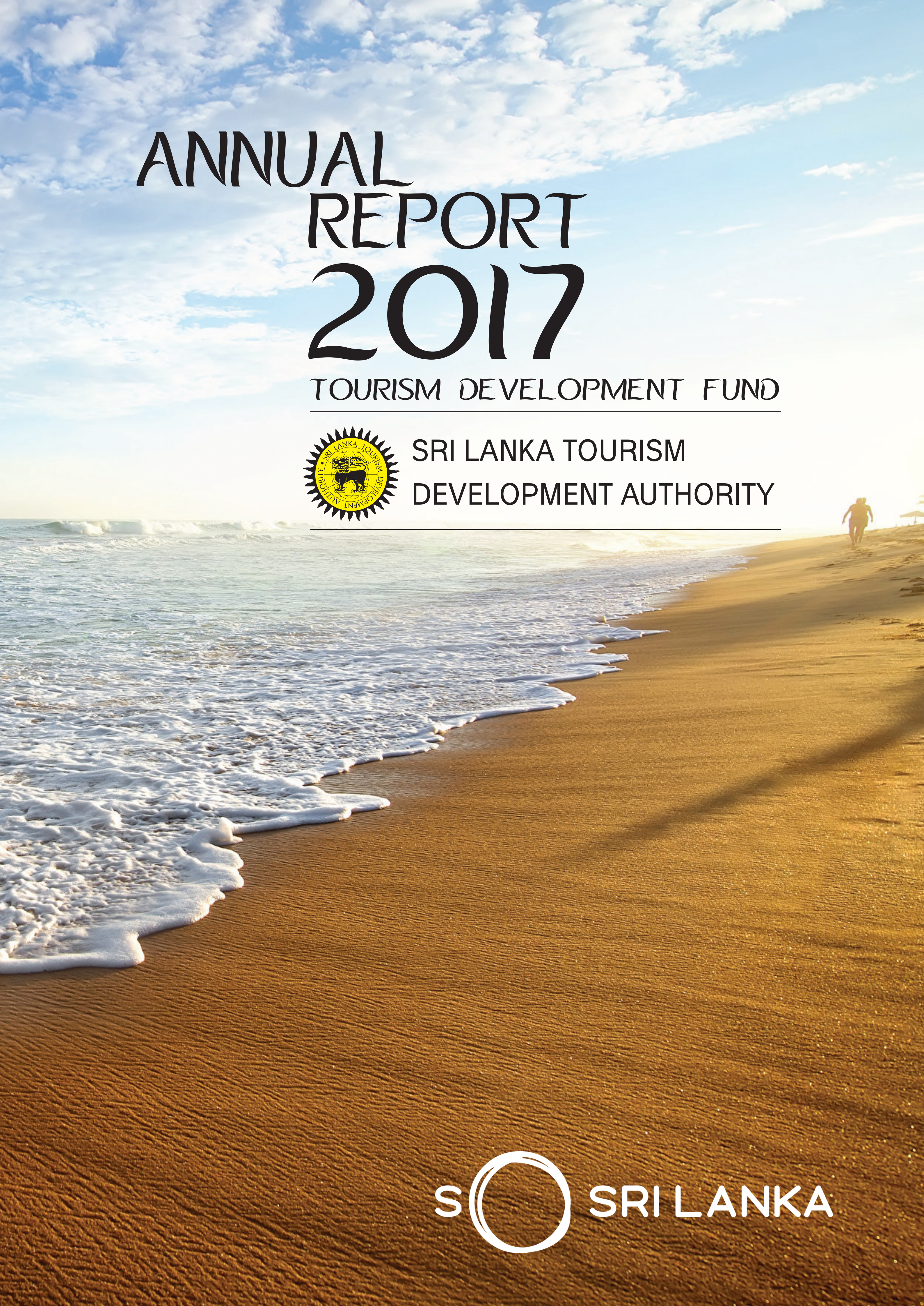
ANNUAL REPORT 2017

TOURISM DEVELOPMENT FUND

SRI LANKA TOURISM DEVELOPMENT AUTHORITY



SO SRI LANKA

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ANNUAL REPORT - 2017

SRI LANKA TOURISM DEVELOPMENT AUTHORITY

02 January 2018
Honorable John Amarathunge
Minister of Tourism Development, Wildlife and Christian Religious 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 Authority USD 5 of the Tourism Departure Tax to the Sri Lanka Tourism Development Authority. Moreover, moneys are paid in to 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 2017 had been Rs. 3,932.64 million and for the year 2016 it was Rs. 3664.15 million.

