Sri Lanka Rupavahini Corporation - 2015

The audit of Financial statements of the Sri Lanka Rupavahini Corporation for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(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 16(3) of the Sri Lanka Rupavahini Corporation Act, No.6 of 1982. My comments and observations which I consider should be published with the Annual Report of the Corporation 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 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 the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 the 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 Rupavahini Corporation as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following non-compliances were observed.

(a) **<u>Sri Lanka Accounting Standard 01</u>**

Even though the amounts of the year under review should be presented with the comparative amounts of the preceding year in presenting the financial statements, amounts of the preceding year had not been presented in the preparation of statement of changes in equity of the Corporation and presenting the note for property, plant and equipment.

(b) **<u>Sri Lanka Accounting Standard 02</u>**

In computing the closing stocks, it should be measured at the lower of the cost or the net realized value and stated in financial statements. Nevertheless, the Corporation had stated the stocks amounting to Rs.206,139,021 remained since the year 1985 to the cost without estimating the net realized value. Adjustments had not been made in accounts for unused stocks costing Rs.554,326 included in this stock balance.

(c) **<u>Sri Lanka Accounting Standard 07</u>**

(i) Even though non cash transactions for Pre-tax-net profit should be disclosed under an adjustment in the preparation of cash flow statement by indirect method, impirement adjustment amounting to Rs.30,701,326 related to purchase both local and foreign programmes by the Corporation had been included in the working capital changes.

(ii) In the preparation of cash flow statements, cash flow of each component had not been correctly disclosed due to non-recognition of cash inflows and outflows of the components correctly in terms of the standard.

(d) **Sri Lanka Accounting Standard 08**

(i) Even though a few facts which should be disclosed in making the prior year adjustments, it was observed that the facts disclosed through Note No.3.8 were insufficient for those requirements.

(ii) Even though the assets costing Rs.2,535,798,561 had been fully depreciated due to not reviewing annually the effective life for the non-current assets, they had been further in use. Accordingly action had not been taken to revise the estimated error.

(e) **Sri Lanka Accounting Standard 12**

Even though the changes in deferred income tax assets and liabilities related to each financial year of the statement of financial position should be disclosed separately in respect to all periods, the Corporation had not disclosed in detail the deferred income tax assets and liabilities as at 31 December 2015 in terms of the financial years.

(f) **Sri Lanka Accounting Standard 17**

Even though it had stated that assets acquired on financial leasing system should separately be shown in the statement of financial position, vehicles valued at Rs.44,097,960 acquired on financial leasing system in the year 2010 had not been so disclosed in the financial statements.

(g) Sri Lanka Accounting Standard 39

Even though a sum of Rs.1,104,000 invested in the Lanka Puwath Institute by the Corporation should be shown at fair value in the financial statements, it had been shown in the financial statements at cost without calculating its fair value.

2.2.2. Accounting Deficiencies

The following observations are made.

(a) No provision had been made in the financial statements for audit fees of Rs.939,060 estimated for the years 2013 and 2014.

(b) Without considering a sum of Rs.157,650 receivable from the Independence Television Network paid for the provision of electricity to the Rupavahini transmission Station fixed at the Security Force Headquarters, Jaffna, the total amount had been brought to account as an expense of the Corporation.

(c) Rentals and electricity charges amounting to Rs.3,982,274 recoverable from July 2012 to April 2013 for the maintenance of a private radio channel at Transmission Centre situated at the Transmission Station of Deniyaya which belongs to the Corporation had not been brought to account as a receivable income.

2.2.3. Unexplained Differences

The following observations are made.

(a) According to the Ledger as at 31 December in the year under review, a difference amounting to Rs.183,019 was observed between the client debtors' balance and individual debtors' schedule.

(b) A difference amounting to Rs.2,011,234 was observed between the property, plant and equipment account balance at the end of the year under review as per the financial statements, and property, plant and equipment schedule presented for audit.

(c) A difference of Rs.4,054,816 was observed between the accrued balance of value added tax control account under current liabilities as at 31 December 2015 as per the statement of financial position and the accrued balance according to the Tax Return as at that date.

(d) According to the fuel issuing register maintained by the Supplies Division for fuel filling station of the Corporation, excesses were observed ranging from 112 liters to 846 liters monthly from February to November 2015 between the fuel balance and the physical verification done by the Internal Audit Division.

(e) According to the statement of financial position, even though the outstanding security service charges payable to a limited Company as at 31 December 2015 for the provision of security services had been shown as Rs.5,418,500, the arrears payable according to the letter presented by that Company was Rs.4,067,873.

