ANNUAL REPORT
2012

TOURISM DEVELOPMENT FUND

SRI LANKA TOURISM DEVELOPMENT AUTHORITY

Sri Lanka Tourism Develoment Authority

Invest in Sri Lanka Tourism

Sri Lanka Tourism
Development Authority

Tourism Development Fund
2012
Annual Report

2011 පෙබරවාරි 22

05th August 2013,

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) (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 2012 was Rs. 1974.8 Mn, where it was Rs. 1695.1Mn in 2011.

This report provides details regarding the collection and disbursement of the Tourism Development Fund for the Year 2012.

Thank You

Yours Faithfully

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

CONTENTS

CORPORATE INFORMATION

Name of Fund.	**Tourism Development Fund**
Legal From	**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 07.**

CONTENT

TOURISM DEVELOPMENT FUND
Statement of Financial Position
as at 31 December 2012

	Note	2012 Rs	2011 Rs
Current Assets			
Cash & Cash Equivalents		278,352,579.52	138,067,762.60
Receivables	6	401,496,310.67	341,571,004.93
Total Assets		**679,848,890.19**	**479,638,767.53**
Current Liabilities			
Payables	7	2,068,724,.71	1,619,289.73
Sri Lanka Tourism Development Authority		94,889,223.17	66,922,726.88
Sri Lanka Tourism Promotion Bureau		474,446,115.84	334,613,634.44
Sri Lanka Institute of Hotel Management		81,333,619.85	57,362,337.37
Sri Lanka Convention Bureau		27,111,206.62	19,120,779.11
Total Liabilities		**679,848,890.19**	**479,638,767.53**

Bhashwara S. Gunarathne
Chairman
Sri Lanka Tourism Development Authority

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

Tourism Development Fund
Income Statement
For the year ended December 31, 2012

	Note	2012 Rs	2011 Rs
Revenue			
Taxes	3	1,971,124,560.78	1,691,346,520.87
Other Revenue	3.3	3,749,067.37	3,842,679.71
Total Revenue		**1,974,873,628.15**	**1,695,189,200.58**
Expenses			
Fund Administration Cost	4.1	4,162,318.08	3,343,507.72
Finance Costs	4.2	7,192.86	396,511.88
Fund Disbursement	5	1,970,704,117.21	1,691,449,180.98
Total Expenses		**1,974,873,628.15**	**1,695,189,200.58**
Profit/ Loss for the Period		-	-

Tourism Development Fund
Statement of Changes in Equity
For the year ended 31 December 2012

Please Refer Note No. 2.3 in the Notes to the Accounts.

Tourism Development Fund

Cash Flow Statement

For the Year Ended 31 December 2012

	2012
	Rs:
Cash Flows from operating activities	
Net Surplus/(Deficit) from Ordinary Activities	-
Changes in working capital -Inflows/(Outflows)	
(Increase)/Decrease in receivables	(59,925,305.74)
Increase/(Decrease) in payables	200,210,122.66
Net cash flows from operating activities	140,284,816.92
Cash & cash equalent at beginning of period	**138,067,762.60**
Cash & cash equavalent at end of period	**278,352,579.52**

Notes to the Accounts

1. General Information

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. Basis of Preparation and accounting policies

2.1 Accounting Standards

As per the Tourism Act No. 38 of 2005 under section 23(I) SLTDA shall managed the "Tourism Development Fund" & maintain books of accounts under the purview of SLTDA. SLTDA will not fall under the exempted establishments mentioned under the section 1.1 of the Sri Lanka Accounting Standard for Small & Medium -Sized Entities. Therefore, financial statements for the Tourism Development Fund have been prepared based on SLFRS for SME's.

2.2 Explanation of transition to the SLFRS for SME's

No Adjustment is required to prepare most recent financial statements i.e. year 2011 in consistent with SLFRS for SME's. Hence no presentation has been included under notes.

2.3 Statement of Changes in equity.

According to the Sri Lanka Accounting Standards (SLFRS) for SME's, an entity shall present a Statement of Changes in equity which is reflecting the changes in an entity's equity between the beginning & the end of the reporting period. For the Tourism Development Fund, there are no equity transactions, that represents the residual interest in the assets after deducting all the liabilities.

3. Revenue

3.1 Taxes -Fund Resources

	2012	2011
	Rs:	Rs:
Embarkation Levy	1,161,685,657.02	1,041,678,481.63
Tourism Development Levy	809,438,903.76	649,668,039.24
Total	**1,971,124,560.78**	**1,691,346,520.87**

3.1.1 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.

	2012	2011
Embarkation Levy [EL]	**Rs:**	**Rs:**
Amount received for Jan-Oct	971,501,078.22	865,304,781.87
Amount receivable for Nove-Dec (Provision)	190,184,578.80	176,373,699.76
Total Embarkation Levy for the year	**1,161,685,657.02**	**1,041,678,481.63**

3.1.2 Tourism Development Levy

According to Finance Act No. 28 of 2003 every tourism establishment registered with SLTDA need to pay Tourism Development Levy.TDL money collected by the Sri Lanka Tourism Development Authority and credited to the Tourism Development Fund. During the period January to December 2012 Tourism Development Levy collected was Rs.546.96 Million. Further an estimate of Rs.208 Million has been made for the period of Oct. to Dec.2012.

