SRI LANKA TOURISM DEVELOPMENT AUTHORITY

invest in Sri Lanka Tourism

Sri Lanka Tourism
Development Authority

TOURISM DEVELOPMENT FUND

ANNUAL REPORT

2011

25th May 2012

25th May 2012.

Hon. Basil Rajapaksha M.P.

Minister of Economic Development

Hon. Sir

<u>Tourism Development Fund</u>

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) (a) 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 2011 was Rs. **1,695.1Mn**, where it was Rs.**1, 517.01Mn** in 2010.

This report provides details regarding the collection and disbursement of the Tourism Development Fund for the year 2011.

Thank You

Yours Faithfully

Sgd.

Vipula Wanigasekara

Actg. Director General.

Sri Lanka Tourism Development Authority.

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Corporate Information

Name of Fund	**Tourism Development Fund.**
Legal Form	**Established under the section 23 (1)** **Tourism Act No.38 of 2005.**
Fund Management & Administration	**Sri Lanka Tourism Development Authority.**
Auditors	**Auditor General's Department.** **Colombo 07.**
Bank	**Bank of Ceylon.** **Colombo 01.**

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TOURISM DEVELOPMENT FUND
Statement of Financial Position
as at 31st December 2011

	Note	2011 Rs	2010 Rs
Current Assets			
Cash & Cash Equivalents		138,067,762.60	85,154,824.63
Receivables	**8**	341,571,004.93	350,340,624.99
Total Assets		**479,638,767.53**	**435,495,449.62**
Current Liabilities			
Payables	**9**	1,619,289.73	59,940.00
Sri Lanka Tourism Development Authority		66,922,726.88	61,892,703.52
Sri Lanka Tourism Promotion Bureau		334,613,634.44	304,046,470.07
Sri Lanka Institute of Hotel Management		57,362,337.37	52,122,252.04
Sri Lanka Convention Bureau		19,120,779.11	17,374,083.99
Total Liabilities		**479,638,767.53**	**435,495,449.62**

Dr.Nalaka Godahewa
Chairman
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, 2011

	Note	2011	2010
		Rs	Rs
Revenue			
Taxes	3	1,691,346,520.87	1,513,391,234.60
Other Revenue	4	3,842,679.71	3,628,651.14
Total Revenue		**1,695,189,200.58**	**1,517,019,885.74**
Expenses			
Fund Administration Cost	5	3,343,507.72	2,908,287.21
Finance Costs	6	396,511.88	784,385.48
Fund Disbursement	7	1,691,449,180.98	1,513,327,213.05
Total Expenses		**1,695,189,200.58**	**1,517,019,885.74**
Surplus/ (Deficit) for the Period		**-**	**-**

Tourism Development Fund

Cash Flow Statement

For the Year Ended 31 December 2011

	2011 Rs:
Cash Flows from operating activities	
Net Surplus/(Deficit) from Ordinary Activities	-
Changes in working capital -Inflows/(Outflows)	
(Increase)/Decrease in receivables	8,769,620.06
Increase/(Decrease) in payables	44,143,317.91
Net cash flows from operating activities	52,912,937.97
Cash & cash equivalent at beginning of period	**85,154,824.63**
Cash & cash equivalent at end of period	**138,067,762.60**

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

	2011 Rs:	2010 Rs:
Embarkation Levy	1,041,678,481.63	1,000,077,336.72
Tourism Development Levy	649,668,039.24	516,942,546.02
Total	**1,691,346,520.87**	**1,517,019,882.74**

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 2011	865,304,781.87
Amount receivable for 2011(Provision)	176,373,699.76
Total Embarkation Levy for the year 2011	**1,041,678,481.63**

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 2011 Tourism Development Levy collected was Rs.443.83 Million. Further an estimate of Rs.165 Million has been made for the period of Oct. to Dec.2011.

Tourism Development Levy [TDL]	**Rs:**
Amount Received for Jan- December 2011	443,835,945.00
Amount Receivable for Oct- December 2011 [Provision]	165,000,000.00
Amount received for the Prior Year	41,722,418.29
TDL Refunds	(890,324.05)
Total TDL for Jan-December 2011	**649,668,039.24**

3.2.1 Prior Year Income

An estimate of Rs.124, 000,000.00 was made for the receivable TDL for the year 2010.However the actual receipt of Rs.165, 722,418.29 was received for said period. Hence there is an under estimate of of Rs.41, 722,418.29. Accordingly, 2011 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 consists of the default interest charged from the registered establishments for not paying the TDL as per the Finance Act.

