

# ANNUAL REPORT 2015



Tourism Development Fund



# TOURISM DEVELOPMENT FUND

## ANNUAL REPORT - 2015

Invest in Sri Lanka



Sri Lanka Tourism  
Development Authority



**30th August 2016**

**Honorable John Amarathunge  
Minister of Tourism Development 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 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 2015 had been Rs. 2994.15 million and for the year 2014 it was Rs. 2837.43 million.

This report contains details of the moneys received as well as moneys distributed by the above fund during 2015.

**Thank you Sir,**

**Yours faithfully,**

**sgd .  
P. M. Withana  
Chairman  
Sri Lanka Tourism Development Authority**



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## 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 furnishes 1/3 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 monies 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 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

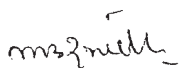
This report contains details of moneys received and distributed from the Tourism Development Fund during year 2015.



**TOURISM DEVELOPMENT FUND**  
**Statement of Financial Position**  
**as at 31 st December 2015**

	Note No	2015 Rs	2014 Rs
<b>Current Assets</b>			
Cash & Cash Equivalants		429,136,130.74	251,099,525.02
Receivables	8	670,836,597.93	673,329,739.00
<b>Total Assets</b>		<b>1,099,972,728.67</b>	<b>924,429,264.02</b>
<b>Current Liabilities</b>			
Payables	9	3,186,569.53	3,380,858.23
Sri Lanka Tourism Development Authority		153,550,062.27	128,946,776.81
Sri Lanka Tourism Promotion Beureau		767,750,311.48	644,733,884.06
Sri Lanka Institute of Hotel Management		131,614,339.11	110,525,808.69
Sri Lanka Convention Bureau		43,871,446.28	36,841,936.23
<b>Total Liabilities</b>		<b>1,099,972,728.67</b>	<b>924,429,264.02</b>

The Accounting policies and Notes on pages 05 to 08 form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation & presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.



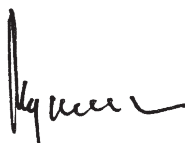
Malraj B. Kiriella  
 Director General

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, 2015**

	Note No.	2015 Rs:	2014 Rs:
<b>Revenue</b>			
Taxes	3	2,983,314,283.87	2,785,332,979.95
Other Revenue	4	10,839,483.91	52,099,002.02
<b>Total Revenue</b>		<b>2,994,153,767.78</b>	<b>2,837,431,981.97</b>
<b>Expenses</b>			
Fund Administration Cost	5	5,402,967.77	5,182,686.97
Finance Costs	6	33,010.00	26,922.96
Fund Disbursement	7	2,988,717,790.01	2,832,222,372.04
<b>Total Expenses</b>		<b>2,994,153,767.78</b>	<b>2,837,431,981.97</b>
<b>Surplus/ (Deficit) for the Period</b>		-	-

**Tourism Development Fund  
Cash Flow Statement  
for the Year Ended 31 December 2015**

	2015 Rs.	2014 Rs.
<b>Cash Flows From Operating Activities</b>		
<b>Receipts</b>		
Taxation	2,999,568,742.08	2,766,453,590.82
Other Receipts	-	40,000,404.00
<b>Payments</b>		
Paid to Creditors	(2,818,764,956.85)	(3,370,720,222.26)
Other Payments	(2,767,179.51)	(7,523,347.26)
<b>Net Cash Flows From Operating Activities</b>	<b>178,036,605.72</b>	<b>(571,789,574.70)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of Plant and Equipment	-	-
Proceeds from Sale of Plant and Equipment	-	-
<b>Net Cash Flows From Investing Activities</b>	<b>-</b>	<b>-</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from Borrowings	-	-
Repayment of Borrowings	-	-
Distribution /Dividend to Government	-	-
<b>Net Cash Flows From Financing Activities</b>	<b>-</b>	<b>-</b>
<b>Net Increase / (Decrease ) in Cash and Cash Equivalents</b>	<b>178,036,605.72</b>	<b>(571,789,574.70)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>251,099,525.02</b>	<b>822,889,099.72</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>429,136,130.74</b>	<b>251,099,525.02</b>

## 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.

	<b>2015 Rs:</b>	<b>2014 Rs:</b>
Embarkation Levy	1,968,541,098.67	1,779,766,146.71
Tourism Development Levy	1,014,773,185.20	1,005,566,833.24
<b>Total</b>	<b>2,983,314,283.87</b>	<b>2,785,332,979.95</b>

### 3. Taxes -Fund Resources

#### 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]	<b>Rs:</b>
Amount received for Jan-Oct 2015	1,631,276,206.74
Amount receivable for Nov-Dec 2015-(Provision)	337,264,891.93
<b>Total Embarkation Levy for the year 2015</b>	<b>1,968,541,098.67</b>

#### 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 of January to December 2015, Tourism Development Levy collected was Rs.737Million. Further an estimate of Rs.333 Million has been made for the period of Oct. to Dec.2015. Further this amount is forecasted by using the actual receipts received during the year 2015 on behalf of TDL for October-December 2014.

