

ANNUAL REPORT 2017



SRI LANKA TOURISM
DEVELOPMENT AUTHORITY

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ANNUAL
REPORT



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Vision

To be recognized as the world's
finest island for memorable,
authentic and diverse experiences.

Mission

To be a high value destination offering extraordinary
experiences that reflect Sri Lanka's natural and cultural heritage,
socially inclusive and environmentally responsible,
and provide economic benefits to communities and the country.



Guiding Principles



- 1 CAPTURING THE BENEFITS OF TOURISM FOR SRI LANKA:**
 The tourism industry makes a significant contribution to the growth and diversification of Sri Lanka's economy. It should be considered a key pillar of the economy and a priority in government decision making. Facilitated by the public sector, the private sector should play a lead in the development of the tourism industry.
- 2 DEMOCRATISATION OF ECONOMIC PARTICIPATION:**
 Tourism should result in optimal economic benefit to Sri Lanka's economy by maximizing net foreign exchange income, spreading development throughout the island, and creating gainful employment for Sri Lankans. Tourism growth should stimulate and deepen the value chain and ensure viable, long term economic operations, providing socioeconomic benefits that are fairly distributed to all stake holders.
- 3 CONSERVATION AND WORLD-CLASS MANAGEMENT OF ASSETS:**
 Tourism development should promote the conservation and enhancement of Sri Lanka's natural environment and it's historical, social and cultural heritage, avoiding harmful effects. It should make optimal use of environment resources- maintaining essential ecological processes and helping to conserve natural biodiversity.
- 4 LOCAL COMMUNITY INVOLVEMENT:**
 Tourism should respect the sociocultural authenticity of host communities, conserve their built and living cultural heritage and traditional values, and contribute to intercultural understanding and tolerance. Tourism development should involve local communities in a real, holistic capacity. Strong political leadership, including regional and local government, should foster informed, wide participation of all relevant stakeholders and support consensus building.
- 5 MEMORABLE EXPERIENCES ROOTED IN HERITAGE:**
 All tourism services and activities should be visitor-centric and rooted in the environment, religious, social and cultural heritage of Sri Lanka. They should provide a high level of visitor satisfaction and ensure a meaningful visitor experience, providing learning opportunities and raising awareness about best tourism practices.
- 6 RESPONSIBLE DESTINATION MARKETING:**
 Sri Lanka should be marketed responsibly to highlight the country's distinctive environment, traditions and attractions. Efforts should also be made to dispel longstanding misconceptions about the country and the tourism sector.
- 7 SAFETY AND SECURITY FOR ALL:**
 A safe and secure environment should be ensured for all visitors, investors and communities as well as animals.





*Message of Hon. Minister of Tourism Development,
Wildlife and Christian Religious Affairs,
John Amaratunga*

The tourism industry in Sri Lanka is now poised for rapid transformation. This transformation will make Sri Lanka competitive in the global tourism market place. The transformational process has been made possible due to the efforts put into formulate the much awaited Tourism Strategic Plan (TSP).

The plan which is now ready for implementation has drawn up the road map for developing and maximizing the benefits from our tourism assets. The plan which was put together with the active participation of all industry stakeholders recommends actions and implementation mechanisms for the next three years, at the end of which we hope to have 4 million visitors, 600,000 direct employees and over US\$ 5 billion in revenue receipts.

Except for a few places in the south west coast, tourism in Sri Lanka has been largely untapped and there exists immense potential for development specifically through increased investment, job creation, environmental sustainability, and contribution to local economies.

This government has placed much emphasis on the sustainable development of the tourism industry with the ultimate goal of making it a strong pillar of the economy. In fact our target is to make tourism the largest foreign exchange earner for the country replacing foreign remittances, in the not too distant future. Towards this end we have mobilized both the private and state sector actors to play the lead role in the transformational phase.

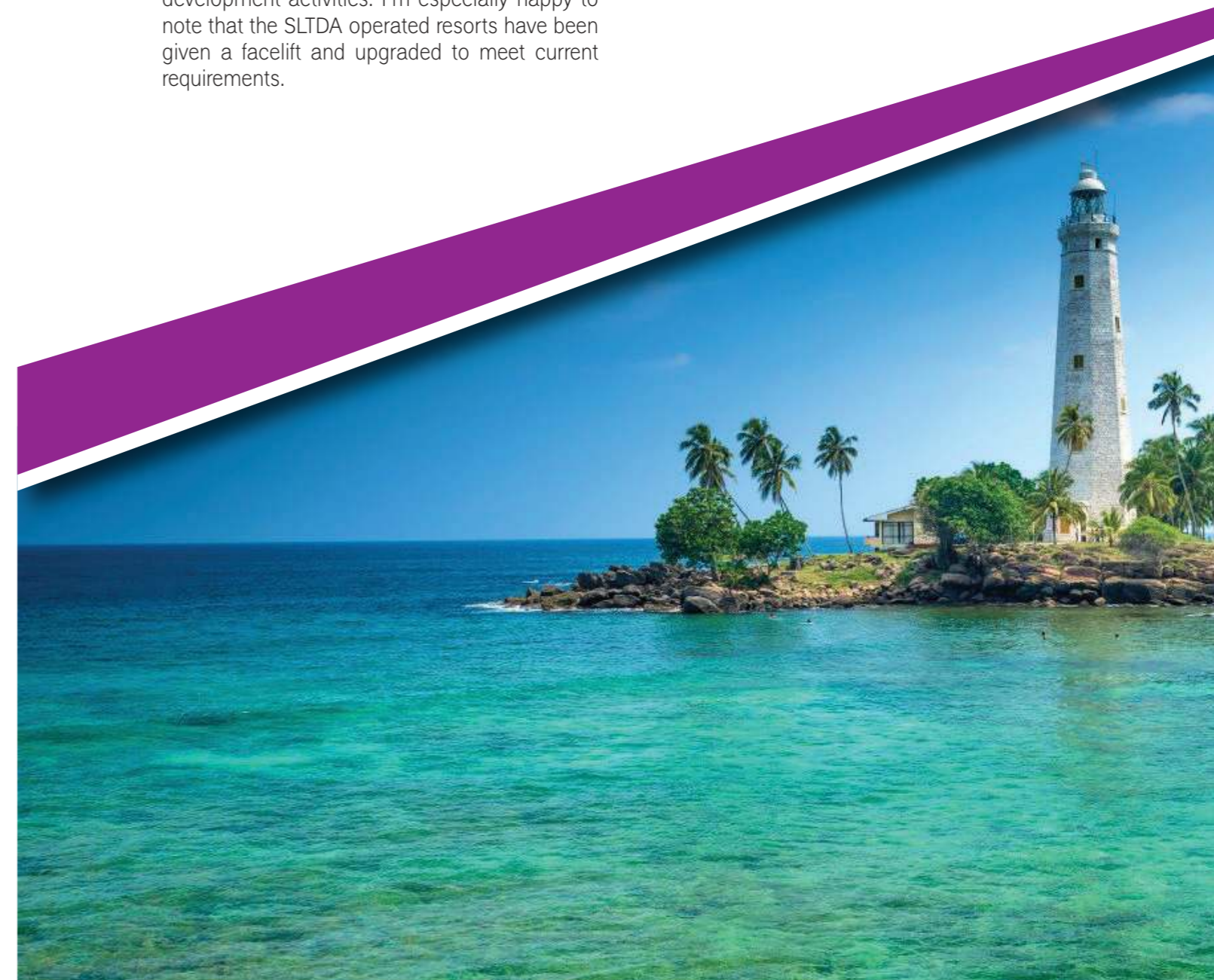
As far as the industry is concerned it is the private sector that is in the driving seat while the state

will continue to play the role of facilitator. As at now the country's room inventory is growing at a rapid pace with the addition of nearly 6000 rooms in the period under review. In addition 250 new service providers have also been registered by the SLTDA during 2017. One of the biggest challenges we face is the unrestrained growth of the informal sector. We are now in the process of working towards overcoming this challenge by putting in place the necessary legal framework to make it compulsory for all service providers to be registered with the SLTDA in future.

SLTDA is also working on streamlining the registration and licensing processes by introducing an online platform for these services. Efforts are also being made to develop tourism infrastructure in the new resort zones and especially in the north and east. The following pages of this report provide details of the work in progress and the costs incurred on these development activities. I'm especially happy to note that the SLTDA operated resorts have been given a facelift and upgraded to meet current requirements.

As we move in to the next year our sights are firmly set on stimulating growth at the grassroots level by strengthening the tourism value chain which will help ensure equitable distribution of long term socioeconomic benefits.

It is my duty to thank the Chairman, SLTDA, the Director General, board of directors and all others who have worked tirelessly to ensure that 2017 was yet another record breaking year for Sri Lanka Tourism in terms of both arrival numbers as well as revenue.





Message of Chairman of Sri Lanka Tourism Development Authority, Mr. Kishu Gomes

Assuming duties as the Chairman of SLTDA on the 6th of February 2019, it's my pleasure to pen down my review covering performance of year 2017 based on the available data, information and analysis. Being the first year of the four-year strategic plan that was implemented, the performance achieved during the year of review seems remarkable.

In Sri Lanka, tourism is the third largest export earner in the economy after remittances and textiles & garments. Proving this, the tourism industry earned a total revenue of USD 3.9 Billion in 2017. This has a 4.5% direct contribution to GDP. Tourist arrivals to Sri Lanka during the year 2017 amounted to 2,116,407 registering a 3.2% increase since 2016. Foreign Exchange Receipts per Tourist per Day was USD 170.1. Furthermore, we are proud to report that the total employment generation in tourism industry in 2017 was 359,215.

Tourism Industry is a sensitive industry which may be affected by natural disasters, civil riots and political unrest of the country at any time of the year. Despite the challenges faced as such in 2017, the tourism industry is poised to offer great growth and investment potential during upcoming years. 2017 was another remarkable year of strong performance for the SLTDA and there are significant opportunities for growth in all parts of our business, and we will continue to prioritize investing in new projects and products that boost tourism industry.

By 2025 we hope that Sri Lanka will be identified as a place for memorable, authentic and diverse tourism experiences.

Board of Directors



Left to right:

First row:

Second row:

Mr. P.U. Rathnayaka (Member), **Mr. P. Algama** (Member), **Mr. Kishu Gomes** (Chairman), **Mr. M. Shanthikumar** (Member)

Mr. Kavinda Makalanda (Member), **Mr. Thilak Weerasinghe** (Member), **Mr. Trevor Rajaratnam** (Member), **Mr. R.M.W.S. Samaradiwakara** (Member),

Mr. Kamal Padmasiri (Member).

Directors & Divisional Heads



Left to Right:

First row:

Mr. M.U. Liyanarachchi (Director Domestic Tourism & Community Relations), **Mr. P.U. Rathnayake** (Director General), **Mr. Kishu Gomes** (Chairman),

Ms. Tharanga Rupasinghe (Director Human Resources & Premises Management)

Second row:

Mr. Udana Wickramasinghe (Director Information & Communication Technology), **Mr. Chandana Wijeratne** (Director Standards & Quality Assurance),

Ms. Inoka Punchihewa (Legal officer), **Ms. K.M. Naheem** (Internal Auditor), **Ms. Bhagya Mahavithanage** (Acting Director Tourism Planning & Development),

Mr. Sisira Weerasekara (Director Resorts Management), **Mr. Sampath Ganepalaarachchi** (Director Financial Management)

6. Global Tourism Overview



INTERNATIONAL TOURISM 2017

International tourist arrivals: 1,323 million
International tourism receipts: US\$ 1,226 billion*



WORLD ARRIVALS: 1,323 MILLION

Data reveals that international tourist arrivals grew by 7% in 2017, reaching a total of 1,323 million. This development surpasses the 4% or highest growth rate observed since 2010 and represents the strongest results in the last seven years. The growth in the tourism sector at the global level, measured by international arrivals, is projected to continue in 2018 at a rate of 4%-5%.



7. Sri Lanka Tourism Overview

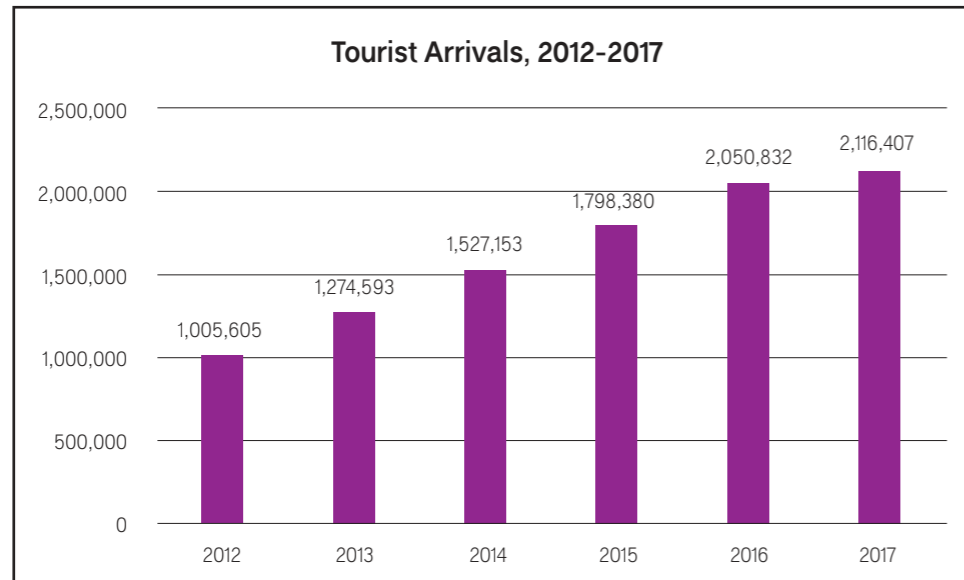


Chart 1: Tourist Arrivals 2012 – 2017

Tourist arrivals to Sri Lanka during the year 2017 amounted to 2,116,407. This was a growth of 3.2 percent when compared with the 2,050,832 arrivals registered for the year 2016.



Chart 2: Tourist Arrivals by month

As depicted in the graph the peak months for arrivals in 2017 were January, February, July and December. The highest number of arrivals were recorded in the month of December.

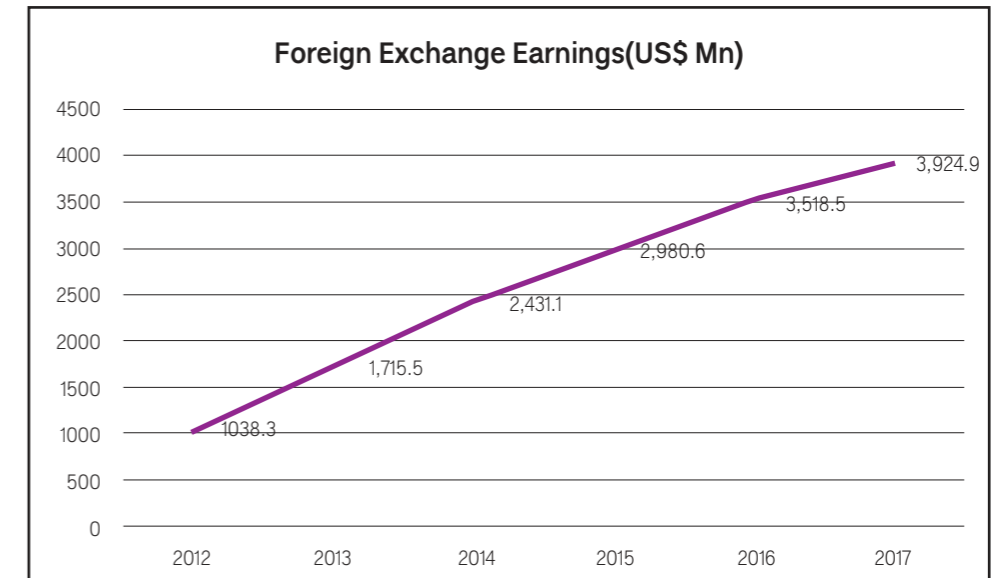


Chart 3: Foreign Exchange Earnings (US\$ Mn)

The total tourist receipts were estimated at US\$ 3924.9 million, as against US\$ 3518.5 million for the previous year, showing an increase of 11.5%

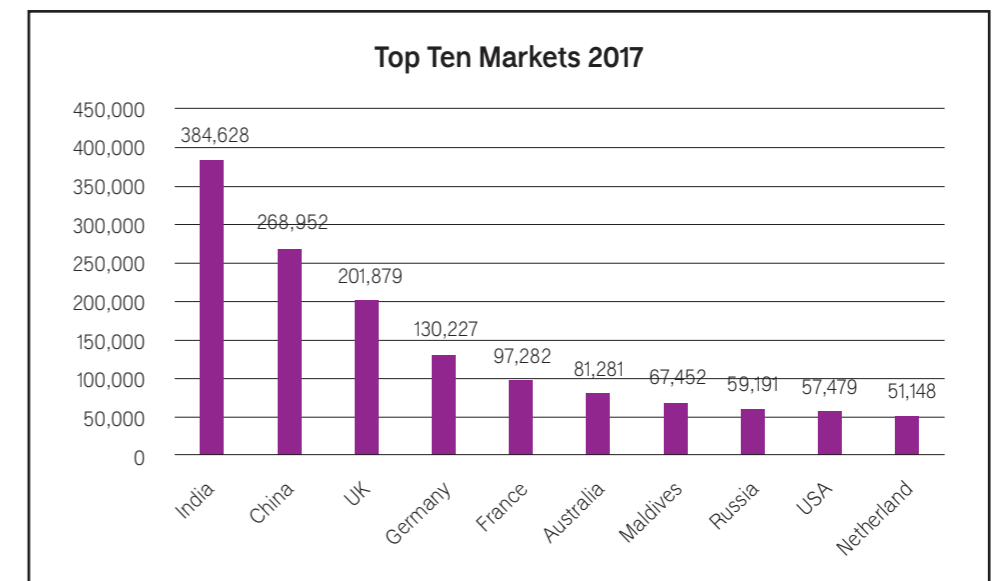


Chart 4: Top 10 Markets 2017

An analysis of the major ten regional source markets reveals that tourists from India represented the largest number of international arrivals. China was recorded as the second major country of origin with a share of 12.7% in arrivals during 2017. The highest tourist producers, namely India and China claimed almost one third of the total tourist traffic to the country.