This report contains details of the moneys received as well as moneys distributed by the above fund during 2017.

Thank you Sir,
Yours faithfully,

Sgd
Kavan Ratnayaka
Chairman
Sri Lanka Tourism Development Authority

CONTENTS

Introduction

The "Tourism Development Fund" was established under Section 23 (1) of Tourism Act No.38 of 2005 which should be utilized for the development and promotion of tourism.

The Fund is managed and administered by Sri Lanka Tourism Development Authority.

According to section 23 (2) of Tourism Act No.38 of 2005, Civil Aviation Authority USD 5 of Embarkation Levy in terms of section 2 of the Finance Act No.25 of 2003 to the Sri Lanka Tourism Development Authority which is paid into the Tourism Development Fund.

Furthermore, moneys are paid into the Fund; charged, levied and collected as a Tourism Development Levy by the Director General of Sri Lanka Tourism Development Authority in terms of section 12 of the Finance Act No.23 of 2003 from every registered tourism establishment.

As per the section 24 (8) of Tourism Act No.38 of 2005, all moneys lying to the credit of the Fund shall be disbursed as follows;

a) Sum amounting to 70% to the Sri Lanka Tourism Promotion Bureau established under Section 40 of Tourism Act No.38 of 2005

b) Sum amounting to 12% to the Sri Lanka Institute of Tourism and Hotel Management established under Section 33 of Tourism Act No.38 of 2005

c) Sum amounting to 14% to the Sri Lanka Tourism Development Authority established under Section 2 of Tourism Act No.38 of 2005

d) Sum amounting to 4% to the Sri Lanka Convention Bureau established under Section 42 of Tourism Act No.38 of 2005

This report contains details of moneys received and distributed from the Tourism Development Fund during year 2017.

TOURISM DEVELOPMENT FUND
Statement of Financial Position
as at 31st December 2017

	Note No	2017 Rs.	2016 Rs.
Current Assets			
Cash & Cash Equivalents		373,591,199.92	639,762,905.00
Receivables	8	929,169,127.34	786,910,702.00
Total Assets		**1,302,760,327.26**	**1,426,673,607.00**
Current Liabilities			
Payables	9	5,385,778.10	4,409,944.00
Sri Lanka Tourism Development Authority		181,632,436.90	199,116,913.00
Sri Lanka Tourism Promotion Beureau		908,162,184.42	995,584,564.00
Sri Lanka Institute of Hotel Management		155,684,945.87	170,671,640.00
Sri Lanka Convention Bureau		51,894,981.97	56,890,546.00
Total Liabilities		**1,302,760,327.26**	**1,426,673,607.00**

The Accounting policies and Notes on pages 11 to 13 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.

G.A.S. S. Kumara
Director/ Finance Management
Sri Lanka Tourism Development Authority

P.U. Rathnayake
Director General
Sri Lanka Tourism Development Authority

Kavan Ratnayaka
Chairman
Sri Lanka Tourism Development Authority

TOURISM DEVELOPMENT FUND
Statement of Financial Performance
For the year ended December 31, 2017

	Note No	2017 Rs.	2016 Rs.
Revenue			
Taxes	3	3,920,297,545.25	3,632,251,132.00
Other Revenue	4	12,342,049.05	11,899,181.00
Total Revenue		**3,932,639,594.30**	**3,644,150,313.00**
Expenses			
Fund Administration Cost	5	7,963,924.09	6,699,806.00
Finance Costs	6	31,065.00	35,055.00
Fund Disbursement	7	3,924,644,605.21	3,637,415,452.00
Total Expenses		**3,932,639,594.30**	**3,644,150,313.00**
Surplus/ (Deficit) for the Period		**-**	**-**

Statement of Changes in equity

Management & the administration of the Tourism Development Fund has been carried out by the Sri Lanka Tourism Development Authority as per the Finance Act No.28 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 income has been distributed among four institutions as specified by the Tourism Act No.38 of 2005 as follows.