	Rs:
Default Interest collected for 2011	3,842,572.71
Over receipts from Return cheque holders	107.00
Total	**3,842,679.71**

5. Fund Administration Cost

	2011 Rs:	2010 Rs:
Stamp Duty	45,450.00	37,825.00
Administration Expenses	3,268,797.72	2,788,892.21
Audit fee	29,100.00	81,570.00
postage	160.00	-
Total	**3,343,507.72**	**2,908,287.21**

6. Finance Cost

	2011 Rs:	2010 Rs:
Debit Taxes	385,051.83	774,790.31
Bank Charges	11,460.00	9,595.17
Total	**396,511.83**	**784,385.48**

7. Fund Disbursement

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

	2011 Rs:	2010 Rs:
Sri Lanka Tourism Development Authority	236,802,885.34	211,865,811.89
Sri Lanka Tourism Promotion Bureau	1,184,014,426.66	1,059,329,045.53
Sri Lanka Institute of Hotel Management	202,973,901.73	181,599,267.24
Sri Lanka Convention Bureau	67,657,967.25	60,533,088.39
Total	**1,691,449,180.98**	**1,513,327,213.05**

8. Receivables

	2011 Rs:	2010 Rs:
Embarkation Levy Receivable	176,373,699.76	225,467,381.82
TDL Receivable	165,000,000.00	124,000,000.00
Debtors	197,305.17	873,243.17
Total	**341,571,004.93**	**350,340,624.99**

9. Payables

	2011 Rs:	2010 Rs:
Accrued Expenses-Administration Fee	1,515,338.82	1,045,584.52
Accrued Expenses-Audit Fee	29,100.00	59,940.00
Accrued Expenses-Stamp Duty	17,500.00	37,825.00
Other current Liability	57,350.91	-
Total	**1,619,289.73**	**1,143,349.52**

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல / My No. TM/H/TDF/FA/2011 | ඔබේ අංකය / உமது இல / No. | දිනය / திகதி / Date 31 May 2012

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 2011

The audit of financial statements of the Tourism Development Fund for the year ended 31 December 2011 comprising the balance sheet as at 31 December 2011 and the income statement and cash flow statement for the year then ended and summary of significant accounting policies and other explanatory information 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 Section 20 of the 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 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. 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.

අංක 306/72 පොල්දුව පාර, බත්තරමුල්ල , ශ්‍රී ලංකාව
இல. 306/72, பொல்துவ வீதி, புத்தரமுல்லை இலங்கை
No.306/72, Polduwa Road, Battaramulla , Sri Lanka

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ඉලෙක්ට්‍රොනික් තැපැල් / மின்னஞ்சல் / E-mail oaggov@sltnet.lk

An audit involves performing procedure to obtain audit evidence about the amount and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement 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 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 opinion.

1.4 Basis for Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 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 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounts Receivable and Payable

Even though 07 dishonored cheques valued at Rs. 143,504 had been outstanding for a period ranging from 02 to 07 years, appropriate actions had not been taken for the recovery of the value of these cheques, in terms of Financial Regulation No. 189.

2.2.2 Non compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance observed in audit are given below.

(a) Returns relating to the collection of Tourism Development Levy (TDL) should be furnished to the Deputy Secretary to the Treasury within 30 days after the collection of TDL, in terms of Section 24(2) of the Tourism Act No. 38 of 2005 and Part II of the Finance Act No. 25 of 2003. However, the Fund had failed to comply with that requirement.

(b) A register mentioning the particulars of the TDL payments had not been maintained in terms of Section 24(4) of the Tourism Act No. 38 of 2005.

3. Financial and Operating Review

3.1 Financial Results

According to the financial statements presented, the income derived from the activities of the Fund for the year under review was Rs.1,695 million as compared with the corresponding income of Rs.1,517 million for the preceding year, thus indicating an improvement of Rs.178 million in the financial results.

3.2 Management of the Fund

Activities of the Fund should be carried out according to the provisions of the Tourism Act No. 38 of 2005. The following matters were observed in respect of the management of the Fund.

(a) The TDL should be collected in terms of Section 12 of the Finance Act No. 25 of 2003 on the turnover of the every licensed institution. However, no TDL had been collected from 1,089 licensed institutions, out of 2,372 institutions.

(b) The TDL amounting to Rs. 492,490 had been repaid to the payer without having audited accounts.

(c) A sum of Rs.3,343,507 had been paid as administrative expenses to the Tourism Development Authority by the Fund. However, there were no provisions in the Tourism Act No 38 of 2005 to pay the administration expenses. The Chairman of the Tourism Development Authority (SLTDA) had informed me on 02 May 2012 as follows.

"According to the Act the TDF should be administrated & managed by the SLTDA. For this purpose SLTDA incur expenses such as salaries of employees, depreciation of data processing assets, stationeries and etc, that no other institution that receives the disbursement from the fund would incur. Considering this fact the SLTDA board decided to charged a nominal fee out of the fund in a way that it will be shared by all four institutions"

3.3 Internal Audit

Internal audit functions of the Fund had to be covered by the Internal Audit Division of the SLTDA. However, no any internal audit function relating to the operations of the Fund had been carried out by the said audit division, during the year under review.

4. Systems and Controls

Deficiencies in Systems and Controls observed during the course of audit were brought to the notice of the Chairman of the Authority 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 Tourism Development Levy.
(d) Issuing of licenses.
(e) Review of financial statements of the licensed institutions.

H. A. S Samaraweera
Auditor General