8. Achievements of 2017

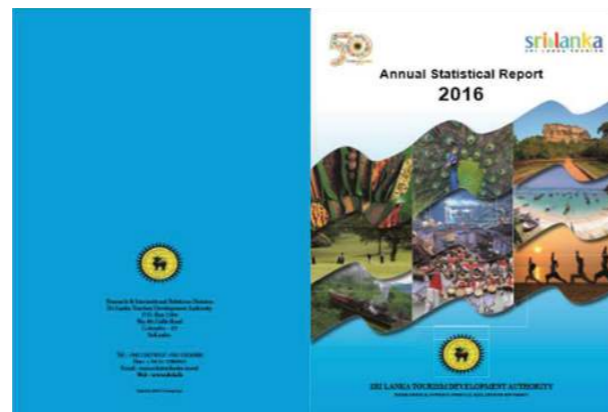
8.1 Value addition to the industry

Comprehensive publications on qualitative and quantitative data relating to tourism are published regularly by the Research and International Relations Division.

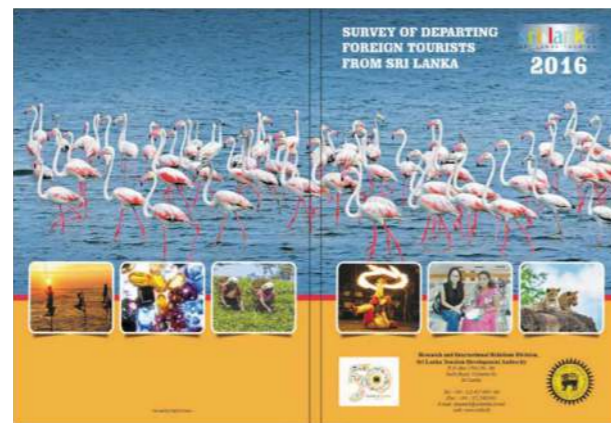
These include Monthly Statistical Bulletin, Annual Statistical Report and the report of the Survey on Departing Foreign Tourists from Sri Lanka which indicates the performance of Sri Lanka Tourism in terms of tourist arrivals, foreign exchange earnings, creation of employment opportunities, hotel occupancy rates, travel patterns and behaviour, places of attraction, facilities and services used, and expenditure of tourists.



Monthly Statistical Bulletin



Annual Statistical Report 2016



Report on the Survey of Departing Foreign Tourists from Sri Lanka

8.1.1 The objectives of the survey on Departing Foreign Tourists from Sri Lanka are,

- To build up a detailed profile of departing foreign tourists from Sri Lanka, based on their personal background information.
- To enrich tourism statistics with additional information on both qualitative and quantitative data.
- To identify the factors influencing present and potential tourist arrivals.
- To make information available to the public and private sector in order to make strategic decisions.



Airport Exit Survey

8.1.2 Investor Relations Unit (IRU)

Formerly known as Unit for National Investment in Tourism or One Stop Unit of SLTDA, it provides a centralized facilitation service to foreign and domestic investors seeking information to develop tourism projects in Sri Lanka and to obtain numerous approvals from a variety of regulatory ministries, departments, agencies, and relevant stakeholders including provincial and local governments, utility providers etc.

The ultimate objective of setting up the IRU is to reduce the burden on investors by facilitating the approval process of tourism projects and shortening the lead-times for the implementation of tourism investments in the country. Although the IRU has been a successful initiative, the IRU's performance could be further enhanced by introducing a more simplified investment approval process.

Supporting Accelerating Investment in Sri Lanka (SAIL) project of USAID came forward in assisting the re-engineering of the investment approval process of IRU. The SAIL project examined the relationship between the IRU and other line agencies/stakeholders and determined that a closer, more coordinated working relationship was needed to further reduce project approval timeframes.

Hence, in accordance with international best practices, it was proposed to sign Memorandum of Understanding (MoU) between the SLTDA and other agencies/stakeholders with a view to agreeing upon working relationships that are more streamlined and fast tracked to achieve this mutual goal.

Starting with, SLTDA together with SAIL project commenced mapping the existing approval process of Urban Development Authority (UDA) and prepared the draft MOU with agreed time-lines for each approval process within the year 2017. The re-engineering process will continue similarly with all other line agencies.

SLTDA projects 4 Million tourist arrivals by 2020 which will require approximately 70,000 – 80,000 hotel rooms catering to the tourism economy. The Investor Relations Unit (IRU) has granted a positive contribution to achieve this target by adding new rooms to the national room capacity through new investment projects.

Compared to the last two years, IRU's contribution to increase the national room capacity has shown a considerable growth and it is projected that it will grow significantly in the next couple of years.

IRU approved 45 projects in 2017, compared to an overall approval of 307 projects from 2010 – 2017. The investment in these approved projects is USD 380 Mn, and the geographical locations are as follow:

Districts	Final Approvals Granted in 2017		
	No. of Projects	Rooms	Investment US\$ mn
Ampara	1	16	0.63
Anuradhapura	1	17	0.33
Badulla	4	183	7.50
Colombo	4	928	200.38
Galle	8	514	40.26
Gampaha	2	72	4.03
Hambantota	4	65	15.79
Jaffna	3	46	51.33
Kalutara	4	102	5.77
Kandy	2	34	2.15
Kegalle	1	50	3.90
Matale	1	18	0.34
Matara	3	250	41.57
Puttalam	3	40	1.43
Trincomalee	3	53	4.33
Rathnapura	1	5	0.03
Total	45	2393	379.77

Table 5: Final approval granted project in 2017

Out of the 307 projects approved up to 31 December 2017, the above is the breakdown of projects that are still under construction. According to the statistics of IRU facilitated hotel investment projects, 7,493 new hotel rooms are under construction and will be added to the market between 2017-2020. This number will be higher with the new projects which will be submitted to the IRU during the next two years.

Districts	No. of Projects	Rooms	Investment US\$ mn
Ampara	1	10	0.58
Batticaloa	3	74	11.13
Badulla	5	203	11.6
Colombo	18	3247	919.68
Galle	17	1084	96.732
Gampaha	6	569	57.5
Hambantota	9	292	62.575
Jaffna	3	106	106
Kalutara	10	584	96.002
Kandy	4	58	3.984
Kegalle	1	50	3.9
Matale	3	126	5.963
Matara	8	239	19.451
Nuwara Eliya	4	476	54.16
Puttalam	3	117	7.39
Trincomalee	7	170	21.68
Manar	1	52	52
Vavuniya	2	36	5.09
Total	105	7493	1360.152

Table 6: Projects under construction as of 31st December 2017

Construction Status of Final Approval Granted as of 31st December 2017

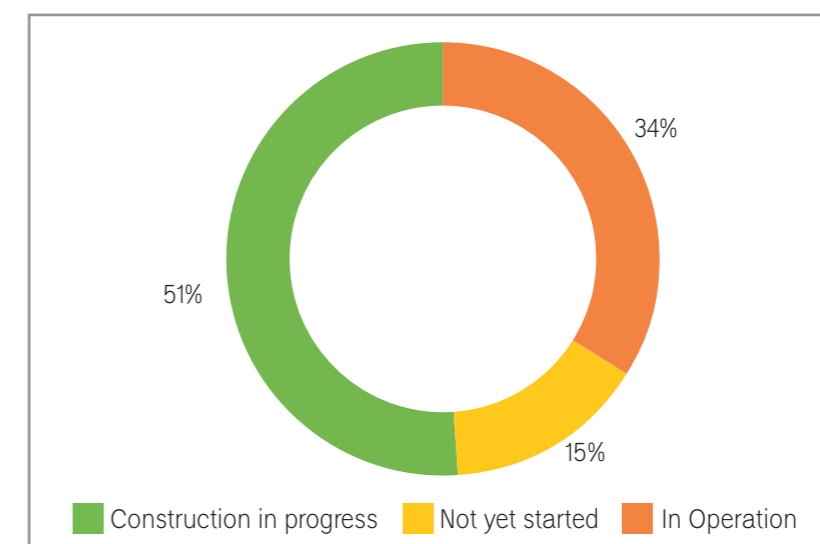


Chart 7: Projects under construction in 2017

A total of 157 projects out of the total 307 projects approved came into operation by 31st December 2017 and added number of rooms are 8,182. The above shows the construction status of the approved 307 projects.

8.2 Resort Management and Development

The Resort Management Department is operating and managing 04 trading Resorts, 02 non-trading resorts and overlooking the standards in 37 Rest Houses (Public Administration Rest Houses) leased out to private sector individuals.

8.2.1 Trading Resorts.

National Holiday Resorts (NHR) in Nuwaraeliya, Bandarawela, Katharagama and Anuradhapura are the 04 trading resorts situated in beautiful locations in the country. Accommodation facilities especially for local travelers are provided with affordable rates including meals.

During the past period, the conditions of the Resorts were upgraded and improved to the satisfaction of the guests by conducting a renovation program, installation of generators, supplying of good quality linen and furniture. In addition to the above, daily maintenance work was carried out and completed to attract domestic travelers in the country.

Approximate Expenditures at NHR

Bandarawela	- Rs. 4.0 Mn
Nuwara Eliya	- Rs. 4.5 Mn
Katharagama	- Rs 1.5 Mn
Anuradhapura	- Rs 1.6 Mn

The following work has been completed by SLTDA.

Renovation of 13 guest rooms at Anuradhapura	Rs 21 Mn
Laying of new sewerage line at Katharagama	Rs 5 Mn
Construction of 16 new guest rooms new at Anuradhapura	45% completed

Table 8: Work Completed by SLTDA

8.2.2 Non-trading resorts.

NHR Passikudah

Development of the non – trading resort at Passikudah follows the 2010 comprehensive master plan. In the year 2010, a comprehensive Master Plan was finalized to develop NHR Passikudah to attract tourists to the east coast in Batticaloa District.

14 blocks of lands were leased out to private sector to construct Hotels at NHR Passikudah. Out of 14 blocks 12 hotels are completed and in operation. The basic infrastructure facilities such as electricity, water and Sewage Treatment Plant were provided by SLTDA for the smooth operation of NHR Passikudah. With the operations of the Hotels, the direct and indirect benefits flowed to the community of east coast.

Investment in Passikudah in 2017 was LKR 180.5 Mn, with the following breakdown:

- 46 Mn on Design and construction of 210 street lamps.
- 20 Mn on Design & Construction of main access road – stage II.
- 100 Mn on purified water.
- 14.5 Mn on Construction of a ground reservoir pump house and security hut.

The non- trading resort at Bentota provides a common sewage treatment facility and water supply to hoteliers. Additionally, SLTDA provides overall security and cleaning services to the resort. Contract work started on the refurbishment of Sulanka bungalow and approximately 35% of the work was completed at end of the year.

8.2.3 Resort Development

Kalpitiya

A common problem for potential investors is the lack of common infrastructure and uneasy access. Resolution of these issues are pending as responsibility is shared and distributed among other ministries and authorities whose priorities are not aligned from a tourism angle.

Kalpitiya was originally conceptualized in 2014 as an Integrated Tourism Resort that targeted a new product in Sri Lanka, an ‘Ocean Based Island Resort’ that would be environmentally friendly.

In the first phase, 12 islands were vested with Sri Lanka Tourism Development Authority and a development master plan was developed along with a strategic environmental study.

The resort is to consist of Dutch Bay, Portugal Bay and 9 of the most attractive islands; Karaitive, Ippantive, Periyarachchi, Eramative and Sinnerarachchial, Oddakareltive, Battalangunduwa, Palliyawatta, and Vellai.

It was envisioned the total development area would be 5000 acres, and the resort would consist of 4000 rooms, generating 16000 direct employment opportunities and create a revenue opportunity of USD 175 Mn to the developer (at 80% occupancy at USD 150 per room night).

Due to changes in the government stance – with the cancellation of the process by the Ministry of Economic Development in 2010 – only 2 showed interest in proceeding out of the original 14 companies selected for cabinet approval.

Currently, a total of 2 proposals are pending for differing reasons. The first, Sun Resort Lanka (Pvt) Ltd has expressed interest in constructing water bungalows off Vellai Island. However, this requires a lease on the sea-bed which has never been done in Sri Lanka previously and the matter is under consideration with the Divisional Secretary of Kalpitiya.

The second, Qube Lanka Leisure (Pvt) Ltd. would like to build on Ippantive Island, and they continue to pay the lease rental – now for over 08 years. However, there is an outstanding issue in relation to a fishing community that occupies part of the Island during the season who are unwilling to move to an alternate location.

Kuchchaveli

A common complaint of potential investors is the high price of the upfront lease payment. Kuchchaveli was initially conceptualized in 2010 as a Beach Resort on the East Coast in close proximity to Trincomalee. The project encompasses 510 acres of beach front property located between the Irrakkandy and Salapayaru bridges.

This location has good road, electricity and water. The project was expected to result in 3,500 rooms with an employment generation of 14,000 and a revenue stream of USD 150 Mn (at 80% occupancy and USD 150 per room night).

However, Trincomalee is 08 hours by road from the main airport in Sri Lanka, a significant disincentive. There is potential for the operation of private sector domestic airlines. The main complaint of potential investors is the requirement of an up-front payment of LKR 20 Mn per 01 acre plot, which they feel is overvalued.

As a counter point however, it must be stressed that the sole resort operator at this location, Jungle Beach Resort operated by Uga Escapes Management (Pvt) Ltd as a high-end facility is fully booked 3 months in advance.

In order to understand the various bottlenecks and how to resolve these issues within the current context, a project was initiated in August 2016 with a team of experts from the Center for International Development (CID) at Harvard University headed by Professor Matt Andrews, under an initiative from the Prime Minister’s office.

The team consists of facilitators from Harvard along with officials from the BOI and SLTDA, and ran till mid - 2017. A conceptual plan was prepared for the Kuchchaveli Green Integrated Resort including three theme villages (fishing village, craft village, agro village) as hands-on experience options for tourists visiting the Resort while generating income avenues for the community.

Yala Wildlife Resort (YWR)

There has been significant development progress on Yala Wildlife Resort (YWR). The common access road to the northern part of the resort was completed, along with a new high tension electricity supply to the northern part of the resort.

Chena huts by Uga Escapes Management (Pvt) Ltd and Wild Coast Tented Lodge by Wild Coast Lodge (Pvt) Ltd. have commenced commercial operations.

