The background of the cover is a photograph of ancient stone carvings on a wall. The carvings are intricate and show various figures and patterns, including what appears to be a large elephant or bull-like creature. The lighting is dramatic, highlighting the textures and details of the stone.

ANNUAL ACCOUNTS 2014



TOURISM DEVELOPMENT FUND

TOURISM DEVELOPMENT FUND ANNUAL ACCOUNTS - 2014

Invest in Sri Lanka



Sri Lanka Tourism
Development Authority

2016 July 14

**Honorable John Amarathunge
Minister of Tourism Development and Christian Affairs**

Honorable Minister,

Re. Tourism Development Fund

I would like to bring to your kind notice that according to the Tourism Development Fund which was established under Section 23 (1) Tourism Act No 38 of 2005 and that the financial resources of this fund should be utilized for the progression of tourism. Procuring moneys for this fund as well as its distribution is decided by to the said Tourism Act No 38 of 2005.

According to Section 23 (2) Tourism Act No 38 of 2005, Civil Aviation Services Authority furnishes 1/3 of the Tourism Departure Tax to the Sri Lanka Tourism Development Authority. Moreover, moneys are paid into the aforesaid fund by companies in the tourism sector as Tourism Development Tax on a quarterly basis.

The total amount of the Tourism Development Tax for the period January-December 2014 had been Rs. 2837.43 million and for year 2013 it was Rs. 2625.14 million.

This report contains details of moneys received to as well as moneys distributed by the above fund during 2014.

Thank you Sir,

Yours faithfully,

(Signed) Give

**P. M. Vithana
Chairman
Sri Lanka Tourism Development Authority**

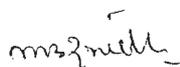
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Statement of Financial Performance	02
Cash Flow Statement	03
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TOURISM DEVELOPMENT FUND
Statement of Financial Position
as at 31 st December 2014

	Note No	2014 Rs.	2013 Rs.
Current Assets			
Cash & Cash Equivalants		251,099,525.02	822,889,099.72
Receivables	8	673,329,739.00	633,886,904.04
Total Assets		924,429,264.02	1,456,776,003.76
Current Liabilities			
Payables	9	3,380,858.23	3,890,830.99
Sri Lanka Tourism Development Authority		128,946,776.81	203,403,924.19
Sri Lanka Tourism Promotion Beureau		644,733,884.05	1,017,019,620.94
Sri Lanka Institute of Hotel Management		110,525,808.69	174,346,220.73
Sri Lanka Convention Bureau		36,841,936.23	58,115,406.91
Total Liabilities		924,429,264.02	1,456,776,003.76

The Accounting policies and Notes on pages 04 to 07 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.



Malraj B. Kiriella
 Director General

Sri Lanka Tourism Development Authority



P.N. Dissanayake
 Director/Financial Management

Sri Lanka Tourism Development Authority



P.M. Withana
 Chairman

Sri Lanka Tourism Development Authority

Tourism Development Fund
Statement of Financial Performance
For the year ended December 31, 2014

	Note No	2014 Rs.	2013 Rs.
Revenue			
Taxes	3	2,785,332,979.95	2,619,040,948.38
Other Revenue	4	52,099,002.02	6,099,936.95
Total Revenue		2,837,431,981.97	2,625,140,885.33
Expenses			
Fund Administration Cost	5	5,182,686.97	5,193,657.45
Finance Costs	6	26,922.96	5,943.00
Fund Disbursement	7	2,832,222,372.04	2,619,941,284.88
Total Expenses		2,837,431,981.97	2,625,140,885.33
Surplus/ (Deficit) for the Period		-	-

Tourism Development Fund
Cash Flow Statement for the Year Ended 31 December 2014

	2014 Rs.	2013 Rs.
Cash Flows From Operating Activities		
Receipts		
Taxation	2,766,453,590.82	2,393,028,682.27
Other Receipts	40,000,404.00	58,809.08
Payments		
Paid to Creditors	(3,370,720,222.26)	(1,844,836,228.10)
Other Payments	(7,523,347.26)	(3,714,743.05)
Net Cash Flows From Operating Activities	(571,789,574.70)	544,536,520.20
Cash Flows From Investing Activities		
Purchase of Plant and Equipment	-	-
Proceeds from Sale of Plant and Equipment	-	-
Net Cash Flows From Investing Activities	-	-
Cash Flows From Financing Activities		
Proceeds from Borrowings	-	-
Repayment of Borrowings	-	-
Distribution /Dividend to Government	-	-
Net Cash Flows From Financing Activities	-	-
Net Increase / (Decrease) in Cash and Cash Equivalents	(571,789,574.70)	544,536,520.20
Cash and Cash Equivalents at Beginning of Period	822,889,099.72	278,352,579.52
Cash and Cash Equivalents at End of Period	251,099,525.02	822,889,099.72