Sri Lanka Tourism Development Authority	14%
Sri Lanka Tourism Promotion Bureau	70%
Sri Lanka Institute of Tourism & Hotel Management	12%
Sri Lanka Convention Bureau	04%

TOURISM DEVELOPMENT FUND
Cash Flow Statement
For the year ended December 31, 2017

	Note	2017 Rs.	2018 Rs.
Cash Flow from Operating Activities			
Receipts			
Taxation		3,790,893,902.94	3,528,416,178.00
Other Receipts		4,038,057.64	14,399,160.00
Payments			
Paid to Creditors - Disbursement		(4,056,960,725.81)	(3,317,615,388.00)
Other Payments		(4,142,940.19)	(14,573,176.00)
Net Cash Flow from Operating Activities		**(266,171,704.80)**	**210,626,774.00**
Cash Flow From Investing Activities			
Purchase of Plant and Equipment		-	-
Proceeds from Sales of Plant and Equipment		-	-
Net Cash Flow from Investing Activities		**-**	**-**
Cash Flow from Financing Activities			
Proceeds from Borrowings		-	-
Repayment of Borrowings		-	-
Distribution / Dividend to Government		-	-
Net Cash Flow from Financing Activities		**-**	**-**
Net Decrease / (Increase) in Cash and Cash Equivalents		**(266,171,704.80)**	**210,626,774.00**
Cash and Cash Equivalents at Beginning of Period		**639,762,904.72**	**429,136,131.00**
Cash and Cash Equivalents at End of Period		**373,591,199.92**	**639,762,905.00**

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.

3. Taxes – Fund Resources

	2017 Rs.	2016 Rs.
Embarkation Levy	2,378,828,212.64	2,355,441,275.00
Tourism Development Levy	1,541,469,332.61	1,276,809,857.00
Total	**3,920,297,545.25**	**3,632,251,132.00**

3.1 Embarkation Levy

According to section 23(2) (a) of Tourism Act USD 5 of Embarkation Levy was paid to Sri Lanka Tourism Development Authority from Civil Aviation Authority.

Embarkation Levy [EL]	2017 Rs:	2016 Rs:
Amount received for Jan-Sep 2017	2,001,093,146.48	1,954,747,787.00
Amount receivable for Oct - Dec 2017	377,735,066.16	400,693,488.00
Total Embarkation Levy	**2,378,828,212.64**	**2,355,441,275.00**

Embarkation Levy Provision amount of Rs.377,735,066.16 for November to December 2017 has been taken from the draft estimation given by the Civil Aviation Authority

3.2. Tourism Development Levy

According to Finance Act No. 28 of 2003 every tourism establishment needs to pay Tourism Development Levy. Sri Lanka Tourism Development Authority collects the TDL and credited to the Tourism Development Fund. During the period of January to December 2017, Tourism Development Levy collected was Rs.992 Million. Further an estimate of Rs.549 Million has been made for the period of Oct. to Dec.2017.Further this amount is forecasted as a percentage increase of the actual receipts received during the last three years on behalf of TDL for October-December each year.

Tourism Development Levy (TDL)	2017 Rs:	2016 Rs:
Amount received for Jan-December 2017	992,141,806.70	891,326,356.00
Amount receivable for Oct-December 2017	549,656,830.58	386,010,865.00
TDL Refund	(329,304.67)	(527,364.00)
Total TDL for Jan-December 2017	**1,541,469,332.61**	**1,276,809,857.00**

4. Other Revenue

Other revenue mainly consists of the default interest charged from the registered establishments for not paying the TDL on due taxable period as per the Finance Act.

	2017 Rs.	2016 Rs.
Default interest collected for the year	12,340,283.24	11,895,201.00
Receivable input VAT paid for audit fee for 2012 &2013	-	3,585.00
Excess postage and bank charges	-	395.00
Other Income	1,765.81	-
Total	**12,342,049.05**	**11,899,181.00**

5. Fund Administration Cost

	2017 Rs.	2016 Rs.
Stamp Duty	73,000.00	55,575.00
Administration Expenses	7,765,924.09	6,442,081.00
Audit Fee	125,000.00	202,150.00
Total	**7,963,924.09**	**6,699,806.00**

6. Finance Cost

	2017 Rs.	2016 Rs.
Bank charges	31,065.00	35,055.00
Total	**31,065.00**	**35,055.00**

7. Fund Disbursement

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

	2017 Rs.	2016 Rs.
SLTDA	550,200,713.37	509,238,163.00
SLTPB	2,746,500,754.93	2,546,190,816.00
SLITHM	470,957,352.59	436,489,854.00
SLCB	156,985,784.32	145,496,618.00
Total	**3,924,644,605.21**	**3,637,415,451.00**