Yala Wildlife Resort was conceptualized as a high end product providing an immersive experience for wildlife enthusiasts. The resort is contiguous to the Yala national park and located just outside the 1 mile buffer zone.

There are no fences or other separations between the Wildlife Park and YWR which provides an immersive experience to the visitors. Out of the 07 investors at YWR, Chena Huts is the first to commence commercial operations and Wild Coast Tented Lodge has also commenced its operations in 2017.

Two other projects are underway. R&R Company (Ltd) and Ascot Leisure (Pvt) Ltd. have not commenced construction as yet.

Dedduwa Lake Resort

This project is in the early stages and land acquisition of 1732.03 acres is in progress out of the planned 1800 acres. Dedduwa borders are Geoffrey Bawa's Lunuganga residence and property. It is located east of Bentota, comprises of water bodies, marshy lands, and abandoned paddy fields.

The iconic Lunuganga property serves as the model on which this resort will be based on. SLTDA together with Southern Development Board have prepared a conceptual plan for the future developments.

Accordingly, investment opportunities will be opened up for the private sector to invest in this attractive land mass in near future.

8.2.4 Identification of new lands for tourism developments.

The following lands are being identified for tourism development and Board has given approval to proceed with acquisition/vesting process.

Identified Land	Land extent in Acres (Approx)
Akkurala	493.00
Bogawanthalawa	316.00
Valachenai	265.00
Deniyaya	350.00
Kohilawagura	27.60
Mulleriyawa, Walivita (Malabe Highway exit)	36.00

Table 9: Identification of new lands for tourism developments.

8.3 Standards & Quality Assurance.

8.3.1 Registration and Licensed Tourist Establishments

The registration and licensing of tourist establishments and service providers are a major and important function of Standards & Quality Assurance Division.

For this purpose, regular inspections are carried out. Sri Lanka Tourism Development Authority also makes recommendations to Department of Excise for the issuance of liquor licenses for Hotels, Guest Houses and Restaurants and makes recommendations to Department of Immigration & Emigration for working visa to Expatriate staff in tourism establishments.

The number of Tourist Establishments registered with Sri Lanka Tourism Development Authority are as follows.

Category	From 01.01.2017 to 31.12.2017		Total No Registered with SLTDA	
	Units	Rooms	Units	Rooms
Classified Tourist Hotel	25	2,944	139	12,751
Five Star	3	704	20	4,217
Four Star	2	294	18	2,092
Three Star	9	1,245	25	2,957

Two Star	5	264	36	1,718
One Star	6	437	40	1,767
Unclassified Tourist Hotel	24	1,694	239	10,482
Boutique Hotel	3	86	26	508
Boutique Villa	3	15	35	224
Guesthouse	47	699	884	9,549
Home Stay Unit	87	224	363	1,092
Bungalow	53	226	338	1,422
Heritage Bungalow	0	0	4	19
Heritage Home	1	1	2	8
Rented Apartment	9	31	61	176
Rented Home	0	0	6	19
Total	252	5,920	2,097	36,250

Table 10: Accommodation Sector

Category	From 01.01.2017 to 31.12.2017	Total No Registered with SLTDA
Restaurant	31	469
Travel Agency	90	832
Spa & Wellness Center	18	58
Tourist Shop	3	73
Water Sporty Center	8	25
Spice Garden	1	35
Total	151	1,492

Table 11: Specified Tourist Services

Category	From 01.01.2017 to 31.12.2017	Total No Registered with SLTDA
National Tourist Guide Lecturers	55	1,365
Chauffeur Tourist Guide Lecturers	59	1,135
Area Tourist Guide Lecturers	15	526
Site Tourist Guide Lecturers	0	89
Total	129	3,115

Table 12: Guide Services

8.3.2 Hotel Classification

Classification of all tourist hotels are mandatory as per the introduction of new Gazette Notification No. 1963/28 dated 20th April 2016 on classification of tourist hotels. Hotel Classification Committee conducted regular inspections to classify tourist hotels as per the New Gazette notification.

25 hotels were classified in 2017 and determined as follows.

- 5 Star - 3
- 4 Star - 2
- 3 Star - 9
- 2 Star - 5
- 1 Star - 6

8.3.3 Formulation of Guidelines and Gazetting of Tourist Services.

Following finalized Guidelines were submitted to Legal Draftsman Department for Gazetting.

- Independent Tourist Restaurants
- Guesthouses
- Apartment Hotels
- Ayurvedic Hotels
- Ayurvedic Health Care Centre
- Tourist Shops
- Spa & Wellness Centre

Final drafts of following Guidelines were handed over to the Legal Draftsman Department for observation and recommendation.

- Tourist Guide Services
- Spice Gardens
- Vehicle Safari Tours
- Tourism Management Company

Formulating of Guidelines for all Adventure Tourism activities is in progress in consultation with Central Project Management Unit (CPMU) of Prime Minister's Office.

Consultative committees for Land, Water and Air base adventure activities were appointed and meetings are in progress.

8.3.4 Upgrade quality and service standards

A Training programme was conducted on 23rd August 2017 at Sri Lanka Institute of Tourism & Hotel Management and awarded certificate of participation for 106 operators of Home Stay Units.



Training Program for Homestays

8.3.5 Maintaining of Consistent Minimum Room Rates in Hotels within Colombo and Dehiwala/Mt. Lavinia Municipal Area

To ascertain the compliance of gazette notification on minimum room rate, auditing of Hotels was started from 01st November 2017 by M/s Gajma & Co. (Chartered Accountants). Auditing of balance classified hotels is in progress and following hotels were already audited as at end of 2017.

- Taj Samudra, Colombo
- Cinnamon Lakeside, Colombo
- Hilton, Colombo

8.3.6 Absorption of Informal Sector Tourist Establishments

A crash programme for absorption of informal sector tourist establishments and service providers were conducted and license were issued as follows.

Sigiriya	-	11
Unawatuna	-	14
Hikkaduwa	-	08
Ella	-	57
Mirissa	-	01
Kalpitiya	-	04
Total	-	95

8.3.7 Tourism Mobile Services

Tourism Mobile Services were conducted to create awareness and to expedite the registration and renewal procedures among tourist service providers. The following mobile services were funded by International Finance Corporation (IFC) jointly with Sri Lanka Tourism Development Authority.

- **Mannar** - conducted in March 2017 and 56 service providers participated. Tourism facilitator identity cards were issued for 12 participants

Sri Lanka Tourism Development Authority conducted a Tourism Mobile Service to absorb the informal sector tourism service providers in following areas.

- **Kalpitiya** - conducted in February 2017 and 132 tourist service providers participated.
- **Mirissa** - conducted in October 2017 and 83 tourist service providers participated.
- **Ella** - conducted in March 2017 for 57 tourist service providers participated.



Awareness Program for Tourism Service Providers

8.4 International Exposure & Capacity Building

8.4.1 International Conferences participation in year 2017

1. UNWTO Launching of the International Year of Sustainable Tourism for Development 2017 in Madrid, Spain from 18th to 22nd January 2017.
2. 4th World Forum on International Dialogue, from 5th to 6th May 2017, Baku, Azerbaijan.
3. 29th Joint Meeting of the UNWTO Commission for East Asia and the Pacific (CAP) and the UNWTO Commission for South Asia (CSA) from 15th -17th May 2017 in Chittagong, Bangladesh.
4. Participation at "Sri Lanka - Thailand 2nd Meeting of the Sub-Committee on Trade Related Matters" on 2nd June, 2017 in Bangkok, Thailand.
5. 6th International Conference on Tourism Statistics: Measuring Sustainable Tourism, Manila, Philippines from 21st to 24th June 2017.

8.4.2 World Intellectual Property Organization (WIPO) and Government of Sri Lanka (GoSL) cooperation.

Sri Lanka was selected as one of the four pilot countries to participate in the World Intellectual Property Organization (WIPO) Project titled "Intellectual Property, Tourism and Culture".

Objectives of the Project titled "Intellectual Property, Tourism and Culture in Sri Lanka.

- This Project will contribute to promoting awareness of the role of Intellectual property in Sri Lanka and supporting the tourism-related economic activities of the country.
- Further it will enhance the scope for utilizing Intellectual property for development in a new area, under the ongoing cooperation between WIPO and GoSL through a 10 point action plan.
- This Project will aim at building capacities of key stakeholders and raising awareness of the intersection between Intellectual property and tourism, in the framework of growth and development policies.
- The experiences and best practices documented and the strategies, tools and practical guide developed in the course of the Project will also contribute to guide policy decisions and raise public awareness on the use of IP in promotion of tourism, national and/or local knowledge, traditions, and culture, while increasing national economic, social and cultural benefits.



Launching of WIPO Study report published in November, 2017



Ms. Toso addressing the workshop participants in Colombo

8.4.3 National Celebration of World Tourism Day 2017

Sri Lanka Tourism Development Authority celebrated this year's World Tourism Day under the theme of "Sustainable Tourism – a Tool for Development" from 27th-28th September 2017 from 10.00 am to 8.00 pm at Arcade Independence Square in Colombo.

World Tourism Day was established by The United Nations World Tourism Organization (UNWTO) to promote sustainable, responsible, and universally accessible tourism.

World Tourism Day is celebrated worldwide annually on 27th September to raise awareness among the international community of the importance of tourism and its social, cultural, political and economic value.

Countries and regions where the economy is driven by the tourism industry have become increasingly concerned with the environmental, as well as the socio-cultural problems associated with unsustainable tourism. As a result, there is now increasing agreement on the need to promote sustainable tourism development to minimize its environmental impact and to maximize socio-economic and overall benefits at tourist destinations.

In line with this objective, Sri Lanka Tourism Development Authority organized following activities to commemorate World Tourism Day 2017.

- Exhibition on Sustainable Tourism: This exhibition was presented by government organizations, provincial councils, leading hotels and main associations in the field of tourism.
- A Photo Exhibition based on "Adaraneeya Sri Lanka" television travel programme was conducted.
- Launching of 3 books on lesser known attractions in Western, Southern and Central Provinces.
- Island wide school essay competition was conducted on the the topic.
- Awarding of certificates and medals to the winners of "Adaraneeya Sri Lanka" Photo Exhibition and essay competition were held.
- Handing over certificates to "Tourist Friendly Eating Places" in Colombo District.



" Photo Exhibition "Adaraneeya Sri Lanka"

8.5 Domestic Tourism & Community Relations (DT & CR)

Domestic Tourism and community Relations division of the SLTDA commenced the operation from July 2015. Its main objectives are to develop infrastructure facilities of the tourism attractions and to involve in community-based activities related to the tourism industry.

As per the tourism policies of the government DT & CR division engages with the infrastructure development projects with the collaboration of the provincial tourism ministries. The following projects and programs commenced in the year 2017.

8.5.1 National Projects

Project	Funds allocated Rs. Mn	Payment up to 31st December 2017 Rs. Mn	Remarks
Aadaraneeya Sri Lanka Project	25	15	100% Completed
Thirasara Lanka National Project	0.5	0.5	100% Completed
United Nations Vesak Summit		0.5	100% Completed

Table 13: National Project

8.5.2 Provincial Projects

Province	Project	Funds allocated Rs. Mn	Payment up to 31st December 2017 Rs. Mn	Remarks
Sabaragamuwa Province	Formal training program for Elephant caretakers of the Pinnawala elephant orphanage	1	0.5	100% Completed
Western Province	Art Gallery	5	0.2	100% Completed
	Acquiring Land for Tourists Police Mt. Lavinia			Land Acquired in Mt.Lavinia & Land clearance on process
	Kajugama development Project	43	0.5	20% completed
	Tourism villages in Madurawala, Ampitigala & Walallawita	5	0.2	Ampitigala eco village completed
Central Province	Identification of tourist areas where tourist police service is essential	50	-	Kandy Sigiriya Completed
	Sandathenna Development Project	19	11	In progress
Southern Province	Acquiring Land for Tourists Police Mirissa		-	Land Acquired in Mirissa & Land clearance on process
	Akurugoda Comfort Centre	17.5	17	100% Completed

North Central Province	Fixing sign boards	10	2.8	100% Completed
	Sanitary facility development in Atamasthanaya	10	4.0	In final stage
Wayamba Province	Madurankuliya Comfort centre	15	12	80% Completed
Northern province	Model beach Thalai Mannar	21	8.5	In progress
Eastern province	Kottukal road development	85	46	In progress

Table 14: Provincial Project

Highlights



Madurankuliya Comfort Centre



Sandathenna Agro Technology Park



Ruwanweli seya Sanitary Facility development



Ampitigala eco village



Akurugoda Comfort Centre



Thalai Mannar Model Beach



Dunhinda Poverty Reduction Project



Kottukal Road Development

8.5.3 Training for Home Stay Units Operators

Awareness programmes are conducted in tourism zones to popularize the above concept among the community.

An awareness programme was conducted at Kudawa Village in Deniyaya on 14th, 15th and 16th of Nov. 2017 to educate the local community regarding the operation of home stay units. 29 probable house owners attended for the above programme.



8.5.4 Registration of Tourist Friendly Eating Places

To register and upgrade the service standards and hygienic conditions of eating places, registration of tourist friendly eating places programme was introduced.

Inspections were carried out jointly with officials of Department of Public Health from relevant local authority. Based on the standards of the establishments registration certificates were issued.

Programme of registration of Tourist friendly eating places were continued in following areas and licenses were issued in 2017 following inspections and details are as follows.

- Colombo - 65
- Kandy - 17
- Galle - 21



8.5.5 Unawatuna Beach Development

SLTDA signed a MoU on 08. 11.2017 with the Market Development Facility (MDF) under the Government of Australia to develop Unawatuna beach.

Unawatuna, a key tourist destination in the Southern province, will be developed as a pilot project for a comprehensive, market-based livelihood development program, with a special focus on employment generation and economic empowerment.

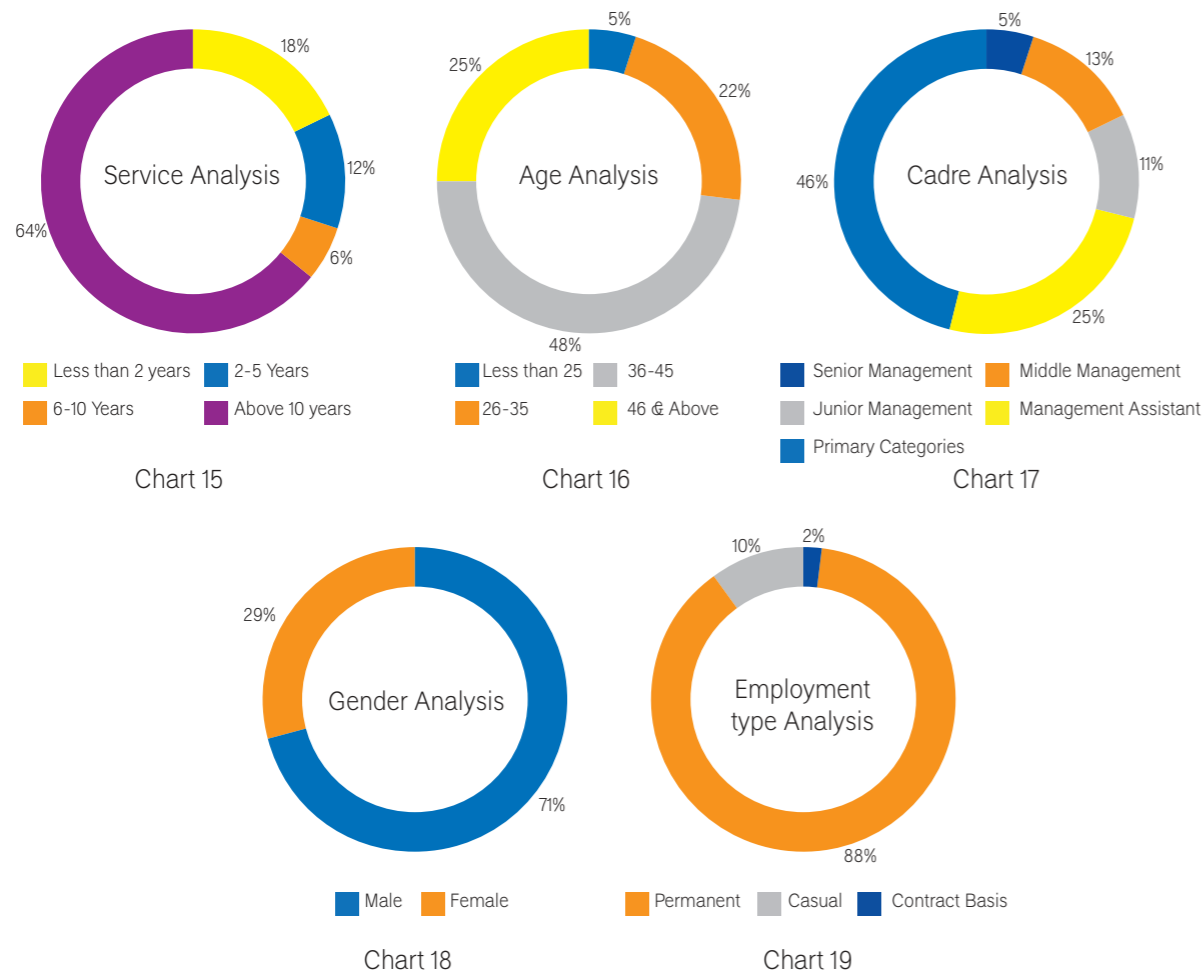


8.6 Our Employees

The effectiveness of SLTDA ultimately depends on the caliber and output of our employees. The total cadre at the end of the year stood at 187. Out of which, 64% have 10+ years of experience at SLTDA and almost 48% are between 36 and 45 years of age, 29% are female, and annual staff turnover is 5%.