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

	2014	2013
	Rs:	Rs:
Embarkation Levy	1,779,766,146.71	1,604,887,048.67
Tourism Development Levy	1,005,566,833.24	1,014,153,899.71
Total	2,785,332,979.95	2,619,040,948.38

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 2014	1,494,348,292.15
Amount receivable for Nov-Dec 2014-(Provision)	285,417,854.56
Total Embarkation Levy for the year 2014	1,779,766,146.71

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 2014 Tourism Development Levy collected was Rs.648.8 Million. Further an estimate of Rs.357 Million has been made for the period of Oct. to Dec.2014.

Tourism Development Levy [TDL]	Rs:
Amount Received for Jan- December 2014	648,801,438.52
Amount Receivable for Oct- December 2014 [Provision]	357,000,000.00
TDL Refunds	(234,605.28)
Total TDL for Jan-December 2014	1,005,566,833.24

4. Other Revenue

Other revenue mainly consists of the default interest charged from the registered establishments for not paying the TDL as per the Finance Act. During this year TDF received unspent cash balance from the SLCB as per their board decision.

Rs:	
Default Interest collected for 2014	12,045,561.02
Unspent cash received from SLCB as per board decision	40,000,000.00
Over Receipts from return cheque holders	404.00
Unclaimed Refund	53,037.00
Total	52,099,002.02

5. Fund Administration Cost

	2014	2013
	Rs:	Rs:
Stamp Duty	65,525.00	63,250.00
Administration Expenses	5,088,061.98	5,101,267.45
Audit fee	29,100.00	29,100.00
Postage	-	40.00
Total	5,182,686.98	5,193,657.45

6. Finance Cost

	2014	2013
	Rs:	Rs:
Bank Charges	26,922.96	5,943.00
Total	26,922.96	5,943.00

7. Fund Disbursement

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

	2014	2013
	Rs:	Rs:
Sri Lanka Tourism Development Authority	396,511,132.09	366,791,779.88
Sri Lanka Tourism Promotion Bureau	1,982,555,660.43	1,833,958,899.42
Sri Lanka Institute of Hotel Management	339,866,684.64	314,392,954.19
Sri Lanka Convention Bureau	113,288,894.88	104,797,651.40
Total	2,832,222,372.04	2,619,941,284.88

8. Receivables

	2014 Rs:	2013 Rs:
Embarkation Levy Receivable	285,417,854.56	281,698,177.87
TDL Receivable	387,588,521.21	352,000,000.00
Debtors	323,363.23	188,726.17
Total	673,329,739.00	633,886,904.04

9. Payables

	2014 Rs:	2013 Rs:
Accrued Expenses-Administration Fee	3,022,527.95	3,761,568.99
Accrued Expenses-Audit Fee	58,200.00	29,100.00
Accrued Expenses-Stamp Duty	65,525.00	47,125.00
Other current Liability	234,605.28	53,037.00
Total	3,380,858.23	3,890,830.99



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AUDITOR GENERAL'S DEPARTMENT



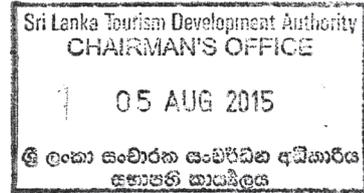
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02. ඉහත සඳහන් ලිපිය සමඟ එවන ලද මාගේ වාර්තාවේ ඉංග්‍රීසි අනුවාදය මේ සමඟ එවා ඇත.


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- පිටපත් :
1. ලේකම් - සංචාරක හා ක්‍රීඩා අමාත්‍යාංශය
 2. ලේකම් - මුදල් අමාත්‍යාංශය



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கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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Your No. }

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திகதி }
Date }

12 June 2015

The Chairman

Sri Lanka Tourism Development Authority

Report of the Auditor General on the Financial Statements of the Sri Lanka Tourism Development Fund for the year ended 31 December 2014

The audit of financial statements of the Sri Lanka Tourism Development Fund for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 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 Tourism 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 conducted 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 and 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 judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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. 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 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 Sri Lanka Tourism Development Fund as at 31 December 2014 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 Sri Lanka Public Sector Accounting Standards

An income overprovision of Rs.30,588,521 adjustable to the preceding year in the financial statements presented for the year under review had not been restated by rectifying the comparative figures in terms of the Sri Lanka Public Sector Accounting Standard No.3.