	2012	2011
Tourism Development Levy [TDL]	**Rs:**	**Rs:**
Amount Received for Jan- December 2012	546,964,900.07	443,835,945.00
Amount Receivable for Oct- December 2012 [Provision]	208,000,000.00	165,000,000.00
Amount received for the Prior Year	54,707,902.20	41,722,418.29
TDL Refunds	(233,898.51)	(890,324.05)
Total TDL for Jan-December 2012	**809,438,903.76**	**649,668,039.24**

3.1.2.1 Prior Year Income

An estimate of Rs.165, 000,000.00 was made for the receivable TDL for the year 2011.However an actual receipt of Rs.219, 474,003.69 was received for the said period. Hence there is an under estimate of Rs.54, 474,003.69. Accordingly, 2012 accounts were prepared by recognizing this amount as a change in accounting estimate in the income of the current period.

3.3. Other Revenue

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

	2012	2011
	Rs:	Rs:
Default Interest collected for 2012	3,743,442.29	3,842,572.71
Over provision of Audit fees for year 2009 & 2010	5,425.08	-
Over receipts from Return cheque holders	200.00	107.00
Total	**3,749,067.37**	**3,842,679.71**

4. Expenditure

4.1 Fund Administration Cost

	2012	2011
	Rs:	Rs:
Stamp Duty	68,390.35	45,450.00
Administration Expenses	4,064,827.73	3,268,797.72
Audit fee	29,100.00	29,100.00
Postage	-	160.00
Total	**4,162,318.08**	**3,343,507.72**

4.2. Finance Cost

	2012	2011
	Rs:	Rs:
Debit Taxes	-	385,051.83
Bank Charges	7192.86	11,460.00
Total	**7,192.86**	**396,511.83**

5. Fund Disbursement

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

	2012 Rs:	2011 Rs:
Sri Lanka Tourism Development Authority	275,898,576.41	236,802,885.34
Sri Lanka Tourism Promotion Bureau	1,379,492,882.05	1,184,014,426.66
Sri Lanka Institute of Hotel Management	236,484,494.06	202,973,901.73
Sri Lanka Convention Bureau	78,828,164.69	67,657,967.25
Total	**1,970,704,117.21**	**1,691,449,180.98**

6. Receivables

	2012 Rs:	2011 Rs:
Embarkation Levy Receivable	190,184,578.80	176,373,699.76
TDL Receivable	208,000,000.00	165,000,000.00
Debtors	3,311,731.87	197,305.17
Total	**401,496,310.67**	**341,571,004.93**

7. Payables

	2012 Rs:	2011 Rs:
Accrued Expenses-Administration Fee	1,990,349.70	1,515,338.82
Accrued Expenses-Audit Fee	58,200.00	29,100.00
Accrued Expenses-Stamp Duty	20,175.00	17,500.00
Other current Liability	-	57,350.91
Total	**2,068,724.70**	**1,619,289.73**

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல / My No	TM/K/TDF/FA/2012	
ඔබේ අංකය / உமது இல / Your No.		
දිනය / திகதி / Date	15 August 2013	

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 2012.

The audit of financial statements of the Tourism Development Fund for the year ended 31 December 2012 comprising the statement of financial position as at 31 December 2012 and the income statement, statement of changes in equity and cash flow statement for 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 Act, No.38 of 2005. My comments and observations on the above financial statements appear in this report.

1.2 Management's Responsibility for Financial Statements.

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards for small and medium-sized Entities 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.

අංක 306/72 පොල්දූව පාර, බත්තරමුල්ල , ශ්‍රී ලංකාව
இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை இலங்கை
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..3 Auditor's Responsibility

My responsibility is to express an opinion 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.

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 judgments, 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 of 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 qualified audit opinion.

1.4 Basis for Qualified Opinion

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

2. Financial Statements

2.1 Qualified 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 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for small and medium-sized Entities.

2.2 Comments on Financial Statements

2.2.1 Accounts Receivable and Payable

Action had not been taken either for the recovery of the money in terms of Financial Regulation 486 or any other course of action in connection with 8 dishonoured cheques valued at Rs.143,504 relating to the period from the year 2004 to the year 2008.

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

The following non- compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non- compliance
Section 24(2) of the Tourism Act,No.38 of 2005 and Section 12(2) of the Finance Act. No. 25 of 2003.	The reports on the recovery of Tourism Levy had not been furnished to the Deputy Secretary to the Treasury within 30 days from the recovery of the Tourism Development Levy.
Section 24(3) of the Tourism Act, No.38 of 2005	Rules for the management and administration of the Tourism Development Levy had not been formulated.

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.1, 975 million as compared with the income of Rs.1,695 million for the preceding year, thus indicating an increase of Rs.280 million in the income. The increase in Tourism Development Levy income and the Embarkation Tax income had been the major reasons for the increase in the income.

4. Operating Review

4.1 Management Inefficiencies

4.1.1 Funds Management

The following matters were observed.

(a) Tourism Development Levy amounting to Rs.2, 603,074 in respect of the years 2010, 2011 and 2012 had been under – recovered from a registered Tourist Transport Institution.

(b) The Fund had paid a sum of Rs.4,162,318 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.

(c) 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 850 million.

(d) A database of the institutions from which Tourism Levy should be 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 exercised.

5. 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.

H.A.S.Samaraweera
Auditor General