In this era of rapid change, the 10+ year experience at SLTDA and the low turnover is a double-edged sword; we must work harder to incorporate new approaches and thinking to absorb industry best practices.

While fostering an enabling work place, we remained steadfast in our efforts to bring out the best in our employees, this year 203 employees were trained over 2530 hours at a cost of Rs.2.3 Million and 30 new recruitments were made in 2017.



The Welfare Society is an essential facet of our HR strategy. The Society is proactive and creative in nurturing our team spirit. The staff and their families participated in various events organized by the Welfare Society, building stronger bonds between our staff.

8.7 Other Operational details

8.7.1 ICT Division

ICT division has completed following projects in year 2017. These projects will enable Sri Lanka Tourism to gain and retain competitive advantage as a tourism destination (taking tourism to the next generation) over other destinations in the region and in the world by leveraging on advancement of technology.

- Introduced Online Tourism Business Licensing System (OTBLS) for License Register and Renewal process.

As further value addition to the industry, SLTDA launched an online business licensing system (OTBLS) that eliminates the need for physical visits to SLTDA for all tourism service providers. In addition, a Tourism Development Levy (TDL) payment system was also introduced to speed up the payment process.

- Migrated SLTDA email platform from Lotus Note to G-Suite.
- Computerized the Tourism Development Levy (TDL) payment mechanism.
- Implemented Online Travel Inquiry Management System for Travel Agencies.

- Installed KIOSK machine at Bandaranayake International Airport.
- Sri Lanka Tourism Development Authority moved their IT infrastructure to Sri Lanka Telecom “Akaza” cloud platform.

ICT division is planning to deploy several information technology projects (Project Management Software, Investment Case Management, Geographical Information System etc) which help organizations in the tourism family to use common technologies and share the resources to reduce costs and enables organizations to have consistency in technology deployment to increase the overall productivity and efficiency.

Further, ICT division has planned to launch Digital Marketing Campaign with Google Inc. to promote Sri Lanka Tourism. These plans will broadly cover technologies related to organizational efficiency, customer experience enhancement and marketing/promotions and delivery of services to Sri Lanka tourism stakeholders etc.

8.7.2 The Internal Audit Department

The department ensures SLTDA complies with best financial and operational practices. The 21 Internal audit reports issued contain suggestions and recommendations for improvements. Actions taken by the relevant officers have resulted in minimizing costs and in streamlining processes through better internal checks. Further, Internal audit also convened three quarterly audit & management committee meetings during this year.

8.7.3 Legal Department

The legal department provides advice for the day to day functions of SLTDA, liaises with the attorney General’s department, the legal draftsman’s department, and files action when required.

In addition, it also conducts board meetings, audit and management committee meetings and functions as the board secretariat.

This year, 12 lease agreements were signed and eight service agreements signed. In addition, gazette No: 1963/28 was issued on the Code of Conduct of Tourist Hotels under Section 49 (1) (a) of the Tourism act No: 38 of 2005.

Code of conduct for eleven specified Tourist services have been a finalized and ready for gazetting during this year. Apart from these, 8 regulations on tourism services have been sent to Legal draftsman to finalize.

The legal department has established an enforcement unit to bring down all tourism related establishment under the legal body and a Law firm has been selected to incorporate a management company to operate and manage SLTDA resorts.

9. Financial Highlights

Financial highlights with changes			
Financial Performance Highlights			
	2017 (Rs.)	2016 (Rs.)	Change %
Embarcation Levy	333,035,950	329,761,779	1
Tourism Development Levy	216,601,229	179,476,385	21
Fees & Licenses	186,924,368	123,421,078	51
Resorts operation	(3,391,757.00)	(3,900,279)	(13)
Other Income	65,437,350	49,178,126	33
Total	798,607,140	677,937,089	
Staff Cost	197,005,633	105,394,162	87
Supplies & Consumables used	83,592,027	60,143,458	39
Trade Related Expenses	89,203,117	86,168,720	4
Depreciation & Amortization Expenses	28,211,979	38,526,864	(27)
Other Expenses	1,543,932	1,426,785	8
Finance Exp.	935,895	2,777,550	66
Total	400,492,583	294,437,539	
Equity	4,441,345,127	4,035,450,056	7
Current Ratio	9	7	
Quick Asset Ratio	9	7	

Table 20: Financial highlights with changes

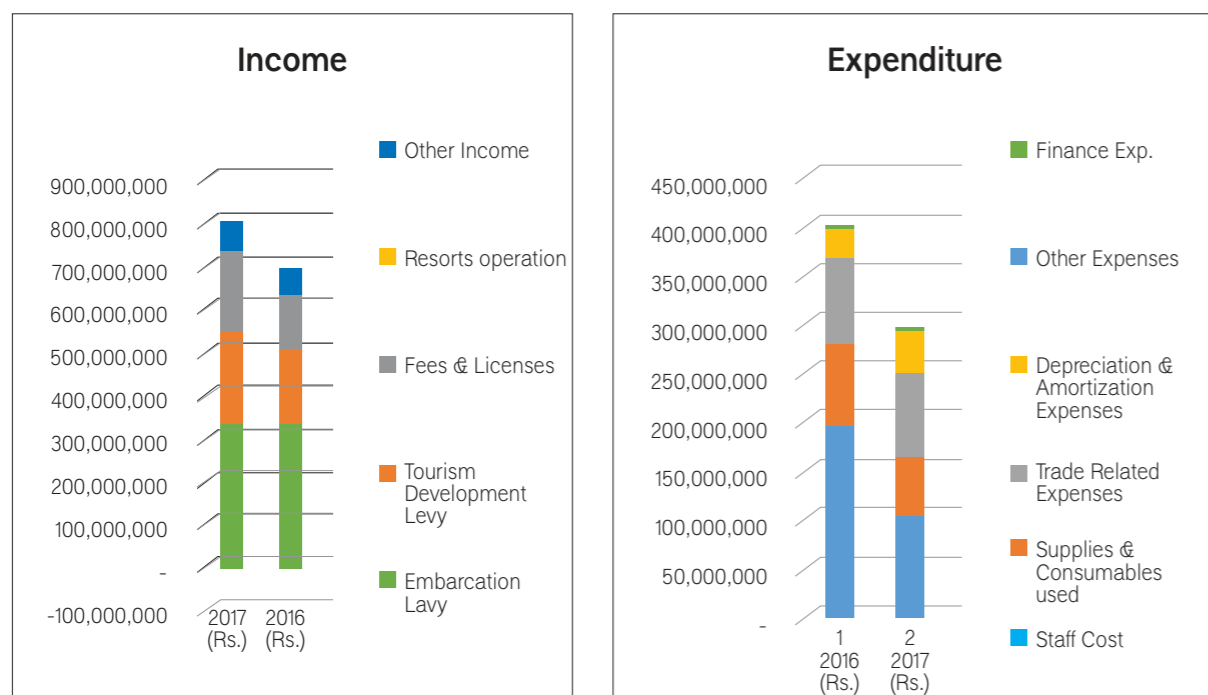


Chart 21: Income and Expenditure

9.1 Performance Highlights

Strategy	Budgeted Amount Rs.Mn	Actual Financial Accomplishment Rs.Mn	Physical Accomplishment %	Financial Accomplishment %
Tourism Product Diversification	15.1	1.08	58.18	7.15
Conductive policies & Regulations	29.52	2.84	45	9.62
Tourism Zone Development	111.66	65.7	38.68	58.83
Domestic tourism	1,310.06	106.54	55.58	8.13
Evangelize Sustainable Tourism	10			
International Exposure for Sri Lanka Tourism	55.7	17.05	82.22	30.61
HR, ICT & Premises Service Delivery	447.78	172.43	54.68	38.5
	1,979.82	365.64		

Table 22: Performance Highlights



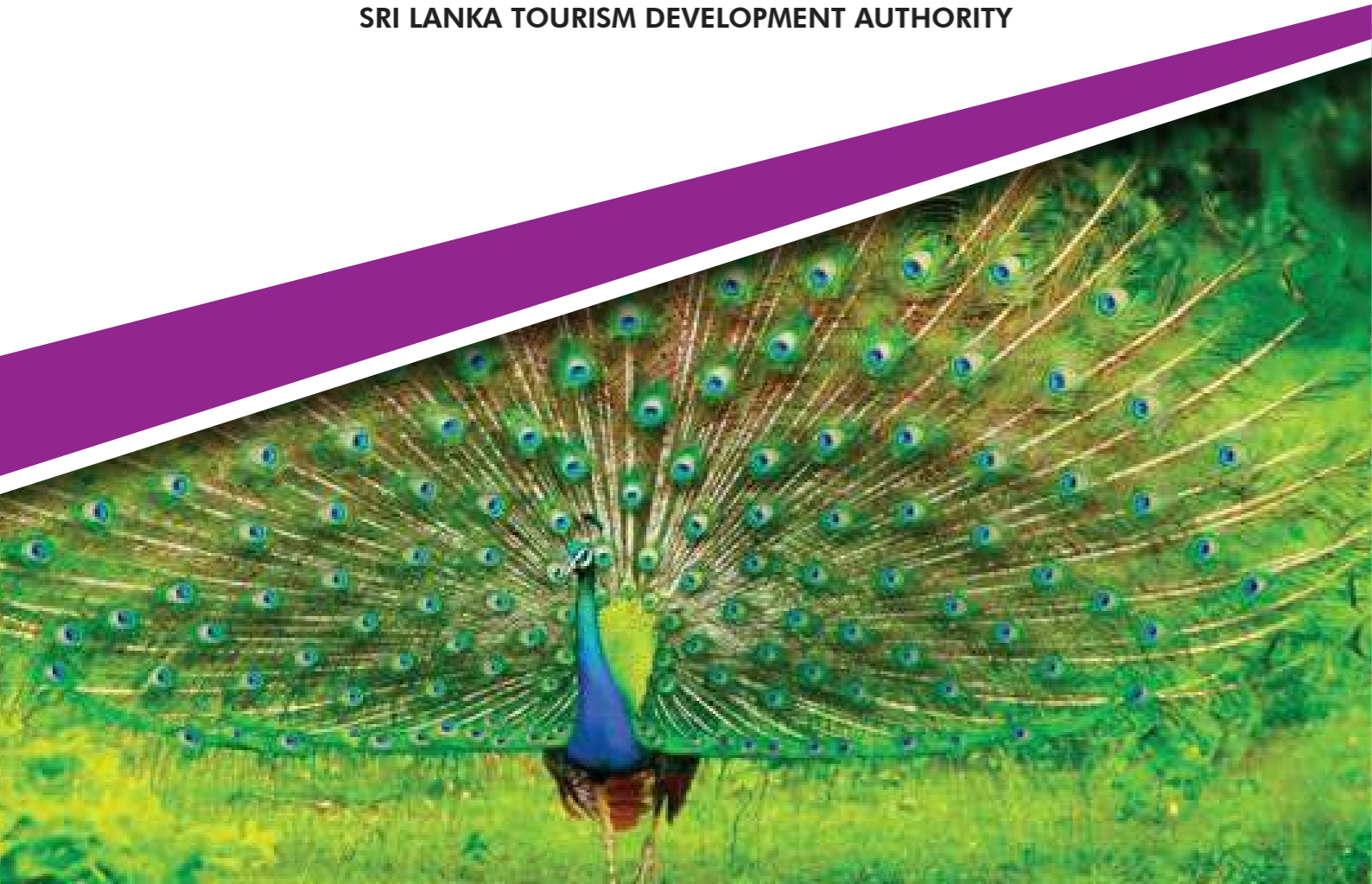
Graphical Presentation of Performance Highlights
Chart : 23

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SRI LANKA TOURISM DEVELOPMENT AUTHORITY



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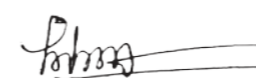
SRI LANKA TOURISM DEVELOPMENT AUTHORITY
Statement of Financial Position
as at 31 December 2017

	Note	2017 Rs	2016 Rs
ASSETS			
Current Assets			
Cash and cash Equivalent	4	1,298,200,564	1,080,158,814
Trade and other Receivables	5	501,084,787	401,157,921
Inventories		2,343,317	2,266,313
Other Current Assets	6	390,775,725	282,991,117
Total Current Assets		2,192,404,392	1,766,574,165
Non-Current Assets			
Property, Plant & Equipment	7.1	2,018,341,813	2,117,576,408
Work -in- Progress	8	340,100,479	315,476,031
Intangible Assets(Development Cost)	7.2	107,445,505	33,016,065
Library Books		1,880,781	1,880,781
Long Term Investments	9	80,113,238	79,272,664
Total Non-Current Assets		2,547,881,816	2,547,221,949
Total Assets		4,740,286,208	4,313,796,114
LIABILITIES			
Current Liabilities			
Trade Creditors and Other Payable	10	190,993,130	134,309,287
V.A.T Payable		4,423,106	213,964
Income Tax Payable		-	6,178,695
Revenue in Advance		4,127,139	27,372,859
Accrued Expense		45,725,364	45,848,699
Lease Creditors	11.1	1,649,303	8,568,530
Total current Liabilities		246,918,042	222,492,034
Non-Current Liabilities			
Provision for Retirement Gratuity	12	52,023,039	54,204,721
Lease Creditors	11.2	-	1,649,303
Total Non-Current Liabilities		52,023,039	55,854,024
Net Assets		4,441,345,127	4,035,450,056

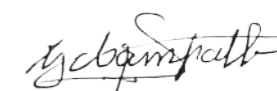
NET ASSETS/EQUITY

Government Account	14,272,174	14,272,174
Capital Reserves	(243,736,884)	(243,736,884)
Kalpitiya Equity	46,736,460	93,480,042
Revaluation Reserve	945,835,504	945,835,504
Capital Contribution	1,636,043,833	1,636,043,833
Revenue Account	2,040,505,019	1,587,866,366
Sinking Fund	759,021	759,021
Tourism Fund	930,000	930,000
Total Net Assets/Equity	4,441,345,127	4,035,450,056


The Accounting Policies on Pages 42 to 47 and notes on pages 48 to 62 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 their behalf.