2.3 Non- compliance with Laws, Rules, Regulations and Management Decisions

The following non- compliances were observed in audit.

Reference to Laws, Rules, and Regulations	Non- compliance
(a) Part II of Finance Act, No. 25 of 2003 read in conjunction with Section 24(2) of the Tourism Act, No. 38 of 2005	The reports on the recovery of Tourism Levy should be furnished to the Deputy Secretary to the General Treasury within 30 days from the recovery of the Tourism Development Levy (TDL). Nevertheless, the Fund had not complied with that provision.
(b) Tourism Act, No. 38 of 2005 (i) Section 24(3) (ii) Section 24(8)	Rules for the management and administration of the Tourism Development Levy had not been formulated. Even though all money in the credit of the Tourism Development Fund should be distributed to the relevant institutions, action had not been taken to distribute a sum of Rs.250, 727, 130 remaining in the credit of the Fund as at the end of the year under review.
(c) Sub-section 2(b) of the Finance Act, No. 25 of 2003	A levy should be charged from every ticket issued in respect of a passenger embarking a ship leaving Sri Lanka and a part of that levy should be remitted to the Authority. Nevertheless, levies from passengers embarking a ship had not been charged and remitted to the Authority while confirmations in support of non-existence of charges from passengers embarking a ship had also not been obtained.
(d) Financial Regulation 169(2)	A sum of Rs.143,504 pertaining to seven cheques in respect of services rendered by the Fund before realizing the cheques had not been recovered.



3. Financial Review

3.1 Financial Results

According to the financial statements presented, the income generated from the operation of the Fund during the year under review amounted to Rs.2,837 million as compared with the income of Rs.2,625 million for the preceding year, thus indicating an increase of Rs.212 million in the income. The increase in the Embarkation Tax income had been the major reason for the increase in the income.

3.2 Analytical Financial Review

The income of the Fund for the year under review amounted to Rs.2,837 million as compared with the corresponding income of Rs.2,625 for the preceding year, thus indicating an increase of 8.07 per cent. Further, a sum of Rs. 52 million had been added as other income of the Fund in the year under review as compared with the corresponding sum of Rs.6 million in the preceding year thus indicating an increase of 766.6 per cent in other income.

4. Operating Review

4.1 Management Inefficiencies

4.1.1 Omission of Income

A Tourism Development Levy should be paid by every institution licensed under the Tourism Act in terms of Section II of the Finance Act, No.25 of 2003. In levying the Tourism Development Levy in accordance with the format shown in the Gazette Extraordinary No.1318/24 of 11 December 2003, several sources of income stated under other income were omitted, thus an income of Rs.20, 790,729 had been deprived of.



4.1.2 Funds Management

The following observations are made.

- (a) The Fund had paid a sum of Rs.5,088,062 to the Sri Lanka Tourism Development Authority as the administration expenses. Nevertheless, the Tourism Act, No.38 of 2005 had not made any 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 from an aircraft or a ship should pay an Embarkation Tax of US \$15 and US \$ 2.5 respectively. Nevertheless, the Director General of Civil Aviation had recovered the Embarkation 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 2012 and the preceding years had been deprived of. It was revealed that the amount so collected only in the year 2012 amounted to Rs. 300 million.

- (c) A database of the institutions from which Tourism Development Levy is 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 monitored.

- (d) Due to the inadequacy of fines imposed on the non-payment of Tourism Levy within the due period in terms of the Paragraphs 1 and 4 of the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka dated 11 December 2003, a financial loss had been incurred to the Authority.

- (e) In case of non-payment of levy by aviation companies within the due period, it was not confirmed whether the fines with due interests are being remitted to the Authority in terms of Section 4(2) of the Finance Act, No.25 of 2003.



5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the final accounts should be presented within 60 days from the close of the year of accounts in terms of Paragraph 6.5.1 of the circular No.PED 12 of 02 June 2003 on Good Governance of Public Institutions, financial statements of the year 2014 had been presented to the Auditor General only on 02 April 2015.

5.2 Budgetary Control

Variances ranging from 6 per cent to 100 per cent were observed between the estimated and budgeted amounts relating to 5 Objects of the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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.

W.P.C. Wickramaratne

Acting Auditor General