8. Receivable

	2017 Rs.	2016 Rs.
Embarkation Levy Receivable	377,735,066.16	400,693,488.00
TDL Receivable	549,656,830.58	386,010,865.00
Debtor - Other	1,777,230.60	194,428.00
Receivable input VAT paid for audit fee for 2012 &2013	-	11,921.00
Total	**929,169,127.34**	**786,910,702.00**

9. Payable

	2017 Rs.	2016 Rs.
SLTDA C/A with TDF	509,834.00	-
Accrued Expenses - Administration fees	4,149,333.10	4,101,333.00
Accrued Expenses - Audit Fee	353,920.00	213,245.00
Accrued Expenses - Stamp Duty	40,425.00	63,100.00
Other Current Liabilities	332,266.00	32,266.00
Total	**5,385,778.10**	**4,409,944.00**

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The 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 2017

The audit of financial statements of the Tourism Development Fund for the year ended 31 December 2017 comprising the statement of the financial position as at 31 December 2017 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 Auditing 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 2017 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 instances of non – compliance were observed in audit.

Reference to Laws, Rules and Regulations	Non- compliance
(a) Section 24(3) of the Tourism Affairs Act, No.38 of 2005.	Rules had not been prepared for the management and the administration of the Tourism Development Tax.
(b) Financial Regulation 169(2) of Financial Regulations of the Democratic Socialist Republic of Sri Lanka	A sum of Rs.143,505 relating to 07 cheques could not be able to be recovered due to the Institution being supplied services before the realization of the cheques.

2.3 Transactions not supported by Adequate Authority

A sum of Rs.7,765,924 had been paid to the Sri Lanka Tourism Development Authority as administrative expenses in the year under review on a Decision of the Board of Directors dispute provisions had not been made available in the Tourism Affairs Act, No.38 of 2005 for the payment of administrative expenses.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the income generated by the operating activities of the Fund in the year under review amounted to Rs.3,933 million as compared with the income of the preceding year amounting to Rs.3,644 million, thus indicating an improvement of Rs.289 million in the year under review as compared with the preceding year. The increase of the development tax income by a sum of Rs.265 million as compared with the preceding year had been the main reason for the above improvement.

4. Operating Review

4.1 Performance

One- third of the Embarkation Tax in terms of Section 2 of the Finance Act, No.25 of 2003 and the Tourism Development Taxunder the Tourism Affairs Act, No.38 of 2005 had been the income of the Fund and, provisions had been made available by the Act to provide 70 per cent, 12 per cent, 14 per cent and 4 per cent respectively to the Sri Lanka Tourism Promotions Bureau, Sri Lanka Tourism and Hotel Management Institute, Sri Lanka Tourism Development Authority and to the Sri Lanka Conventions Bureau for the expenditure incurred for the promotion and for the development of the Tourism Industry. As such, a total sum valued at Rs.3,924,644,605 had been provided as sums of Rs.2,747,251,224, Rs.470,957,352, Rs.549,450,245 and Rs.156,985,784 respectively to the above Institutions in the year under review.

4.2 Management Activities

The following observations are made.

(a) Even though a Levy should be charged from every ticket issued for a passenger who leaves Sri Lanka from a vessel which leaves Sri Lanka and a portion of that Levy should be remitted to the Authority in terms of Section 2(b) of the Finance Act, No.25 of 2003 a Levy had not been charged from the passengers who travel by vessels and had not been sent to the Authority. Action had not been taken to recover the Embarkation Tax Income amounting to Rs.6,406,106 receivable to the Fund relating to the year under review, US$ 1.66 each from a passenger in this connection on 27565 passengers being left the country as per the information of the Department of Immigration and Emigration in the year 2017.

(b) Even though an Embarkation Tax Income amounting to Rs.2,557,359,000 remains receivable for the passengers who left the country by aircrafts on the number of Sri Lankans and Foreigners aged over 02 years who had left Sri Lanka by aircrafts in the year 2017 being 3,653,370 as per the information of the Department of Immigration and Emigration, a sum of Rs.2,378,828,212 had been reported as the Embarkation Tax of the Tourism Development Fund as per the financial statements in the year 2017. As such, a difference of Rs.178,530,788 was observed.

