit) for the Period		-	-

TOURISM DEVELOPMENT FUND
CASHFLOW STATEMENT
For the year ended 31 December 2013

2013
Rs:

Cash Flows from operating activities

Net Surplus/(Deficit) from Ordinary Activities

-

Changes in working capital -Inflows/(Outflows)

Increase/(Decrease) in payables

776,927,113.57

Decrease/(Increase) in receivables

(232,390,593.37)

Net cash flows from operating activities

544,536,520.20

Cash & cash equivalent at beginning of period

278,352,579.52

Cash & cash equivalent at end of period

822,889,099.72

Notes to Accounts

1. Tourism Development Fund

As per the Tourism Act No. 38 of 2005 under section 23(I) there shall be established “Tourism Development Fund”. This fund shall be utilized for the development and the promotion of tourism. The collection and the disbursement of TDF to be carried out in accordance with the Finance Act No. 28 of 2003 and tourism Act No. 38 of 2005.

2. Accounting Requirement

The fund accounts have been prepared in accordance with the Sri Lanka Public sector accounting standards & Sri Lanka accounting standards.

3. Taxes -Fund Resources

	2013 Rs:	2012 Rs:
Embarkation Levy	1,604,887,048.67	1,161,685,657.02
Tourism Development Levy	1,014,153,899.71	809,438,903.76
Total	2,619,040,948.38	1,971,124,560.78

3.1 Embarkation Levy

According to section 23(2) (a) of Tourism Act 1/3rd of Embarkation Levy was paid to Sri Lanka Tourism Development Authority from the Civil Aviation Authority.

Embarkation Levy [EL]	Rs:
Amount received for Jan-Oct 2013	1,320,912,601.71
Amount receivable for 2013-(Provision)	281,698,177.87
Estimation difference of year 2012*	2,276,269.09
Total Embarkation Levy for the year 2013	1,604,887,048.67

- This estimation difference of Rs.2, 276,269.09 has been identified in this year surplus/deficit in the statement of Financial Performance.

3.2 Tourism Development Levy

According to Finance Act No. 28 of 2003 every tourism establishment need to pay Tourism Development Levy. This TDL money collected by the Sri Lanka Tourism Development Authority and credited to the Tourism Development Fund. During the period January to December 2013 Tourism Development Levy collected was Rs.580.69 Million. Further an estimate of Rs.352 Million has been made for the period of Oct. to Dec.2013.

Tourism Development Levy [TDL]	Rs:
Amount Received for Jan- December 2013	580,691,090.74
Amount Receivable for Oct- December 2013 [Provision]	352,000,000.00
Estimation difference of year 2012 *	81,747,020.86
TDL Refunds	(284,211.89)
Total TDL for Jan-December 2013	1,014,153,899.71

3.2.1 Prior Year Income

An estimate of Rs.208, 000,000.00 was made for the receivable TDL for the year 2012. However the actual receipt of Rs.289, 747,020.86 was received for the said period. Hence there is an under estimate of Rs.81, 747,020.86. Accordingly, 2013 accounts were prepared by recognizing this amount as a change in accounting estimate in the income of the current period.

4. Other Revenue

Other revenue consist of the default interest charged from the Registered establishments for not paying the TDL as per the Finance Act & the over receipts from return cheque holders.

	Rs:
Default Interest collected for 2013	6,099,589.95
Over receipts from return cheque holders	347.00
Total	6,099,936.95

5. Fund Administration Cost

	2013 Rs:	2012 Rs:
Stamp Duty	63,250.00	68,390.35
Administration Expenses	5,101,267.45	4,064,827.73
Audit fee	29,100.00	29,100.00
Postage	40.00	-
Total	5,193,657.45	4,162,318.08

6. Finance Cost

	2013 Rs:	2012 Rs:
Bank Charges	5,943.00	7,192.86
Total	5,943.00	7,192.86

7. Fund Disbursement

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

	2013 Rs:	2012 Rs:
Sri Lanka Tourism Development Authority	366,791,779.88	275,898,576.41
Sri Lanka Tourism Promotion Bureau	1,833,958,899.42	1,379,492,882.05
Sri Lanka Institute of Hotel Management	314,392,954.19	236,484,494.07
Sri Lanka Convention Bureau	104,797,651.40	78,828,164.69
Total	2,619,941,284.88	1,970,704,117.21

8. Receivables

	2013 Rs:	2012 Rs:
Embarkation Levy Receivable	281,698,177.87	190,184,578.80
TDL Receivable	352,000,000.00	208,000,000.00
Debtors	188,726.17	3,311,731.87
Total	633,886,904.04	401,496,310.67