<b>Tourism Development Levy [TDL]</b>	<b>Rs:</b>
Amount Received for Jan- December 2015	737,301,503.18
<b>Amount Receivable for Oct- December 2015 [Provision]</b>	<b>333,181,941.93</b>
<b>Over Provision adjustment done for 2013 &amp; 2014</b>	<b>(54,406,579.28)</b>
<b>TDL Refunds</b>	<b>(1,303,680.63)</b>
<b>Total TDL for Jan-December 2015</b>	<b>1,014,773,185.20</b>

#### 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.

	2015 Rs:	2014 Rs:
Default interest collected for the year	10,831,367.06	12,045,561.02
Excess cash received from Sri Lanka Convention Bureau		40,000,000.00
Receivable input VAT paid for Audit fee for 2012 & 2013	7,636.85	
<b>Unclaimed refund</b>		53,037.00
<b>Excess postage</b>	480.00	404.00
<b>Total</b>	<b>10,839,483.91</b>	<b>52,099,002.02</b>

#### 5. Fund Administration Cost

	2015 Rs:	2014 Rs:
Stamp Duty	68,950.00	65,525.00
Administration Expenses	5,128,022.77	5,088,061.98
Audit fee	205,995.00	29,100.00
<b>Total</b>	<b>5,402,967.77</b>	<b>5,182,686.98</b>

#### 6. Finance Cost

	2015 Rs:	2014 Rs:
Bank Charges	33,010.00	26,922.96
<b>Total</b>	<b>33,010.00</b>	<b>26,922.96</b>

#### 7. Fund Disbursement

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

	2015 Rs:	2014 Rs:
Sri Lanka Tourism Development Authority	418,420,490.60	396,511,132.09
Sri Lanka Tourism Promotion Bureau	2,092,102,453.07	1,982,555,660.43
Sri Lanka Institute of Tourism & Hotel Management	358,646,134.74	339,866,684.64
<b>Sri Lanka Convention Bureau</b>	<b>119,548,711.60</b>	<b>113,288,894.88</b>
<b>Total</b>	<b>2,988,717,790.01</b>	<b>2,832,222,372.04</b>

## 8. Receivables

	<b>2015 Rs:</b>	<b>2014 Rs:</b>
Embarkation Levy Receivable	337,264,891.93	285,417,854.56
TDL Receivable	333,181,941.93	387,588,521.21
Debtors	<b>382,127.22</b>	<b>323,363.23</b>
<b>Receivable input VAT paid for Audit fee 2012 &amp; 2013</b>	<b>7,636.85</b>	-
<b>Total</b>	<b>670,836,597.93</b>	<b>673,329,739.00</b>

## 9. Payables

	<b>2015 Rs:</b>	<b>2014 Rs:</b>
Accrued Expenses-Administration Fee	3,045,774.53	3,022,527.95
Accrued Expenses-Audit Fee	117,345.00	58,200.00
Accrued Expenses-Stamp Duty	23,450.00	65,525.00
<b>Other current Liability</b>	-	<b>234,605.28</b>
<b>Total</b>	<b>3,186,569.53</b>	<b>3,380,858.23</b>



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்  
**AUDITOR GENERAL'S DEPARTMENT**



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எனது இல.  
My No. }

TIP/A/TDF/1/15/01

ඔබේ අංකය  
உமது இல.  
Your No. }

දිනය  
திகதி  
Date }

10 August 2016

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 2015**

The audit of financial statements of the Sri Lanka Tourism Development Fund for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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 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

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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 Auditing 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 Tourism Development Fund as at 31 December 2015 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**

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**2.2.1 Sri Lanka Public Sector Accounting Standards**

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In terms of the Sri Lanka Public Sector Accounting Standard No.3, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after the discovery. Nevertheless, overprovision of Tourism Development Levy totalling Rs.54,406,579 pertaining to two preceding years had been deducted from the income and shown in the financial statements in the year under review instead of accounting as retrospective restatements.