P.U Rathnayake
 Director General
 Sri Lanka Tourism Development Authority



S.S.K Ganepalaarachchi
 Director/Financial Management
 Sri Lanka Tourism Development Authority



K.Ratnayaka
 Chairman
 Sri Lanka Tourism Development Authority

SRI LANKA TOURISM DEVELOPMENT AUTHORITY
Statement of Financial Performance For the period ended
31 December, 2017

	Note	2017 Rs	2016 Rs
Revenue			
Embarkation Levy	13	333,035,950	329,761,779
Tourism Development Levy	14	216,601,229	179,476,385
Fees and Licenses	15	186,924,368	123,421,078
Surplus/(Deficit) from Resort Operation	16	(3,391,757)	(3,900,279)
Other Income	17	65,437,350	49,178,126
Total Revenue		798,607,140	677,937,088
Expenses			
Wages, Salaries & Employee Benefits	18	197,005,633	105,394,162
Supplies and Consumables Used	19	83,592,027	60,143,458
Trade Related Expenditure	20	89,203,117	86,168,720
Depreciation and Amortization Expense		28,211,979	38,526,864
Other Expenses	21	1,543,932	1,426,785
Finance Expenses	22	935,895	2,777,550
Total Expenses		400,492,583	294,437,539
Surplus for the Period before Tax		398,114,557	383,499,550
Tax Expense		12,575,899	9,601,641
Net Surplus for the Period after Tax		385,538,658	373,897,908

Sri Lanka Tourism Development Authority
Cash Flow Statement for the Year Ended
31 December 2017

	2017 (Rs)	2016 (Rs)
Cash Flows from Operating Activities		
Net Surplus for the Period before taxation	398,114,557	373,897,908
Adjustments for		
Depreciation	28,211,979	74,356,763
Exchange Loss	2,226	
Interest Suspend Account - Expenditure	771,724	1,669,456
Increase/(Decrease) in Provision for Doubtful debts	49,308	1,279,718
Correction of a prior period error - TDL	(5,176,908)	1,435,607
Reversal of Accrued Expenditure 2016	(10,550,022)	
Staff Loan & Deposit Interest	(584,499)	(571,126)
(Gain)/ Loss on Disposal of Assets	(4,301,578)	(4,805,362)
Bank Interest Received	(44,423,748)	(33,540,449)
Dividend Received	(400,000)	
Provision for Gratuity	4,019,114	(32,382,404)
Operating Surplus/(Deficit) before working capital changes	365,732,153	418,434,648
Changes in Working Capital		
(Increase)/Decrease in Inventories	(77,004)	121,168
(Increase)/Decrease in Trade & Other Receivables	(99,926,866)	(87,235,288)
(Increase)/Decrease in Other Current Assets	(107,784,608)	(97,822,119)
Increase/(Decrease) in Trade & Other Payables	56,683,843	(35,270,717)
Increase/(Decrease) in V.A.T. Payable	4,209,142	(2,077,465)
Increase/(Decrease) in Revenue in Advance	(23,245,720)	(1,753,081)
Increase/ (Decrease) in Accrued Expenditure	(432,349)	(16,168,518)
Cash flow from operating activities	195,158,592	178,228,628
Gratuity Paid	(6,200,796)	(2,795,731)
Tax paid	(18,754,594)	(13,522,914)
Net cash Flow from Operating Activities	170,203,202	161,909,983
Cash Flows from Investing Activities		
Staff loan & Deposit Interest	584,499	571,126
Purchase of Property, Plant and Equipment	(33,363,038)	(131,365,621)
Sale of Property, Plant and Equipment	68,100,624	4,805,362
Dividend Received	400,000	
Increase in Long Term Investment	(840,573)	(863,955)
Work-in-Progress	(24,624,448)	
Bank Interest Re-Investment	44,423,748	33,540,449
Net Cash flow from Investing Activities	54,680,812	(93,312,638)
Cash Flows from Financing Activities		
Decrease in Kalpitiya Equity	2,497,991	2,406,663
Leasing Installments Paid	(9,340,254)	(8,136,915)
Net Cash Flow from Financing Activities	(6,842,263)	(5,730,252)
Net increase in Cash and Cash Equivalents	218,041,751	62,867,092
Cash and Cash Equivalents at beginning of period	1,080,158,814	1,017,291,721
Cash and Cash Equivalents at end of period	1,298,200,564	1,080,158,814

Sri Lanka Tourism Development Authority
Statement of Changes in equity for the year ended 31 December 2017

	Government Account	Capital Reserves	Kalpitiya Equity	Revaluation Reserve	Capital Contribution	Revenue Account	Sinking Fund	Tourism Fund	Total
Balance as of 01 January 2017	14,272,174	(243,736,884)	93,480,042	945,835,504	1,636,043,833	1,587,865,166	759,021	930,000	4,035,448,856
Prior Year Adjustment						(47,494,319)			(47,494,319)
Transfer of Tourism Development Expenditure									
Transfer of Accumulated Depreciation									
Incur in Development Cost									
Adjusted Balance as of 01 January 2017	14,272,174	(243,736,884)	93,480,042	945,835,504	1,636,043,833	1,654,966,361	759,021	930,000	4,102,550,051
Adjustment to year 2017									
Change in Equity Contribution			28,595,894						
Change in Net Equity			(75,339,475)						
Profit for the year 2017						385,538,658			358,538,658
Balance as of 31 December 2017	14,272,174	(243,736,884)	46,736,461	945,835,504	1,636,043,833	2,040,505,019	759,021	930,000	4,441,345,128

Sri Lanka Tourism Development Authority
Statement of Changes in equity for the year ended 31 December 2016

	Government Account	Capital Reserves	Kalpitiya Equity	Revaluation Reserve	Capital Contribution	Revenue Account	Sinking Fund	Tourism Fund	Total
Balance as of 01 January 2015	14,272,174	(243,736,884)	88,797,591	945,835,504	1,636,043,833	924,204,395	759,021	930,000	3,367,105,635
Earlier Prior Year Adjustment-Income Tax						(17,738,127)			(17,738,127)
Earlier Prior Year Adjustment-E.S.C. set Off against Income Tax						1,738,958			1,738,958
Depreciation Written back						(252,171)			(252,171)
Receivable from Welfare Association						1,435,607			1,435,607
Adjusted Balance as at 01 January 2015 (Note No 3.15 (a))	14,272,174	(243,736,884)	88,797,591	945,835,504	1,636,043,833	909,388,662	759,021	930,000	3,352,289,902
Profit for Year						308,312,524			308,312,524
Depreciation Written back						(30,288.79)			(30,289)
Prior Year Adjustment- Income Tax						(4,187,693.94)			(4,187,694)
Prior Year Adjustment-E.S.C. set off against Income Tax						485,254.03			485,254
Interest Income			2,257,787						2,275,787
Adjusted Balance as of 01 January 2016 (Note No 3.15 (b))	14,272,174	(243,736,884)	91,073,378	945,835,504	1,636,043,833	1,213,968,458	759,021	930,000	3,659,145,484
Profit for the Year						373,897,908			373,897,908
Interest Income			2,406,663						2,406,663
Balance as at 31 December 2016	14,272,174	(243,736,884)	93,480,041	945,835,504	1,636,043,833	1,587,866,366	759,021	930,000	4,035,450,056

Notes to the Financial Statements

1. General Information

Name

Sri Lanka Tourism Development Authority (SLTDA)

The Sri Lanka Tourism Development Authority (SLTDA) is a leading economic development agency in tourism, one of Sri Lanka's key service sectors. SLTDA is known for partnership, innovation and excellence, the Authority champion's tourism and builds it into a key economic driver for Sri Lanka.

Legal Form

A Statutory organization incorporated under Tourism Act No. 38 of 2005

Head Office Address

No 80, Galle Road, Colombo 03

Location of National Holiday Resorts - Domestic Tourism

Anuradhapura, Bandarawela ,Bentota , Kataragama & Nuwara Eliya

Location of National Holiday Resorts - Service and Rent Income Generating

Passikudah , Kuchchaveli,Kalpitiya , Bentota,Giritala,Polonnaruwa & Yala

2. Basis of Preparation of Financial Statements

The Financial Statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards. No adjustments have been made for inflationary factors affecting the Financial Statements.

2.01 Presentation and Functional Currency

These Financial Statements are presented in Sri Lankan Rupees (Rs.) and all financial information presented in Sri Lankan Rupees has been rounded to nearest rupee.

2.02 Going concern

Financial statements are prepared based on the going concern assumption.

3. Valuation of assets and their basis of measurement

3.01 Inventories/Stocks:

Stocks have been generally measured at cost or net realizable value whichever is lower.

3.02 Depreciation

(a) Depreciation has been provided on cost or valuation of the assets on straight line method as follows.

Land	-	No Depreciation
Building	5%	(20 Years)
Roads & connected work	12.5%	(08 Years)
Water Services & Drainage	12.5%	(08 Years)

Electrical Installations	-	12.5%	(08 Years)
Telecommunication Installations	-	12.5%	(08 Years)
Fixtures & Fittings	-	10%	(10 Years)
Furniture	-	10%	(10 Years)
Miscellaneous Equipment	-	10%	(10 Years)
Plant & Machinery	-	20%	(05 Years)
Motor Vehicles	-	20%	(05 Years)
Data Processing Equipment	-	20%	(05 Years)
Glassware & Crockery	-	33 1/3%	(03 Years)
Cutlery & Silverware	-	25%	(04 Years)
Linen	-	50%	(02 Years)
Application Software	-	50%	(02 Years)
Development Cost	-	10%	(10 Years)

Depreciation begins when it is available for use.

(b) Application Software
Application software comprises License Registration Process System and MS office software at acquisition cost.

(c) Valuation of Lands
The process of valuing all the lands belongs to the SLTDA with the government valuation department is underway. When the valuation of entire assets class of lands is completed the new value will be recognized in the books of accounts. In addition identification of all the lands of SLTDA with their supporting documents is to be done.

3.03 Assets on leases

(a) Lands let on Operating Lease
All the government owned lands and rest houses vested to SLTDA are leased out on operating lease by entering to a formal lease agreement after following the due government procedures. Operating lease rate is 4% of the land value based on the valuation done by the government valuation department subject to applying the presidential circular dated 12 July 1995 (SEI/A/4/34) is the minimum basis of deciding the monthly lease rent. Lease income from operating leases has been recognized in revenue statement on straight-line basis.

(b) Assets acquired on Finance Lease
During the financial year 2014, the authority acquired (05) five motor vehicles through Finance Lease facility provided by the Bank of Ceylon. The lease period is four years (48 Months). The initial cost of leased asset has been recognized based on the fair value. Net Carrying Amount of the Leased Motor Vehicle as at December 31, 2017 is depicted below.

Vehicle	Cost	Acc. Depreciation	Net Carrying Amount as at 31/12/2017
Mitsubishi Double Cab	6,962,441	5,569,953	1,392,488
Toyota Hiace Van - 03 Nos	21,155,643	16,924,520	4,231,123
Toyota Corolla Car	6,961,311	5,569,049	1,392,262

The total minimum lease payments relevant to the leased assets as at 31st December 2017, is as follow.

Vehicle	Future Minimum Lease Payments
Mitsubishi Double Cab	12,173
Toyota Hiace Van - 03 Nos	1,305,206
Toyota Corolla Car	426,538
Total	1,743,917

3.04 Provision for Doubtful Debts

Provision for doubtful debts was estimated on Trade and other receivable balances after deducting the rent deposits of particular customers and considering the pattern of receipts on the following basis.

More than one year but less than two years	-	No provision
More than two years but less than three years	-	05%
More than three years but less than four years	-	25%
Four years & above	-	50%

3.05 Contingent Liabilities

There are no contingent liabilities available to disclose as per the SLPSAS 8

3.06 Taxation

The SLTDA was exempted from income tax under section 8(a)(xx) of the Inland Revenue Act No. 28 of 1979. However, as per the Inland Revenue amendment Act No. 10th of 2002 returns should be furnished to the Inland Revenue Department and as per the directions given by the Inland Revenue Department SLTDA pay income tax on the interest and dividend income.

3.07 Foreign Currency Transactions

These transactions are converted on the following rates.

Receipts & payments	-	Actual
Remittance	-	Actual

3.08 Capitalization of Assets

Development Cost

The past practice of recording of expense connected to any aspect of Tourism Industry Development was recognizing as the Non-Current Assets under the heading of "Development Cost" in the books of accounts, and amortized over the period of ten year.

This reporting practice was changed in the year 2017 and those type expenses were recognized in following two categories, in the book of accounts.

01. Tourism Zone Development Expenses Account
02. Tourism Zone Development Advance Account

Accordingly, the below mentioned amounts, were transferred during the financial year 2017, to the above mentioned two accounts.

- Rs 6,000,000 to Tourism Zone Development Expenses Account.
- Rs 250,963,539 to Tourism Zone Development Advance Account.

3.09 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an Authority pays fixed contribution in to a separate entity. Obligation for contribution to defined contribution plans are recognized as an employee benefit expenses in the statements of financial performance in the period during which services are rendered by employees.

(a) Employees' Provident Fund (E.P.F.)

The SLTDA and employees contribute 15% and 10% respectively on the salary of each employee to the approved provident fund.

- (c) Employees' Trust Fund (E.T.F.)
The SLTDA contributes 3% of the salary of each employee to the Employees' Trust Fund.

3.10 Advance

Project	Initial Advance		Current Balance
Acquisition of the land- Dedduwa Project (01)	30,000,000	-	10,391*
Acquisition of the land- Dedduwa Project (02)	104,040,000	-	20,006,004*
Acquisition of the land- Kalpitiya Dutch Bay (03)	41,000,000	22,812,881	63,812,881

The advance of Rs.30,000,000 was released to the Divisional Secretary Bentota in order to acquire lands from the private parties. The processing of land acquisition has been carried out by the Divisional Secretary in consultation with the Ministry of Land and the Survey Department.

The other advance, amounting to Rs.41,000,000 was released to the Divisional Secretary Kalpitiya for acquisition of land from the private parties. Divisional Secretary Kalpitiya has taken necessary steps to acquire lands from private parties after obtaining assistance from the Ministry of Land and Survey Department.

During the year 2016 an amount of Rs. 104,040,000 has been released to Divisional Secretary Bentota to pay the balance compensation for land acquired for Dedduwa Tourism Development Project.

Note *

The letter from the Divisional Secretary- Bentota confirms that he has proceeded with the acquisition process where ownership was clear, and that there remain certain lands where this process not yet complete. He confirms that he will vest those lands with SLTDA once this total process is completed. Furthermore, he confirms the current balances with the following breakdown.

- (a) Dedduwa Project

	Advance 01 (Rs)	Advance 02 (Rs)
Released Amount	30,000,000	104,035,233
Utilized amount up to February 2017	(29,896,698)	(48,784,684)

Transferred amount to the General Fund in Feb 2017	10,391	55,250,549
Expenses after transferring To the General Fund	-	(35,244,545)
Balance as of 31 December 2017 in the General Fund of Divisional Secretary, Bentota	10,391	20,006,004

3.11 Investments

SLTDA has invested Rs.4.0 million (Rs.10/- shares x 400,000) at Taj Exotica Ltd in 1991 and the company's shares are not listed. The net book value per share was Rs.13.82 as per 2017 financial statements of the company.

In addition SLTDA has invested Rs.750,000/- with the Sri Lanka Hotel Tourism Training (Pvt) Ltd which is presently not in operation and the said training institution is to be liquidated according to the available information.

3.12 Related party transactions

No related party transaction available to disclose

3.13 Work in Progress

Projects under construction are representing the value of work in progress amounting to Rs.340,100,479 (please refer note 8).

3.14 Comparative information

Comparative financial information with the last year financial statements has been provided. The previous year's figures and phrases are re-arranged wherever necessary to conform to the current year's presentation.

3.15 Changes in Equity

- (a) Adjustment for Prior Periods

As presented in the Statement of changes in equity, the opening retained earnings was adjusted by Rs. 67,101,195 which represented the amount of changes in prior year expenditure as a result of recognizing the Tourism

The comparative amounts in the statement of financial performance relevant for earliest prior period were not restated.

3.17 Kalpitiya Project

Funds received for the project from all the sources and expenditure for the project activities and project office administration have been listed in the following statement. All the expenses have been categorized under the project work in progress account in the SLTDA Ledger and funds received has been categorized under the project equity and income received by selling bidding document of Rs.1,743,000 @ 1% of contract price of Rs.1,500,000 have also been identified directly in the equity account. Further expenditure has been identified on accrual basis.