2.2.4 Accounts Receivable and Payable

The following observations are made.

(a) **<u>Sale of airtime on credit - Client debtors</u>**

i. Impirement adjustment as at 31 December for the year under review out of the client debtors totalling Rs.502,249,509 was Rs.80,391,654 representing 16 per cent. As the impirement adjustment had been done without taking action to recover long-term loan balances, control of loan recovery of the Corporation had been at a weaker level and it was observed that this situation had unfavourably affected on the liquidity of the Corporation.

ii. Even though the loan should be recovered within a month's period according to the credit policy of Sale of airtime, the debtors' balance over one month out of the client debtors of the Corporation by the end of the year under review amounted to Rs.354,320,337 representing 71 per cent of the total debtors' balance. Debtors' balance over 5 years out of it was Rs.70,910,179.

iii. Even though invoices should be issued before supplying the airtime for ordinary trade agreements, action is taken to recover money by issuing the invoices after supplying the airtime as per the policy of the Corporation. It was observed in audit that this policy had adversely affected on the recovery of debts recoverable to the Corporation.

(b) **<u>Sundry Debtors</u>**

The following observations are made.

(i) The impirement value of sundry debtors amounting to Rs.60,153,479 of the Corporation as at 31 December 2015 was Rs.19,106,081 representing 31.8 per cent. It was observed that recovery control over recovery of long-term debts of the Corporation was at a weaker level due to take action to make impirement adjustments instead of not taking action to recover long-term loan balances of the Corporation.

(ii) The amounts receivable from Sri Lanka Broadcasting Corporation, a private television channel and a recognized political party amounted to Rs.1,990,119, Rs.7,343,120 and Rs.5,431,385 respectively. Sufficient attention had not been paid to recover these balances.

(c) The advances totalling Rs.2,330,483 provided without an approval of the Board of Directors for the Rupavahini aesthetic journey programme, “Ape Gamana” implemented in the year 2014 had not been settled even by 30 March 2016.

2.2.5 Lack of Evidence for Audit

As the evidence indicated against the following items was not made available for audit, their accuracy could not be assured.

	Item	Value Rs.	Evidence not made available
(a)	Property, Plant and Equipment	3,679,037,930	Detailed schedules
(b)	Work in progress	132,125	Documents required to ensure the nature of work
(c)	Land where the Corporation situated and the lands where the transmission station situated	46,018,720	Title deeds, Deeds of transfer and Gazette notifications
(d)	Spare parts	196,304,117	Board of survey Reports
(e)	Investments	1,104,000	Evidence to ensure whether it had been made in respect of an activity directly involved in Rupavahini telecasting in terms of Section 15 of

the Sri Lanka Rupavahini Corporation Act.

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

The following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed.

Reference to Laws, Rules, Regulations and Management Decisions etc.	Non-compliances
(a) Declaration of Assets and liabilities Act, No.01 of 1975 of National State Council as amended by Act, No.74 of 1998.	Thirty two Executive officers of the Corporation had not given the Declaration of assets and liabilities as at 31 December 2015.
(b) Section 12 of Chapter vii of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	Even though acting appointment can be made only in the event of falling vacant of the relevant post or absence of the officer from service, officers for six posts which were not in the approved cadre had been appointed contrarily, for acting in those posts.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 110	A Register for losses and damages had not been maintained.
(ii) Financial Regulation 371(2)(b)	Even though the maximum ad hoc imprest which can be given at a time prior to 14 July 2015 amounted to Rs.20,000, advances amounting to Rs.4,345,051 had been given exceeding this limit in 27 instances not complying with it and those advances had not been settled even up to the end of the year under review.
(iii) Financial Regulation 371(2)c and Staff notification of Sri Lanka Rupavahini Corporation (Addendum 04) No. 964 dated 26 September 2012	Even though the sub imprests should be settled immediately after the completion of the purpose for which it was obtained, a sum of Rs.12,105,995 out of the advances provided in the years 2014 and 2015 had not been settled even by 30 April 2016. A sum of Rs.6,352,384 of this was the advances provided in the year 2014.