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

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The following non- compliances were observed in audit.

Reference to Laws, Rules, and Regulations	Non- compliance
(a) 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)	Even though all money to 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.429,136,130 remaining to the credit of the Fund as at the end of the year under review.



- (b) 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 ships had not been charged and remitted to the Authority while confirmations in support of non-existence of charges from passengers embarking ships had also not been obtained.
- (c) Financial Regulation 169(2) A sum of Rs.143,504 pertaining to 07 cheques in respect of services rendered by the Fund before realizing the cheques had not been recovered.

### 3. Financial Review

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#### 3.1 Financial Results

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According to the financial statements presented, the income generated from the operation of the Fund during the year under review amounted to Rs.2,994,153,768 as compared with the corresponding income of Rs.2,837,431,982 for the preceding year, thus indicating an improvement of Rs.156,721,786 in the income. The increase in the Embarkation Tax income had been the major reason for the increase in the income. Nevertheless, other income had decreased by Rs.41,259,518 as compared with the preceding year. Accordingly, it was observed that the overall income of 05 preceding years has indicated a continuous improvement.



## 4. Operating Review

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### 4.1 Performance

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One third of the Embarkation Tax collected in terms of Section 2 of the Finance Act, No. 25 of 2003 and the Tourism Development Levy under the Tourism Act, No.38 of 2005 are the income of the Fund. The Act had made provision to grant those money to the Sri Lanka Tourism Promotion Bureau, Sri Lanka Institute of Tourism and Hotel Management, Sri Lanka Tourism Development Authority and Sri Lanka Convention Bureau for the expenditure incurred on tourist business promotion or development at the rates of 70,12,14 and 4 per cent respectively.

Subsequent to incurring expenditure of Rs.5,402,968 by the Fund during the year under review the balance had been granted to the aforesaid institutions as Rs.2,092,102,453, Rs.358,646,135 ,Rs.418,420,491 and Rs.119,548,712 respectively. The Fund had not formulated a methodology to take follow up action on the utilization of those money for the said purpose by the respective institutions.

### 4.2 Management Activities

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The following observations are made.

- (a) The Fund had paid a sum of Rs.5,128,023 to the Sri Lanka Tourism Development Authority as the administration expenses. Nevertheless, the Tourism Act, No.38 of 2005 had not made any provision for the payment of administration expenses.
- (b) According to the Notification under the provisions in the Finance Act, No.25 of 2003 published in the Gazette Extraordinary No.1303/22 of 29 August 2003, every person departing from an aircraft or a ship should pay an Embarkation Tax of US \$15 and US \$ 2.5 respectively in terms of provisions in the Finance Act, No.25 of 2003.



Nevertheless, the Director General of Civil Aviation who recovers the Embarkation Tax had recovered this Tax from the year 2004 to 31 December 2012 at the exchange rate of Rs.100 per the United States Dollar despite the changes in exchange rates. As such, an income of approximately Rs.300,000,000 had been deprived of during this period.

(c) A database of the institutions from which Tourism Development Levy is recoverable 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) The inadequacy of fines imposed on those who do not pay the Tourism Levy within the due period in terms of the Paragraphs 1 and 4 of the Notification published in the Gazette Extraordinary No.1318/24 of the Democratic Socialist Republic of Sri Lanka dated 11 December 2003 had led to discouragement for paying the Tourism Levy.

(e) In case of non-payment of levy by aviation companies within the due period, a methodology had not been formulated to ensure whether such money together with fines with due interests are being recovered and 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, financial statements of the year 2015 had been presented to the Auditor General only on 28 March 2016.



## 5.2 Internal Audit

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An internal audit had not been carried out to identify the weaknesses in systems and controls in the collection of income, computation of arrears of income, accounting of income and the recovery of tax pertaining to the Tourism Development Levy and the Embarkation Tax being the two main sources of income of the Fund.

## 5.3 Budgetary Control

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Significant variances ranging from 7 per cent to 59 per cent were observed between the estimated and the actual income and expenditure relating to 05 Objects of the year under review, thus it was observed that the budget had not been made use of as an effective instrument of management control.

## 6. Systems and Controls

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the formulation of a methodology for the definite identification and confirmation of the accuracy of the Tourism Development Levy and the Embarkation Tax relating to the control of collection of income.

H.M.Gamini Wijesinghe

Auditor General