9. Payables

	2013 Rs:	2012 Rs:
Accrued Expenses-Administration Fee	3,761,568.99	1,990,349.71
Accrued Expenses-Audit Fee	29,100.00	58,200.00
Accrued Expenses-Stamp Duty	47,125.00	20,175.00
Other current Liability	53,037.00	-
Total	3,890,830.99	2,068,724.70



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } TM2/K/TDF/1/13/02
 எனது இல. }
 My No. }

මගේ අංකය }
 உமது இல. }
 Your No. }

දිනය } 30 June 2014
 திகதி }
 Date }

Chairman,

Sri Lanka Tourism Development Authority

Report of the Auditor General on the Financial Statements of the Tourism Development Fund for the Year ended 31 December 2013

The audit of financial statements of the Tourism Development Fund for the year ended 31 December 2013 comprising the statement of the Financial position as at 31 December 2013 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 20 of the Tourism Affairs Act, No.38 of 2005. My comments and observations which I consider should be published with the Annual Report of the Fund appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.





1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conduct my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the Fund's and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Tourism Development Fund as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.



2.2 Comments on Financial Statements

2.2.1 Non – compliance with Laws, Rules, Regulations and Management Decisions

The following non – compliances were observed in audit.

Reference to Laws, Rules, Regulations, etc.	Non – Compliance
(a) Section 24 (2) of the Tourism Act, No. 38 of 2005 to be read in conjunction with Part II of the Finance Act, No. 25 of 2003	The reports on the recovery of Tourism Levy should be furnished to the Deputy Secretary to the Treasury within 30 days from the recovery of the Tourism Development Levy. However the Fund had not taken action to comply with the said Rule.
(b) Tourism Act, No. 38 of 2005 I Section 24(3)	Rules for the management and administration of the Tourism Development Levy had not been formulated.
II Section 24(8)	Eventhough the balances remained in the credit of the Tourism Development Fund to be distributed to the respective institutions, a sum of Rs. 822,889,100 to be distributed had remained in the Bank Account as at 31 December 2013.
(c) Sub – Section 2 (b) of the Finance Act, No. 25 of 2003	Levies on tickets issued to passengers who travel by vessels are required to be collected and the portion of the Levy to be Authority. However, Such a levy from travelers by ships had not been collected and remitted to the Authority. Further, confirmations on nothing to be recovered from such passengers had not been obtained.



- (d) Financial Regulation 486
- Action had not been taken either for the recovery of the money or any other course of action in connection with 07 dishonored cheques valued at Rs.143,504 relating to the period from the year 2004 to the year 2008.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the income earned from the working of the Fund during the year under review amounted to Rs. 2,625 million as compared with the income of Rs. 1,975 million for the preceding year, thus indicating an increase of Rs. 650 million in the income. The increase in Tourism Development Levy income by Rs. 443.2 million and the Embarkation Tax income by Rs. 204.7 million had been the major reasons for the increase in the income.

3.2 Analytical Financial Review

The income of the during the year under review amounted to Rs. 2,625 million as compared with the income of Rs. 1,975 million for the preceding year, thus indicating an increase of the income by 32.9 per cent. Further, a sum of Rs. 5 million had been incurred for administration of the Fund during the year under review when compared with Rs. 4 million spent thereon. Therefore, it was indicated that the administrative expenses had been increased by 25 per cent.



4. Operating Review

4.1 Management Inefficiencies

4.1.1 Fund Management

The following observations are made.

- (a) The Fund had paid sum of Rs. 5,193,657 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.
- (b) 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. 400 million.
- (c) A database of the institutions from which Tourism Levy should be recovered had not been prepared. Further, a control of the arrears of the Levy had not been exercised as the Levy collected in each year and the sales income of the institutions had not been recorded in a register.
- (d) The Tourism Levy had not been paid in terms of directives in Paragraphs 1 and 4 of the Extraordinary Gazette Notification of the Democratic Socialist Republic of Sri Lanka dated 11 December 2003. Thus, the income on Levy was not adequate and the authority had incurred a financial loss.



- (e) Action had not been taken to get confirmed that the recovery of taxes and penalties from the Airline Companies who defaulted in payment of taxes in terms of Section 4(2) of the Finance Act, No. 25 of 2013 and remit such dues to the Authority.

5. Accountability and Good Governance

5.1 Submission of Financial Statements

As per the Paragraph 6.5.1 of the Circular No. PED 12 of 02 June 2003 on Good Governance of Public Sector Enterprises, the financial statements should be presented for audit within 60 days at the end of the financial year. However the financial statements for the year 2013 had been submitted to the Auditor General only on 14 March 2014.

5.2 Budgetary Control

The significant variations between the estimated figures in 03 items (variations ranging from 9 per cent to 15 per cent) and the actual had been observed and thus indicated that the budget had not been used as an effective tool of management .

6 Systems and Control

Deficiencies in systems and control 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

H.A.S. Samaraweera
Auditor General