Receipts

Description	Amount/Rs
Sri Lanka Tourism Development Authority	45,680,603
Sri Lanka Tourism Promotion Bureau	47,500,000
Sri Lanka Institute of Tourism & Hotel Management	1,800,000
Sri Lanka Convention Bureau	600,000
Qube Lanka Leisure Properties (Pvt) Ltd - 1% out of the bid price	1,000,000
Sun Resort Investment (Pvt) Ltd - 1% out of bid price	500,000
Bidding Fee at Rs.2,000	18,000
Bidding Fee at Rs.25,000	1,725,000
Total	98,823,603

Expenditure

Description	Amount/Rs
Payments Programme/Project expenses	66,306,642
Administrative expenses	32,672,763
Capital expenditure	1,807,049,
Total	100,786,454

3.18 Events after the Reporting Date:

The materiality of events occurring after the reporting date has been considered and appropriate adjustments were made in the accounts, where necessary.

Sri Lanka Tourism Development Authority Notes to the Financial Statements For the period ended 31 December, 2017

04 Cash in Hand and at Bank

	2017 (Rs.)	2016 (Rs.)
Cash in Hand - Petty Cash	929,564	35,673
Cash at Bank - HO & Resorts	1,743,900	(2,547,516)
Cash at Bank - Fund Management Account *	1,295,495,405	1,082,638,960
Cash in Hand - Petty Cash (Kalpitiya Project)	15,000	15,000
Cash at Bank - (Kalpitiya Project)	16,695	16,695
Total of cash in hand & bank balance	1,298,200,564	1,080,158,814

* Funds in the bank account has been invested on daily basis with in a fund management account with Bank of Ceylon, please refer note no 17 for the interest earned.

05 Trade & Other Receivable

	2017 (Rs.)	2016 (Rs.)
Trade & Other Receivable - 5.01	376,332,015	323,061,347
Sewage Plant Receivable	124,752,772	-
Transfer Receivable	-	78,096,574
Total	501,084,787	401,157,921

05.01 Trade & Other Receivable

	2017 (Rs.)	2016 (Rs.)
Trade Receivable	62,694,204	45,330,449
Other Receivable	300,290,643	263,642,538
Employees - Loans & Advances	18,242,455	18,934,339
Sub Total	381,227,302	327,907,326
Less : Provision for bad & doubtful debts	(4,895,287)	(4,845,979)
Total	376,332,015	323,061,347

Detail Note

The following amounts were included to the Trade & Other Receivable

	2017 (Rs.)	2016 (Rs.)
Trade Debtors	62,694,204	45,330,449
Sundry Debtors	4,688,558	8,348,355
Sri Lanka Tourism Promotion Bureau	68,817,469	24,448,523
Sri Lanka Institute of Tourism & Hotel Mgt	8,196,422	5,849,528
Kalpitiya Project	83,682	83,682
TDF Current Account	184,822,683	203,265,671
Water Service - Passikudah	23,227,328	11,247,165
Debtor - NPCL	9,627,113	9,627,113
Current A/c - Head office	42,631	42,631
Returned Cheques	650,194	596,221

Credit Sales	117,412	117,412
Auction Receivable	15,552	16,238
Sub Total	362,983,247	263,642,538
Festival Advance	41,250	100,000
Special Loan	1,594,395	1,864,295
Distress Loan	16,604,810	16,968,044
Miscellaneous Advance	2,000	2,000
Sub Total	18,242,455	18,934,339
Less: Provision for bad debts	(4,895,287)	(4,845,979)
Total	376,330,415	323,061,347

Provision for Doubtful Debts

	2017 (Rs.)	2016 (Rs.)
Balance at the Beginning	4,845,979	3,566,262
(Over)/ Under Provision for the year	49,308	1,279,718
Balance at the End	4,895,287	4,845,979

06. Other Current Assets

	2017 (Rs.)	2016 (Rs.)
Pre Payments	2,409,248	3,385,150
Advances - 6.01	379,050,563	269,905,805
W.H.T / VAT Receivable	232,182	594,240
Deposit Receivable	9,083,732	9,105,922
Total	390,775,725	282,991,117

06.01. Advances

	2017 (Rs.)	2016 (Rs.)
Advances - Expenses	26,562,993	35,431,005
Advances - Tourism Zone Development - Acquisition of Land (Dedduwa)	69,124,675	69,124,675
Advances - Tourism Zone Development - Acquisition of Land (Kalpitiya)	63,812,882	61,314,891
Advances - Acquisition of Land (Dedduwa - F/Y 2016)	104,035,234	104,035,234
Tourism Zone Development Advances - Other	115,514,778	
Total	379,050,563	269,905,805

Property, Plant & Equipment Note No 07.1

Note	Code	Description	Balance as at 01.01.2017	Additions 2017	Transfers / Adjustments	Balance as at 31.12.2017	Acc. Depreciation as at 01.01.2017	Depreciation 2017	Transfers / Adjustments	Acc. Depreciation as at 31.12.2017	Net Book Value as at 31.12.2017
	101	Land	1,649,261,269	1,739,784	65,104,138	1,585,896,914	-	-	-	-	1,585,896,914
	102	Buildings	455,472,318	1,829,798	--	457,302,117	150,430,141	21,332,631	-	171,762,772	285,539,345
	102A	Road & Works	39,022,804	21,900	-	39,044,704	25,291,495	2,811,452	-	28,102,948	10,941,756
	102B	Water Ser & Drainage	145,337,887	14,980	-	145,352,867	89,937,862	15,581,834	-	-	-
		-	105,519,696	39,833,171	-	-	-	-	-	-	-
	102C	Electrical Installation	21,895,787	-	-	21,895,787	8,597,796	231,990	-	8,829,786	13,066,000
	102D	Telecom Installation	17,034,487	70,678	-	17,105,166	8,395,191	1,728,408	-	10,123,599	6,981,566
	103	Fixtures & Fittings	11,757,185	834,839	-	12,592,024	7,097,351	1,259,202	-	8,356,554	4,235,471
	104	Furniture	28,671,324	2,181,169	22,699	30,829,795	14,053,931	2,496,221	13,620	16,536,532	14,293,262
	105	Miscellaneous Equipment	38,842,135	8,966,629	402,920	47,405,845	16,420,358	3,705,372	79,149	20,046,581	27,359,264
	106	Plant & Machinery	10,344,034	-	-	10,344,034	9,017,250	514,637	-	9,531,887	812,147
	110	Motor Vehicles	55,775,636	670,000	2,478,814	53,967,823	39,712,340	5,372,553	2,478,814	42,606,080	11,361,743
	111	Date Processing Equipment	57,903,574	6,434,912	15,600,477	48,738,009	50,936,811	623,870	15,392,325	36,168,357	12,569,652
	107	Glassware & Crockery	1,496,083	76,575	9,698	1,562,960	983,521	70,714	9,698	1,044,537	518,423
	108	Cutlery & Silverware	1,324,049	5,600	6,125	1,323,524	881,223	145,708	6,125	1,020,805	302,719
	109	Linen	15,673,598	4,598,006	1,500	20,270,104	10,856,762	4,875,015	1,500	15,730,277	4,539,827
	112	Application Software	1,517,229	181,105	-	1,698,334	1,141,957	465,824	-	1,607,781	90,553
		Sub Total	2,551,330,400	27,625,976	83,626,370	2,495,330,005	433,753,991	61,215,432	17,981,231	476,988,192	2,018,341,813

Note No 07.2

7.02	211L	Development Cost	184,592,443	116,186,572	173,469,632	127,309,384	151,576,378	6,409,015	114,595,514	43,389,879	83,919,505
		Development Cost - Kalpitiya Project									23,526,000
		Development Cost	184,592,443	116,186,572	173,469,632	127,309,384	151,576,378	6,409,015	114,595,514	43,389,879	107,445,505

Property, Plant & Equipment

Note No 07.1

Note	Code	Description	Balance as at 01.01.2016	Additions 2016	Transfers / Adjustments	Balance as at 31.12.2016	Acc. Depreciation as at 01.01.2016	Depreciation 2016	Transfers / Adjustments	Acc. Depreciation as at 31.12.2016	Net Book Value as at 31.12.2016
3.02	101	Land	1,647,762,676	1,498,593	-	1,649,261,269	-	-	-	-	1,649,261,269
3.02	102	Buildings	453,608,961	1,863,357	-	455,472,318	129,186,489	21,243,652	-	150,430,141	305,042,177
3.02	102A	Road & Works	39,022,804	-	-	39,022,804	22,482,781	2,808,715	-	25,291,495	13,731,308
3.02	102B	Water Ser & Drainage	140,810,523	4,527,364	-	147,337,887	74,293,878	15,643,984	-	89,937,862	55,400,025
3.02	102C	Electrical Installation	21,895,787	-	-	21,895,787	8,350,216	247,580	-	8,597,796	13,297,990
3.02	102D	Telecom Installation	17,023,301	11,186	-	17,034,487	6,658,331	1,736,860	-	8,395,191	8,639,297
3.02	103	Fixtures & Fittings	11,517,400	239,237	-	11,757,185	6,479,826	617,525	-	7,097,351	4,659,834
3.02	104	Furniture	26,363,987	2,312,237	(4,900)	28,671,324	11,449,907	2,608,924	(4,900)	14,053,931	14,617,393
3.02	105	Miscellaneous Equipment	30,069,614	8,779,771	(7,250)	38,842,135	12,958,163	3,469,446	(7,250)	16,420,358	22,421,776
3.02	106	Plant & Machinery	10,344,034	-	-	10,344,034	8,502,613	514,637	-	9,017,250	1,326,784
3.02	110	Motor Vehicles	59,503,268	2,538,270	(6,264,901)	55,776,636	38,533,189	7,444,052	(6,264,901)	39,712,340	16,064,296
3.02	111	Date Processing Equipment	52,556,314	6,464,613	(1,117,353)	57,903,574	48,026,799	3,356,278	(446,266)	50,936,811	6,966,763
3.02	107	Glassware & Crockery	1,363,867	147,586	(15,370)	1,496,083	938,625	60,266	(15,370)	983,521	512,562
3.02	108	Cutlery & Silverware	1,229,735	94,314	-	1,324,049	680,346	200,876	-	881,223	442,826
3.02	109	Linen	10,520,074	5,208,235	(54,710)	15,673,598	7,364,086	3,547,386	(54,710)	10,856,762	4,816,836
3.02	112	Application Software	-	400,126	1,117,103	1,517,229	-	375,271	766,686	1,141,957	375,271
		Sub Total	2,523,592,343	34,085,438	(6,347,381)	2,551,330,400	375,905,249	63,875,454	(6,026,711)	433,753,991	2,117,576,408
3.02	211L	Development Cost	176,222,765	8,369,677	-	184,592,443	141,133,280	10,481,309	(38,210)	151,576,378	33,016,065
		Total	2,699,815,109	42,455,115	(6,347,381)	2,735,922,843	517,038,528	74,356,763	(6,064,921)	585,330,369	2,150,592,473

08 Work in Progress

	2017 (Rs.)	2016 (Rs.)
NHR - B'wela (Consultancy fee)		62,955
Passikudah Development Projects		
Passikudah - Infrastructure Development Project	3,265,276	6,547,556
Passikudah - Earth Filling	31,544,824	31,544,824
Laying Water Line at NHR Passikudah	47,432,500	47,432,500
Passikudah - Construction of Ground Reservoir, Pump House, Security Hut & Site Works	16,262,999	16,262,999
Passikudah - Design & construction of proposed 210 Nos of Street Light Posts	54,471,510	37,760,220
Passikudah - Construction of Main Access Road	66,145,300	54,133,756
Passikudah - Design & construction of 04 no of Life Guard Units	10,857,604	2,737,748
Anuradhapura	26,712,370	200,000
Sulanka Bentota	3,860,147	250,000
Bentota - Resort Building	125,494	
Tourist Police Information Centre	-	2,553,668
Bentota -Laying Asphalt Concrete	-	2,376,805
Construction of Generator Room - Kataragama	304,762	304,762
Calido Beach Development Project	1,247,206	1,247,206
Fixing of Table Top Touch Screen	-	784,642
Refurbishment of Head Office Building	23,383,398	361,000
Domestic Tourism Projects		
Sadatenna Agro Farm	11,672,963	8,543,316
Construction of comfort centre at Akurugoda - Tissamaharama	8,766,500	3,506,600
Kalpitiya Development Project	26,097,903	98,865,474
Rawana Ella Development Project	47,893	
Dunhinda Ella - Development Project	1,497,627	
Model Beach at Thalei Mannar	2,632,395	
Madurankuliya- Comfort Center Development Project	3,771,807	
Total	340,100,479	315,476,031

09 Long Term Investments

	2017 (Rs.)	2016 (Rs.)
Depreciation Investment - Tourist Bureau	976,509	976,509
Depreciation Investment - Tourist Board	52,154,738	52,154,738
Sinking Fund Investment	759,021	759,021
Sri Lanka Hotel Tourism (Pvt) Ltd	750,000	750,000
Exotica Resorts Ltd- Ord. Shares of Rs. 10/= (each)	4,000,000	4,000,000
Investment for gratuity	21,472,970	20,632,396
Total	80,113,238	79,272,664

10 Creditors

	2017 (Rs.)	2016 (Rs.)
Sundry Creditors	184,240	193,181
Sri Lanka Tourism Promotion Bureau	47,906	62,906
Sri Lanka Institute of Tourism & Hotel Mgt	6,512,810	6,512,810
Sri Lanka Convention Bureau	103,045	103,046
Gratuity payable	67,102	67,102
TDF C/A (Payable)	-	62,844
Kalpitiya Project Payables	-	106,191
Land Lease Rent Payable	6,199,603	-
Sewage Plant Payable	141,938,902	-
Transfer Payable		86,305,593
Deposit / Other Payable	35,939,522	40,895,614
Total	190,993,130	134,309,287

11.01 Lease Creditors - Short Term

	2017 (Rs.)	2016 (Rs.)
Vehicle Leasing Installments	1,743,917	9,434,868
Interest Suspend Amounts to be Charged	(94,614)	(866,338)
Total	1,649,303	8,568,530

11.02 Lease Creditors - Long Term

	2017 (Rs.)	2016 (Rs.)
Vehicle Leasing Installments	-	11,084,171
Interest Suspend Amounts to be Charged	-	(866,338)
	-	(8,568,530)
Total	-	1,649,303

12. Provision for Retirement Gratuity -

	2017 (Rs.)	2016 (Rs.)
Gratuity payable brought forward	54,204,721	52,288,318
Less : Gratuity paid during the year 2017	6,266,210	2,795,731
Sub Total	47,938,512	49,492,587
Add : Provision for gratuity - 2017	4,084,528	4,712,134
Total Gratuity payable as on 31/12/2017	52,023,039	54,204,721

Gratuity was provided in the account before completion of minimum period of service (minimum 5 years)

13. Embarkation Levy

	2017 (Rs.)	2016 (Rs.)
Embarkation Levy for the year	333,035,950	329,761,779
Total	333,035,950	329,761,779

14. Tourism Development Levy

	2017 (Rs.)	2016 (Rs.)
Tourism Development Levy for the year	211,424,320	179,476,385
Add- Prior Year Income/Less - Over Provision	5,176,909	-
Total	216,601,229	179,476,385

15. Fees and Licenses

	2017 (Rs.)	2016 (Rs.)
Land lease rent income - Head Office	56,596,596	41,445,274
License Fee/Administration Fee / Visa Fee	112,524,030	68,064,450
Unit for National Tourism Investment	10,263,793	7,469,273
TDF Administration Fee	7,539,949	6,442,081
Total	186,924,368	123,421,078

16. Surplus / (Deficit) - National Holiday Resorts' Operations

	2017 (Rs.)	2016 (Rs.)
Kataragama	(3,892,994)	(2,671,177)
Nuwara Eliya	(2,862,849)	(2,554,366)
Bandarawela	(850,433)	(2,188,086)
Anuradhapura	(5,421,470)	(3,126,060)
Bentota	21,409,314	21,944,985
Polonnaruwa / Giritale	3,547,544	3,003,045
Kalkudah	(15,320,870)	(18,308,620)
Surplus / (Deficit) - National Holiday Resorts Operation	(3,391,757)	(3,900,279)

17. Other Income

	2017 (Rs.)	2016 (Rs.)
Interest Income - Staff Loans	584,499	571,126
Bank Interest	862,127	886,108
Bank Interest - Fund Management Account	43,561,621	32,654,342
Gain on Disposal of Assets	4,301,578	4,805,362
Other income	5,177,503	1,745,742
Accrued Expenditure written back	10,550,023	8,325,722
Dividend Income	400,000	180,000
Exchange Gain	-	9,724
Surplus / (Deficit) - National Holiday Resorts Operation	65,437,350	49,178,126