(d) Letter No. MF/TR/1/ 2003 dated 28 March 2003 of the Secretary to the Ministry of Finance	Rent had been paid at the rate of Rs.92,000 per vehicle per mensum for 10 vehicles exceeding the maximum monthly rental of Rs.40,000 payable in hiring vehicles.
(e) Section 9.3.1 of Public Enterprises Circular No. PED/12 dated 02 June 2003	Even though acting period of a post should be limited for 03 months, 03 officers from 02 years to 05 years and 05 officers for over 05 years had been served in acting capacity.
(f) Public Enterprises Circular No. PED/50 dated 28 July 2008, Public Administration Circular No. 14/2008 dated 26 June 2008, Public Administration Circular No. 22/99 dated 08 October 1999 and Section 3.1 of Public Enterprises Circular No. PED 01/2015 dated 25 May 2015.	(i) Transport and fuel allowances amounting to Rs.19,952,794 had been paid, in the year under review contrary to the circular instructions and without the approval of the Treasury, to 182 officers who were not entitled for transport and fuel allowance. (ii) Vehicles had been assigned to two officers who were not entitled for office vehicles and a sum of Rs.432,135 had been incurred for fuel contrary to the circular instructions.
(g) Management Services Circular No.02/2015 dated 09 December 2015.	Even though the bonus payable to a staff member was Rs.2,000 in paying bonus for the year 2015, bonus amounting to Rs.32,000,163 had been overpaid in the year under review as payments had been made at the rate of Rs.35,000 per employee. Accordingly, the similar overpaid bonus in the years 2012, 2013 and 2014 had been Rs.35,659,540, Rs.35,086,685 and Rs.43,359,115, respectively.

3. Financial Review

3.1 Financial Results

The following observations are made.

(a) According to the financial statements presented, after-tax loss of the Corporation amounted to Rs.371,675,001 for the year ended 31 December 2015 and the corresponding after-tax loss for the preceding year amounted to Rs.175,131,860 thus indicating a deterioration of Rs.196,543,141 representing 112 per cent in the financial result for the year under review as compared with the preceding year. The increase of income only by 7.5 per cent and increase of expenditure by 15 per cent in the year under review as compared with the preceding year had mainly attributed to this deterioration.

(b) In considering the profit/ loss of the preceding four years and the year under review of the Corporation, profit had gradually decreased from the year 2011 to 2014 and it had adversely improved up to a loss of Rs.371,675,001 by the year 2015. Likewise by taking into consideration the depreciations of the year on non- current assets, government taxes and employees' remuneration, the contribution amounting to Rs.998,226,000 of the Corporation in the year 2011 had decreased up to Rs.686,101,000 representing by 31 per cent by the year 2015. Corporation had not followed any plan or strategy to reduce this loss position and to improve it towards a profitable position.

3.2 Analytical Financial Review

Profitability ratios and working Capital ratios in the preceding three years of the Corporation are as follows.

Ratio	2015	2014	2013
Gross profit ratio (per cent)	12.5	24.1	29
Net profit ratio (per cent)	(19)	(9.55)	1
Current ratio	2.1	3.0	4.02
Quick Ratio	1.7	2.5	3.38

It was observed that the rapid deterioration of ratios as above would adversely effect on the solvency and liquidation of the Corporation in the future.

3.3 Legal events instituted against the Corporation and by the Corporation

The following observations are made.

(a) External parties had filed 10 cases against the Corporation as at 31 December in the year under review for suspension of telecasting their Tele programmes after telecasting only several episodes and the staff of the Corporation had filed 03 cases against the Corporation on the grounds of interdiction and non-receipt of a post which should be received. Legal charges amounting to Rs.860,070 had been paid for these cases in the year 2015. The compensation claimed by the prosecuting party related to 05 cases filed by the external parties amounted to Rs.519,090,000.

(b) The Corporation had filed 26 cases against the external parties for the recovery of charges recoverable for the airtime provided by the Corporation as at 31 December 2015 and compensation amounting to Rs.2,585,584 had been received in the year under review for 05 cases of them. The expected recoverable amount to the Corporation was Rs.522,283,053 from 18 other cases and 07 cases of them had been for in respect of a same debtor.

(c) One case which had filed against a client debtor to recover a sum of Rs.1,118,940 by the Corporation had been withdrawn as it had subjected to prescription. Besides, as the permanent residences of two debtors, whose loan balance amounting to Rs.661,080 had existed, could not be found, cases filed against them could not be further continued.

3.4 Working Capital Management

The following observations are made.