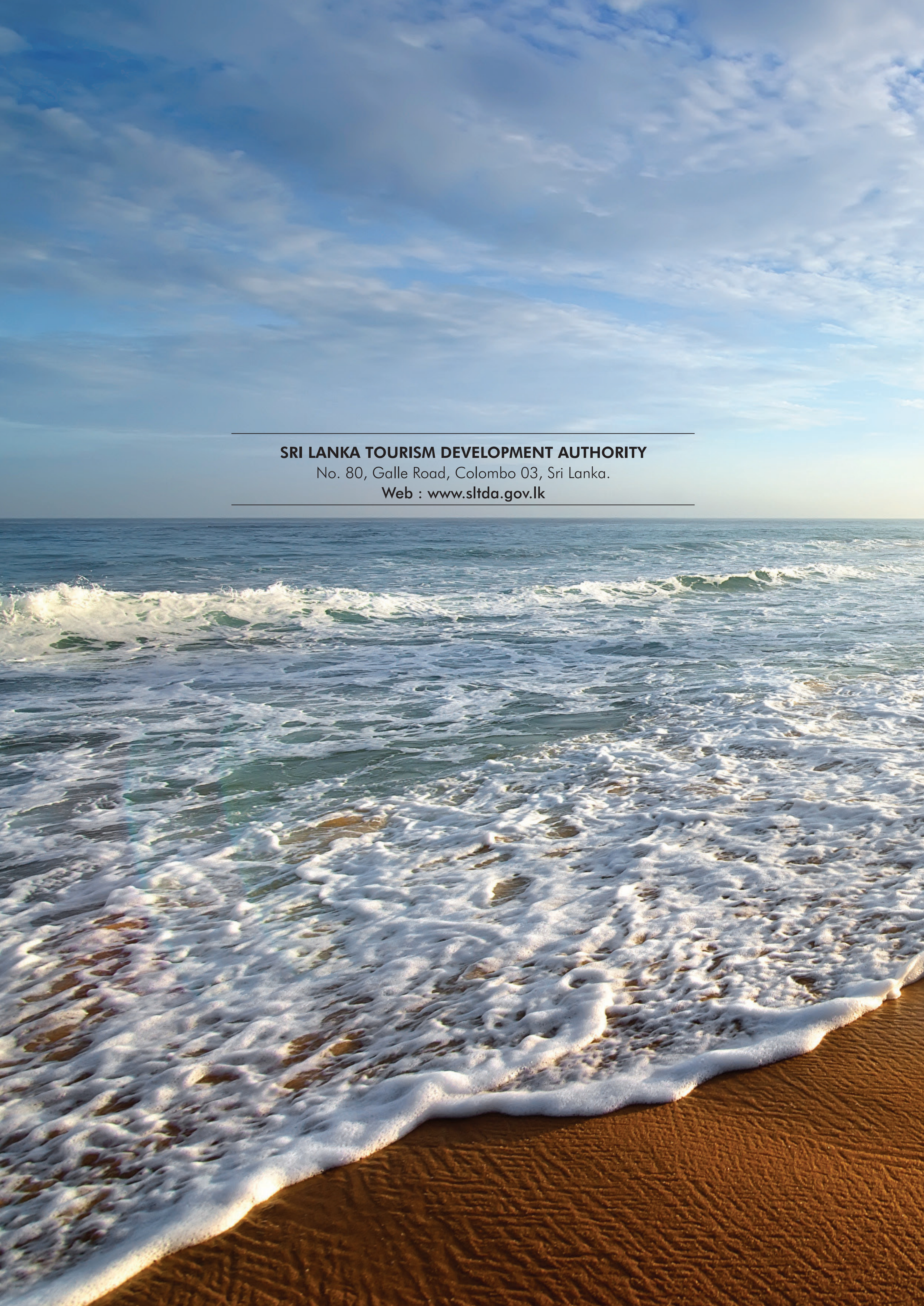
5. Systems and Controls

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.

Areas of Systems and Controls	**Observations**
(a) Collection of the Embarkation Tax	(i) Not charging levy from the passengers who travel by vessels. (ii) Not comparing levy charged from the passengers who travel by aircrafts, with the information of the Department of Immigration and Emigration.
(b) Collection of the Tourism Development Tax	Differences remaining between the tax amount recovered from the customers and the tax recovered to the Fund.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M Gamini Wijesinghe
Auditor General



SRI LANKA TOURISM DEVELOPMENT AUTHORITY
No. 80, Galle Road, Colombo 03, Sri Lanka.
Web : www.sltda.gov.lk