18. Wages, Salaries & Employee Benefits

	2017 (Rs.)	2016 (Rs.)
Salaries & Allowances	73,832,271	67,552,713
Holiday & Other Allowances	329,190	475,093
Overtime	2,587,316	2,860,631
Board's contribution to EPF	76,916,805	7,095,037
Board's contribution to ETF	9,965,843	1,412,914
Staff Welfare	25,023,097	17,703,699

Uniforms to Staff	385,095	301,014
Travelling local	781,967	515,314
Gratuity	4,019,114	4,844,049
Attendance Incentive	3,164,935	2,633,699
Total	197,005,633	105,394,162

19. Supplies and Consumables Used

	2017 (Rs.)	2016 (Rs.)
Entertainment local	855,493	1,678,740
Misc. supplies	1,601,193	1,736,103
Cleaning Supplies	12,876	
Security Charges	4,812,703	3,858,070
Janitorial Charges	7,519,153	4,449,547
Stationery	4,794,242	3,844,893
Telephones	13,048,014	7,391,727
Postage & Stamp Duty	2,999,136	3,211,009
Electricity	8,300,651	9,380,687
Rates & Licenses	1,042,545	1,054,820
Insurance - Fixed Assets	1,494,090	1,489,468
Maintenance - Buildings	5,559,919	1,097,622
Maintenance - Equipment	3,664,603	4,416,584
Advertising General	4,624,067	3,579,760
Legal Expenses	1,094,876	505,819
Hire of Vehicles	13,322,659	2,452,888
Maintenance & Repair vehicles	7,544,311	7,743,701
Water	1,252,186	972,303
Provision for Bad & Doubtful Debt	49,308	1,279,718
Total	83,592,027	60,143,458

20. Trade Related Expenditure

	2017 (Rs.)	2016 (Rs.)
Statistical Surveys	937,938	1,307,420
Hotel Classification	5,879,381	5,047,293
Travelling Overseas	8,288,681	3,773,006
Printing & Publications	2,420,709	1,000,655
Conference & Special Events	12,047,781	38,267,286
Subscriptions to Int'l Organization	9,165,416	8,265,645
Community Relations	7,576,233	1,757,244
Unit for National Tourism investment	1,673,741	1,032,099
Staff Training /Consultancy services	2,276,633	2,575,328
Books & Periodicals	296,970	278,480
ICT Maintenance	16,829,336	9,239,875
Kalpitiya Expenses	1,217,072	1,171,908
Yala Wild Resorts Project Expenses	445,648	235,354

Kuchchaveli Project Expenses	132,739	-
New Product Development Projects	171,871	866,301
Development Expenses - NHR	128,792	42,235
Tourism Zones Development Expenses	6,000,001	
Promotion & Advertising	13,714,178	11,308,588
Total	89,203,117	86,168,720

21. Other Expenses

	2017 (Rs.)	2016 (Rs.)
Board Member Allowance	962,969	620,000
Audit Fees	578,738	806,785
Exchange Gain/Loss	2,226	-
Total	1,543,932	1,426,785

22. Finance Costs

	2017 (Rs.)	2016 (Rs.)
Finance Charges	771,724	2,639,989
Bank Charges	164,171	137,561
Total	935,895	2,777,550

SUMMARY OF RESORTS OPERATIONS

For the period ended 31st December 2017

	2017 Rs.	2016 Rs.
National Holiday Resorts - Domestic Tourism		
Kataragama	(3,892,994)	(2,671,177)
Nuwara Eliya	(2,862,849)	(2,554,366)
Bandarawela	(850,433)	(2,188,086)
Anuradhapura	(5,421,470)	(3,126,060)
Sub Total	(13,027,746)	(10,539,689)
National Holiday Resorts - Service & Rent Income Generations		
Bentota	21,409,314	21,944,985
Polonnaruwa / Giritale	3,547,544	3,003,045
Kalkudah	(15,320,870)	(18,308,620)
Sub Total	9,635,988	6,639,409
Surplus/(Deficit)	(3,391,757)	(3,900,279)

NATIONAL HOLIDAY RESORT - KATARAGAMA
Income Statement
For the period ended 31 December, 2017

	Note	2017 Rs.	2016 Rs.
Restaurant sales		8,174,869	9,572,624
Less : Cost of sales		4,233,598	4,957,953
Gross Income		3,941,271	4,614,672
Room Sales		12,658,060	13,875,017
Other income		313	520
Gross profit		16,599,644	17,338,641
Less: Adm. & Est. Expenses		16,072,338	17,338,641
Depreciation		4,420,300	3,822,744
Surplus/(Deficit)		(3,892,994)	(2,671,177)
Administration & Establishment Expenses		6,948,898	7,298,494
Salaries & Allowances		6,948,898	7,298,494
Overtime		320,518	398,228
SLTDA's contribution to Employee Provident Fund		941,055	770,751
SLTSA's contribution to Employee Trust Fund		188,211	154,150
Staff Welfare / Entertainment Local		428,271	461,136
Staff Meals		564,096	579,911
Uniform to staff		170,936	168,540
Cleaning Supplies		284,074	103,741
Miscellaneous supplies		49,798	144,588
Security Charges		900,237	1,386,030
Janitorial Charges		1,232,739	1,689,168
Telephone		176,699	134,340
Stationery		107,310	102,834
Postage & Stamps		60,890	56,855
Electricity		1,118,967	1,372,046
Rates & Licenses		67,032	23,728
Insurance - Plant & Machineries		4,990	2,789
Laundry		372,457	516,308
Maintenance - Buildings		414,153	107,659
Maintenance - Equipment's		112,142	115,036
Transport & Freight		52,000	-
Bank Charges		6,950	2,000
Maintenance & Repair vehicles		58,365	51,780
Printing & Publications / Books & Periodicals		11,031	13,618
Attendance Incentive		346,290	467,059
Economic Service Charge		-	-
Water		1,134,230	1,217,851
Total		16,072,338	17,338,641

NATIONAL HOLIDAY RESORT - NUWARA ELIYA
Income Statement
For the period ended 31 December, 2017

	Note	2017 Rs.	2016 Rs.
Restaurant sales		6,654,422	7,504,180
Less : Cost of sales		2,898,136	3,086,119
Gross Income		3,756,286	4,418,061
Room Sales		10,091,759	9,415,629
Other income		386,924	241,711
Sub total		10,478,683	9,657,341
Gross profit		14,234,968	14,075,401
Less: Adm. & Est. Expenses		14,265,352	14,651,472
Depreciation		2,832,465	1,978,295
Surplus/(Deficit)		(2,862,849)	(2,554,366)
Administration & Establishment Expenses			
Salaries & Allowances		6,151,163	6,225,169
Overtime		234,551	359,807
SLTDA's contribution to Employee Provident Fund		864,204	658,075
SLTSA's contribution to Employee Trust Fund		172,841	131,615
Staff Welfare		471,640	428,377
Travelling Local		2,000	-
Entertainment Local		-	17,806
Staff Meals		293,142	224,793
Uniform to staff		120,766	112,380
Cleaning Supplies		298,049	149,512
Miscellaneous supplies		324,420	237,452
Security Charges		907,154	1,225,101
Janitorial Charges		1,171,125	1,830,535
Stationery		63,147	70,246
Telephones		202,229	184,186
Postage & Stamps		59,245	56,189
Electricity		1,735,250	1,797,890
Rates & Licenses		79,098	88,549
Insurance - Plant & Machineries		15,542	8,685
Laundry		268,881	227,468
Maintenance - Buildings		182,546	74,794
Maintenance - Equipment's		67,973	50,260
Transport & Freight		7,130	44,850
Bank Charges		-	10,060
Maintenance & Repair vehicles		54,463	16,629
Printing & Publications / Books & Periodicals		16,370	12,160
Attendance Incentive		318,244	268,349
Water		184,179	140,537
Total		14,265,352	14,651,472

NATIONAL HOLIDAY RESORT - BANDARAWELA
Income Statement
For the period ended 31 December, 2017

	Note	2017 Rs.	2016 Rs.
Restaurant sales		10,188,838	9,139,450
Less : Cost of sales		3,763,881	3,781,521
Gross Income		6,424,957	5,357,929
Room Sales		9,314,328	9,043,813
Other income		498,750	382,752
Sub total		9,813,078	9,426,565
Gross profit		16,238,035	14,784,494
Less: Adm. & Est. Expenses		13,723,368	13,946,223
Depreciation		3,365,099	3,026,357
Surplus/(Deficit)		(850,433)	(2,188,086)
Administration & Establishment Expenses			
Salaries & Allowances		6,188,951	6,073,827
Overtime		280,094	292,926
SLTDA's contribution to Employee Provident Fund		838,983	628,864
SLTSA's contribution to Employee Trust Fund		165,324	125,773
Entertainment Local		1,216	637,326
Staff Welfare		403,731	-
Travelling local		2,000	-
Staff Meals		535,975	501,778
Uniform to Staff		130,301	139,648
Cleaning Supplies		139,374	89,704
Miscellaneous supplies		266,867	118,321
Security Charges		900,237	1,266,133
Janitorial Charges		1,196,203	1,790,032
Stationery		31,893	28,591
Telephones		133,274	91,929
Postage & Stamps		58,275	47,840
Electricity & Gas		1,220,256	1,327,988
Rates & Licenses		22,281	17,281
Insurance - Plant & Machineries		4,046	4,379
Laundry		278,094	249,365
Maintenance - Buildings		312,057	108,170
Maintenance - Equipment		134,122	11,780
Transport & Freight		900	16,330
Bank Charges		4,085	16,000
Maintenance & Repair vehicles		79,026	48,345
Printing & Publications/ Books & Periodicals		13,220	12,480
Attendance Incentive		246,164	293,968
Water		136,420	7,447
Total		13,723,368	13,946,223

NATIONAL HOLIDAY RESORT - ANURADHAPURA
Income Statement
For the period ended 31 December, 2017

	Note	2017 Rs.	2016 Rs.
Restaurant sales		4,784,569	3,698,440
Less : Cost of sales		2,263,149	1,874,598
Gross Income		2,521,421	1,823,842
Room Sales		5,687,700	4,632,925
Other income		37,949	0
Sub total		5,725,648	4,632,925
Gross profit		8,247,069	6,456,767
Less: Adm. & Est. Expenses		11,587,684	8,033,399
Depreciation		2,080,855	1,549,428
Surplus/(Deficit)		(5,421,470)	(3,126,060)
Administration & Establishment Expenses			
Salaries & Allowances		5,125,144	3,018,549
Overtime		176,573	108,918
SLTDA's contribution to Employee Provident Fund		710,182	316,695
SLTSA's contribution to Employee Trust Fund		142,036	63,339
Staff Meals		197,015	393,459
Staff Welfare		317,660	-
Travelling local		20,000	1,056
Entertainment local		550	-
Uniform to Staff		89,691	59,805
Cleaning Supplies		110,236	73,582
Miscellaneous supplies		267,242	88,833
Security Charges		1,041,048	1,081,008
Janitorial Charges		1,241,141	1,239,607
Stationery		88,274	35,641
Telephones		214,027	171,102
Postage & Stamps		57,310	46,685
Electricity		815,349	671,857
Rates & Licenses		84,423	100,194
Insurance - Plant & Machineries		6,823	10,155
Laundry		137,228	119,696
Maintenance - Buildings		178,139	55,991
Maintenance - Equipment		84,703	51,007
Transport & Freight		9,150	6,210
Bank Charges		9,500	3,625
Maintenance & Repair Vehicle		47,918	81,390
Printing & Publications/ Books & Periodicals		19,770	15,851
Attendance Incentive		304,178	154,315
Water		92,375	64,831
Total		11,587,684	8,033,399

NATIONAL HOLIDAY RESORT - BENTOTA
Income Statement
For the period ended 31 December, 2017

	Note	2017 Rs.	2016 Rs.
Room Sales		10,000	-
Rent income (lease of land/buildings)		36,134,106	32,351,735
Other Income		2,996,891	5,947,526
Sub Total		39,140,998	38,299,261
Less: Adm. & Est. Expenses		13,394,559	12,043,038
Depreciation		4,337,125	4,311,238
Surplus/(Deficit)		21,409,314	21,944,985

Administration & Establishment Expenses

Salaries & Allowances	5,337,934	5,898,824
Overtime	79,374	74,306
SLTDA's contribution to Employee Provident Fund	759,440	638,351
SLTSA's contribution to Employee Trust Fund	151,888	127,670
Staff Welfare	423,725	447,950
Traveling local	1,292	766
Entertainment local	9,362	10,875
Uniform to staff	51,540	60,080
Miscellaneous supplies	115,660	67,954
Security Charges	3,588,816	1,869,468
Cleaning Supplies	521,811	
Stationery	69,757	48,803
Telephones	134,944	96,707
Postage & Stamps	35,595	46,800
Water	4,800	
Electricity	1,233,357	1,698,408
Rates & Licenses	257,815	122,028
Insurance - Plant & Machineries	1,710	2,579
Rent (Land)	45,000	90,000
Maintenance - Buildings	218,365	171,959
Maintenance - Equipment	66,101	147,301
Transport & Freight	27,060	11,630
Bank Charges	3,750	4,055
Maintenance & Repair vehicles	-	780
Printing & Publications	24,770	22,540
Attendance Incentive	230,696	383,205
Total	13,394,559	12,043,038

NATIONAL HOLIDAY RESORT - POLONNARUWA
Income Statement
For the period ended 31 December, 2017

	Note	2017 Rs.	2016 Rs.
Rent Income		3,511,544	2,967,045
Other Income (Water & Garbage)		36,000	36,000
Gross profit		3,547,544	3,003,045
Surplus/(Deficit)		3,547,544	3,003,045

NATIONAL HOLIDAY RESORT - KALKUDAH
Income Statement
For the period ended 31 December, 2017

	2017 Rs.	2016 Rs.
Rent Income	4,947,280	5,219,760
Other Income	-	265,862
Water Consumption Income	6,139,974	
Sub Total	11,087,254	5,485,622
Less: Adm. & Est. Expenses	4,031,500	2,783,623
Depreciation	22,376,623	21,010,620
Surplus/(Deficit)	(15,320,870)	(18,308,620)

Administration & Establishment Expenses

Salaries & Allowances	2,368,384	1,612,391
Overtime	33,981	89,750
SLTDA's contribution to Employee Provident Fund	239,966	137,329
SLTSA's contribution to Employee Trust Fund	47,993	27,466
Staff Welfare	102,202	65,050
Traveling local	12,000	13,317
Entertainment Local	32,508	
Uniform to staff	12,885	11,595
Miscellaneous supplies	74,804	59,195
Security	534,580	515,264
Stationery	359	12,330
Telephones	114,279	31,130
Postage & Stamps	4,325	20,590
Electricity	374,691	119,736
Maintenance - Buildings	33,750	12,400
Maintenance - Equipment	-	14,980
Transport & Freight	-	-
Bank charges	-	4,105
Attendance Incentive	44,794	36,994
Total	4,031,500	2,783,623



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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எனது இல. }
My No. }

TIP/A/SLTDA/1/17/01

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Your No. }

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திகதி }
Date }

31 October 2018

The Chairman,
Sri Lanka Tourism Development Authority

Report of the Auditor General on the Financial Statements of the Sri Lanka Tourism Development Authority for the year ended 31 December 2017 in terms of the Section 14(2)(c) of the Finance Act, No: 38 of 1971.

The audit of financial statements of the Sri Lanka Tourism Development Authority for the year ended 31 December 2017 comprising the Statement of Financial Position as at 31 December 2017 and the Statement of Financial Performance, Statement of Changes in Equity, 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 provision in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No: 38 of 1971 and 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 Authority in terms of Section 14(2)(c) of the Finance Act 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 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 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 Authority's preparation and fair presentation of the financial statements in order to design audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Sri Lanka Tourism Development Authority 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 Sri Lanka Public Sector Accounting Standards

(a) Sri Lanka Public Sector Accounting Standard 02

An amount of Rs. 3,660,000 that received from selling a motor vehicle in the year under review had not been stated under investing activities.

(b) Sri Lanka Public Sector Accounting Standard 07

Following observations are made.