(a) The Corporation had to obtain Bank overdraft facilities due to non-implementation of a proper working capital management mechanism and inefficiency of debt recovery. Even though the approved overdraft balance of the Corporation by 31 December 2015 was Rs.155,000,000, according to the financial statements the overdraft balance and overdraft interest paid thereon in the year under review had been Rs.244,648,151 and Rs.19,399,549 respectively. Similarly, Fixed deposits and Treasury bills amounting to Rs.113,000,000 and Rs.150,000,000 of the Corporation respectively had been kept as securities for this Bank overdraft. Additional interest, more than the agreed interest for the overdrafts exceeding this approved overdraft balance had to be paid. Likewise, as a remedy to this severe financial crisis, a special short-term Bank loan amounting to Rs.250,000,000 had been obtained in the year 2015 and the interest amounting to Rs.12,783,747 had also been paid thereon.

(b) Two hundred and two Cheques valued at Rs.12,584,406 issued during the period from the year 2013 to 2015 had been cancelled without handing over to the relevant payees and retained in the custody of the Corporation. In the examination carried out in this respect, it was observed that it had been so done due to financial crisis in the Corporation. However, it appears that this type of situations would adversely affect the credibility of the Corporation.

4. Operating Review

4.1 Performance

(a) The main objectives of the Corporation according to the Corporate Plan prepared by the Corporation are given below.

- (i) Improving the attractiveness, variety and meaningfulness of television programmes through changes to the format of the programmes.
- (ii) Reaching viewers more effectively using modern technologies.
- (iii) Improving the physical and human resources of the institute productively.
- (iv) Introducing extra means of generating income for the institution.
- (v) Amending the statutory framework of the institution to suit the competitiveness.

(b) The following activities planned for fulfilling the above objectives had not been implemented by the end of the year under review.

(i) Under the objective (a) (ii) above, rehabilitation and improvement of the Master Control Room, Production rooms and External transmission facilities, development of the existing transmission network, development of buildings of the Corporation, improvement of computer and information facilities and infra-structure facilities, expansion of power and energy and air-conditioning system and expansion of EFP/ENG facilities.

(ii) Introduction of an employee appraisal scheme based on the employee performance under objective (a) (iii), winning 5S award through the creation of a pleasurable office environment to employees and introduction of 05 circuit bungalows.

(iii) Establishment of a media city under a project of the Board of Investment for the objective (a)(iv), establishment of a radio channel and development and maintenance of a new web site.

(iv) Reviewing and making amendments to the Rupavahini Act under (a)(v), formulation of new rules and regulations required to the Institution and preparation of a disciplinary procedure.

4.2 Management Activities

The following observations are made.

(a) Even though a cheque valued at Rs.148,860 had been given to the Corporation for telecasting his programme at the discretion by a client in the year under review, client had suspended the payment to that cheque due to telecasting another programme during the period expected by that client. Even though the Corporation had telecast many programmes on credit basis, action had not been taken to give priority for the transactions for which the money had received before telecasting.

(b) The value of Rs.125,998,926 had been written off from the intangible assets as impirement adjustments as at 31 December 2015. Meanwhile, local and foreign programmes valued at Rs.20,141,553 and local and foreign teledramas valued at Rs.67,922,600 purchased up to the end of the year under review had been written off after telecasting them less than the number of occasions to be telecasted due to failure to telecast during the particular period or without telecasting the particular number of occasions according to the purchasing license as local and foreign teledramas and programmes had been purchased without a proper plan for telecasting.

(c) Even though a sum of Rs.1,104,000 had been invested in the years 1985 and 1992 for purchasing shares of Lanka Puwath Institution by the Corporation, any dividend whatsoever had not been received even up to the year under review.

4.3 Operating Inefficiencies

The following observations are made.

(a) Action had not been taken to get the cassettes returned or recover, the loss from the relevant officers, related to 2,408 Cassettes valued at Rs.6,657,595 not returned even by the end of the year under review after lending them out of the library since the year 2002 by 179 officers.

(b) Salaries totalling Rs.585,879 paid to two officers released from the service of the Corporation on the basis of reimbursement of salaries paid from July 2014 to 31 December 2015 had not been reimbursed from the relevant institutions even up to 31 December 2015.

4.4 Transactions of contentious nature

The following observations are made.

(a) A person had filed a case against the Corporation requesting a compensation amounting to Rs.250,000,000 for a news item telecasted over a Rupavahini channel in the year 2008. Even though it was proposed to settle the case by paying a compensation of Rs.1,000,000 in the year 2014, the Corporation had not agreed there to and this case had been settled by the payment of compensation of Rs.1,500,000 in cash and broadcasting time valued at Rs.1,500,000 without considering the adverse financial position of the Corporation through a Board paper with the intervention of the Minister in the year 2015.