- (i) Although the entire class of property, plant and equipment to which that asset belongs shall be revalued when property, plant and equipment is revalued as per Paragraph 49 of the Standard, the revaluation value amounting to Rs.1,378 million had been stated in the financial statements by revaluating only the land and the building in which the Head Office is located in the year 2008 without revaluating all the lands and buildings belonging to the Authority.

- (ii) Although 10 items of assets costing to Rs. 240,036,680 had been totally depreciated as the useful life time for non-current assets was not reviewed annually as per paragraph 65 of the Standard, it had been utilized further. Accordingly, action had not been taken to revise the estimated error as per Sri Lanka Public Sector Accounting Standard 03.

- (iii) Although the lands and rest houses that owned to the Authority were given to the other parties for rent, it had not been disclosed in that regard in the statement of financial position.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) The value of intangible assets and accumulated profits as at 31 December in the year under review had been over stated by Rs. 87,063,977 as the accumulated depreciation of Rs. 87,063,977 was not accounted in relation to the development cost of Rs. 110,449,509 that done in the properties owned to the Authority.

- (b) A sum of Rs. 51,019,696 had been paid in the year under review to the Employee Provident Fund and Employee Trust Fund for 2016 and previous years and as the total amount was adjusted to the financial performance statement of the year under review instead of corrected retrospectively by restating the comparative figures of contribution monies paid for the year 2016 and restating the opening balances relating to the balances of previous years, the surplus had been under stated in that amount.

2.2.3 Lack of Evidence for Audit

Following evidences indicated against the objects had not been presented to the audit.

Accounts Objects	Amount (Rs.)	Unpresented Evidence
(a) Investment (Tourism Authority)	52,154,738	Investment Certificate or other written evidence of confirmations
(b) Investment (Tourism Promotion)	976,509	
(c) Tourism Fund	930,000	Certificates of shares or other written evidence and balances of confirmations
(d) Investment in Sinking Fund	759,021	
(e) Sri Lanka Hotel Tourism Limited Company	750,000	
(f) Trade Debtors	60,834,836	Letters of confirmation of balances
(g) Miscellaneous Debtors	4,688,558	Letters of confirmation of balances
(h) Water Consumption Debtors (Pasikuda)	23,227,328	Letters of confirmation of balances
(i) Sewage Services Supply Receivables	124,752,772	Letters of confirmation of balances
(j) Debtors- National Paper Corporation	9,627,113	Letters of confirmation of balances
(k) Advances for Suppliers and Employees	21,302,883	Letters of confirmation of balances

(l) Depreciation for Property, Plant and Equipment	67,624,406	Detailed source documents based on individual balances
(m) Land	33,904,345	Documents confirming ownership
(n) Deposits/ Payments	21,302,882	Relevant documents for deposit confirmation

2.2.4 Unexplained Differences

An amount of Rs. 18,613,438 had been recorded as miscellaneous debtor balances receivable from Sri Lanka Tourism Promotion Bureau according to the financial statements of the Authority and an unexplained difference of Rs. 7,199,094 was observed as that balance had been stated as Rs. 25,812,532 in the accounts of Sri Lanka Tourism Promotion Bureau.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Trade debtor receivable of Rs. 2,758,157 for more than 04 years and Rs. 59,936,047 for the period between 01 to 04 years had been remained without recovering.
- (b) Receivable deposits amounted to Rs. 6,963,732 for more than 05 years and Rs. 1,700,000 for the period between 03 to 05 years had been remained without recovering.

- (c) A balance of Rs. 18,670,721 that should be recovered from Pasikuda water consumption debtors had been remained in the period between 01 to 02 years without recovering.
- (d) According to the financial statements, out of the retention, an amounts of Rs, 15,566,948 of more than 04 years, Rs. 4,881,330 of more than 02 years and less than 04 years and Rs. 11,026,841 of less than 01 year had been remained unsettled.

2.4 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) Sub section 26(1) of Chapter IV of the Tourism Act No.38 of 2005	Orders had not been prepared assigning the tourism activities, commercial and other activities that could be carried out within a declared and a tourism development area.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 169(2)	It had not been able to recover money relating to 22 cheques valued at Rs. 650,034 due to providing services before cheques are being realized.
(ii) Financial regulation 396	Action had not been taken in respect of unrealized cheques of Rs. 2,895,858 that issued during the period of 2010 to 2017 as per financial regulations.

- (iii) Financial Regulation 757 A survey in respect of had not been carried out books valued to Rs. 1,880,781.

- (c) Sections 9.14.1 and 9.14.2 of Public Enterprises Circular No. PED/12 of 02 June 2003 Even though a Handbook on Human Resources Management including all information on the rules and regulations relating to Human Resources Management should be prepared and should be approved by the Authority of Control with the approval of the Secretary to the Treasury, action had not been taken by the Authority in compliance with those requirements.

- (d) Treasury Circular No: 842 of 19 December 1978 A Fixed Asset Register had not been maintained.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the surplus of the Authority for the year ended 31 December 2017 was Rs. 385,538,658 and as the corresponding surplus was Rs. 373,897,908 for the preceding year; an increase of Rs. 11,640,750 had been occurred in the financial results. Although the salaries, wages and employee benefits had been increased by Rs. 91,611,471, an increase of tourism development tax income by Rs. 37,124,844, license fee by Rs. 63,503,290 and other income by Rs. 16,259,224 had been the reasons for above increase in the financial result.

In analyzing financial results of the year under review and of 04 preceding years, an improvement in the financial result had been indicated from the year 2013 to the year 2014. However, deterioration had been indicated in the financial result in the year 2015 as compared with the year 2016 and it had again improved in the year under review. However, in adjusting personnel emoluments and depreciation on

non- current assets and government tax again to the financial result, the contribution of the Authority amounting to Rs. 381,486,482 in the year 2013 had been continuously improved and had been a sum of Rs. 623,332,169 in the year under review.

3.2 Legal Actions instituted against and by the Institution

Lawsuits had been filed in Court against 03 external persons by the Authority.

4. Operating Review

4.1 Performance

4.1.1 Planning

Following observations are made.

- (a) An Annual Action Plan including activities targeted to achieve objectives mentioned in Tourism Act No. 38 of 2005 should be prepared as per Section 04 of Finance Circular No. 01/2014 on 17 February 2014 and according to the sub section (3), Activity Plan prepared based on priorities of annual budget for the year, time line and anticipated output/outcome of those activities should be included. An Action Plan had not been prepared as above by the Tourism Development Authority.
- (b) According to the Section 04(c) of above circular, Action Plan should be prepared based on Annual Budget, the estimated amount for expenditure in each division as per Annual Action Plan was Rs. 1,979.8 million and actual expenditure was Rs. 571.32 million. Accordingly, it was observed that over estimation had been done when estimating expenditure.

4.1.2 Activities and Review

Following observations are made.

- (a) According to the Annual Action Plan, out of 111 activities expected to be implemented during the year, only 37 activities had been implemented during the year. It was 33.33 per cent. Out of the activities started in the year, there were 22 activities that spent funds less than 50 per cent and there were 66 activities that not spent money as at 31 December 2017 and Rs. 681.83 million had been allocated for that.
- (b) Four tourist holiday resorts and 03 tourist resorts had been remained under the ownership and management of the Authority. A deficit amounting to Rs. 28,348,616 had been generated in 05 holiday resorts due to the excessive overhead cost and the net loss of all the resorts in the year under review was Rs. 3,391,757. Only 21 per cent out of the provisions allocated for providing facilities of 05 holiday resorts and servicing had been spent.

4.2 Management Activities

The Authority has leased out lands for the promotion of tourism industry and the following observations are made regarding the leasing out the lands that owned to tourist areas such as Trincomalee, Yala Palatupana and Kalkuda.

- (a) Only 30 acres of lands had been leased out even by the end of the year under review out of approximately 510 acres of lands in Kuchchaweli area in Trincomalee that taken for the authority.
- (b) Out of the land of 1110 acres in extent vested with the Authority in Yala Palatupana area for the tourism developments, only 63 acres had been given on lease basis to investors up to 31 December of the year under review.

(c) Out of 202 acres that owned to Kalkuda (Pasikuda) tourist area, 103 acres had been leased out at the end of the year under review and out of 3986 acres that taken from Kalpitiya and suburb islands, only 177 acres had been leased out.

4.3 Idle and Underutilized Assets

Following observations are made.

(a) Out of the land of approximately 94 acres in extent belonging to the Bentota Tourist Resort vested in the Ceylon Tourist Authority in the year 1969 and afterwards in the Tourism Development Authority for the tourism industry, only an extent of land of approximately 54 acres had been utilized up to 31 December in the year under review. As such, an extent exceeding 40 acres of land had remained idle for over a period of 46 years.

(b) Building space of approximately 2880 square feet located in the Bentota National Holiday Resort premises remained idle without being utilized for any economic activity whatsoever from the year 2006 to the end of the year under review.

(c) There had been land with the extent of 69 acres and 10 buildings that vested with the Authority but not received rental income to the Authority.

(d) Although there were 02 holiday resorts in Bibila and Ragala areas, action had not been taken to utilize these resorts productively and earn income.

4.4 Staff Administration

The cadre of the Authority had been approved as 226 posts under 15 names of posts by the Department of Management Services and the actual cadre of the year under review had been 195 and the number of vacancies was 31.

5. Sustainable Development

5.1 Achievement of Sustainable Development Goals

Every public institution should act in compliance with United Nations Sustainable Development Agenda for the year 2030 and with respect to the year under review, Sri Lanka Tourism Development Authority had been aware as to how to take measures relating to the activities under purview of their scope.

6. Accountability and Good Governance

6.1 Presentation of Financial Statements

Although financial statements should be presented within 60 days after ending the financial year as per the section 6.5.1 of the Public Enterprises Circular No: PED/12 dated on 02 June 2003, the financial statements of the year 2017 had been presented on 22 June 2018 to the Auditor General.

6.2 Internal Audit

Although 13 subjects of audit were planned as per Internal Audit Plan, 07 subjects of it had not been audited.

6.3 Procurement and Contract Process

6.3.1 Procurements

The plans are prepared to establish central air conditioned system from June 2014 and approximately an amount of Rs. 14,029,949 had been spent for that task up to 30 September 2018. Following observations are made in respect of this procurement work.

(a) Although bids should be called from the contractors with EM 1 grade registration in Industry Development Authority for this air condition contract exceeding the construction estimated amount of Rs.60 million as per supplement 9 related to section 5.3.5 of Government Procurement Guideline 2006, it had been informed that it could be applied by suppliers/applicants those who having the qualification of EM 2 or over according to the paper advertisement published on 07 June 2017.

(b) According to the awarding letter dated on 27 November 2017, the relevant task should be completed within 180 days from the day mentioned on it, even primary works had not been completed though it was expired 283 days by August 2018.

6.3.2 Delayed Projects

The contract for the construction of ground reservoir, pump, and security room of Pasikuda Water Supply Projects and site works that should be completed on 08 June 2016 by commencing on 10 February 2016 had been assigned to a private institute on 02 March 2016 to a contract amount of Rs. 22,258,780. The final bill related to this contract had not been presented even by the audited date and the recommendations of the completion of works had not been given. Although this contract that should be completed by 119 days was delayed more than 2 years by this time, constructions had not been completed. Further, even the performance bond presented for the contract had been expired.

6.4 Budgetary Control

As variances ranging from 25 per cent to 405 per cent between the estimated and the actual expenditure were observed in 19 Expenditure Objects in the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

6.5 Tabling of Annual Reports

As per Section 6.5.3 of Public Enterprises Circular No: PED/12 on 02 June 2003, the Annual Report of 2016 of the Authority had not been tabled in the Parliament up to 10 September 2018.

6.6 Unsolved Audit Paragraphs

Following observations are made.

(a) The following observations are made relating to the construction of the Thoraiadi Jetty in Kalpitiya and for the supply of granite, gravel and ABC for applying tar nearby the Wannimundalama Lagoon.

(i) A sum of Rs.824,000 had been incurred more than the estimated amount on purchasing 1648 cubes of granite on an excessive price an external person instead of the supplier selected to supply granite on the discretion of the Project Director, under the Shopping Method and that amount had not been recovered even up to 31 December of the year under review.

(ii) Action had not been taken to recover a sum of Rs.2,549,000 overpaid on making payments considering that materials were supplied 4 cubes each, despite the capacity of the Tipper Vehicle that had been mentioned as being deployed for the supply of granite, gravel and ABC to the Kalpitiya Site being 3 cubes.

(iii) Payments had been made by the Authority for the value of the materials not physically accepted as 1648 cubes of granite, 368 cubes of ABC and 40 cubes of gravel, being a sum of Rs. 10,196,000.

(b) A sum of Rs. 11,089,228 overpaid for the repair activities carried out in the Kataragama Holiday Resort had not been recovered from the officers responsible up to date.

- (c) A sum of Rs. 3,226,950 had been paid for 941.7 hours based on three letters furnished by the suppliers that dozers were supplied for the construction activities of the Mohottuwarama Jetty in Kalpitiya. However, these payments had been made without noting the working hours by reading the meters daily that the service of these dozers were obtained and without getting certified those Reports on Working Hours by an officer of the Authority. However, the Supervisor had certified in the above three letters that the service of the tractors was satisfactorily obtained.
- (d) A sum of Rs. 2,659,875 had been spent by the Authority to purchase 55 sofa chairs without evaluating the requirement. Even though limited quotations had been called to purchase these chairs, quotations had not been obtained from the Institution which supplied the prototype chair. Fifty per cent of the total supply value had been paid as Advances in purchasing chairs contrary to the Guideline 5.4.4 of the Government Procurement Guidelines and even a fruitless expenditure amounting to Rs. 211,000 had been incurred for the transportation of the chairs in several instances. Moreover, 03 chairs valued at Rs. 159,803 had been misplaced.
- (e) Action had not been taken to recover the sum of Rs. 3,780,253 to the Authority that had been overpaid to the officers from the year 2009 to the year 2011 due to making payments of the salaries and allowances by categorizing the Kalpitiya Integrated Tourist Development Project as a project that had exceeded US\$ 30 million even up to 31 December of the year under review.
- (f) It was observed in the audit that water had retained in the drainage system due to not carrying out constructions considering the geographical aspects of the relevant land, in physically examining the construction of the rainwater Drainage System in the Pasikuda Tourist Resort Project and it was observed in audit that a sum of Rs.3,792,420 had been overpaid to the contractor in comparing the actual measurement sheets calculated, with the amounts of payment in the bills.

- (g) A sum of Rs.699,300 had been overpaid relating to the designing of the Web Site for the promotion of “One Stop” investments of the Authority and that amount had not been recovered up to the end of the year under review.
- (h) The labour contract of the implementation of the Bentota Sewage System had been handed over to a private institution from the year 2009 to 31 December of the year under review without the procurement procedure, contrary to the recommendations for awarding contracts in Paragraph 8 of the National procurement Agencies Circular dated 25 January 2006.
- (i) The contractor had been selected without following the procurement procedure by fraudulently preparing the Cost Estimate of carpeting the Entrance Road stretching 1.126 kilometers in the National Holiday Resort in the Pasikuda Tourist Zone, for 04 Phases and a sum of Rs.22,013,564 had been overpaid to the contractor for constructions. This amount had not been recovered up to 31 December of the year under review.

7. 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.

Areas of Systems and Controls	Observations
(a) Operating Control	(i) Development programmes had not been done in compliance with the Action Plan of the Authority. (ii) An arrangement for reporting on physical progress had not been prepared. (iii) A black list register had not been maintained for the contractors who evade the procurement works.

- (iv) The rational approaches had not been followed when preparing estimates for procurements.
- (v) Certificates of warranties had not been taken from suppliers properly.
- (b) Project Control
 - (i) Payments had been done without checking the work done reports when supervision and recommending payments and approving in implementing projects.
 - (ii) Contract register had not been maintained.
- (c) Asset Management
 - (i) Asset registers had not been maintained up to date.
 - (ii) Action had not been taken to vest the ownership of the assets.
- (d) Accounts Receivable and Payable Control
 - Action had not been taken to settle the balances of receivable and payable.
- (e) Accounting
 - (i) There were weaknesses when following some Sri Lanka Public Sector Accounting Standards.
 - (ii) Non-disclosure of some accounting policies
 - (iii) Keeping accounts had been done without having source documents to account the capital assets

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

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 Auditor General

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