(b) An officer of the Corporation had found guilty for 08 charges out of 13 charges in the charge sheet issued against him after conducting a formal disciplinary inquiry and interdicted on 26 February 2010. He had been placed in the post of Senior Producer, backdating him to the date he had been interdicted, without a vacancy in an approved post by the Department of Management Services under restructuring the posts of the Corporation in the year 2015. The related salary increments and arrears of salary amounting to Rs.2,009,174 had been paid in the year under review.

4.5 Apparent irregularities

The following observations are made.

(a) In providing telecasting time for advertisements under special packages and providing discount concessions, an acting Assistant Director had given such opportunities without a formal agreement and formal authority. As the above officer had given an airtime valued at Rs.21,089,960 to three institutions subjected to audit for Rs.7,860,485 within three months, a loss amounting to Rs.13,229,475 had incurred to the Corporation.

(b) After referring the Computerized Daily Telecasting Schedule to the Control Room, the officers in the Schedule Division and Programme Division had amended it by hand written notes without a formal authority.

(c) As invoices had been issued only for the value without taxes amounting to Rs.7,002,800 instead of a sum of Rs.8,000,000 (inclusive of tax) recoverable from a client debtor, tax amounting to Rs.997,200 had been omitted.

(d) Presidential election 2015- Advertisements

The following observations are made.

(i) Even though prior advertising tapes telecast free of charges by the Corporation according to the existing parameters should not be used for promotion of a political party or an individual, prior advertising tapes for an airtime of 29,191 seconds approximately had been used for the promotion of one candidate during the period of presidential Election. Even though about Rs.41,712,450 should have been recovered according to the rates of the Corporation for this airtime, that total airtime had been given free of charge.

(ii) The assets and personnel of the Corporation had been utilized for the promotion of one candidate and a telefilm had been produced and it had been telecasted free of charge. The loss calculated by the Corporation therefor amounted to Rs.1,064,300 and charges for the airtime had not been calculated.

(iii) A specific strategy was not available for the recovery of charges for telecasting advertisements from the Candidates who participated in the Presidential Election and charges had been recovered double the charges prevailed at that time from one candidate and the other candidate had been given a discount up to 56 per cent.

(iv) Even though a sum of Rs.192,916,016 recoverable from three principal candidates including the independent candidate for telecasting advertisements, an arrears of a sum of Rs.127,538,784 had to be recovered even by 06 February 2016.

(v) Even though action should be taken that every candidate should be treated as balanced and unbiased manner in terms of the first Criterian of the Extra-ordinary Gazette Notification No.1890/2 dated 24 November 2014, an airtime amounting to77,481 seconds for other packages except for the prior advertising tapes for one candidate had been given and the other candidate had been given only an airtime of 1,350 seconds. Likewise, a sum of Rs.850,126 deposited on behalf of him had been set off against the money receivable from another advertisements of the Sales Agent presented the advertisements, stating that it was inability to give airtime requested by that Candidate.

(vi) As non-inclusion of a sum of Rs.61,900,000 recoverable from a candidate for the promotional advertisements in the daily telecasting Schedules, issuance of invoices therefor, inclusion in the client ledger and inclusion in the client debtors balance etc. had not been made.

4.6 Idle and Underutilized Assets

The following observations are made.

(a) Even though an automated Barcode system had been purchased by spending a sum of Rs.1,734,000 in the year 2005 for the computerization the activities of the Rupavahini

Audio visual library for carrying out the functions thereof properly and efficiently, such machines had not been used even up to the end of the year under review.

(b) The spare parts valued at Rs.18,052,749 of the Engineering Division remained as immovable stocks for over 10 years and spare parts valued at Rs.178,251,368 had remained underutilized.

4.7 Identified losses

As the original receipts of the deposits amounting to Rs.3,509,254 representing 88 per cent of the value of deposits receivable had been misplaced, deposit money could not be taken back from the relevant institutions.

4.8 Delayed Projects

The following observations are made.

(a) Even though a sum of Rs.183,051 had been spent for consultancy fees and soil sample testing activities in the years 2005 and 2006 for the construction of buildings for news division, construction works had not been commenced even up to the end of the year under review.

(b) The Cabinet of Ministers had given approval in December 2014 to maintain a Rupavahini channel in a room established in Italy, Europe or any other country through the satellite technology and to obtain the equipment required for it with the consent of the Ministry of Finance on a temporary lease basis with the intention of carrying the national identify of Sri Lanka to the world and promotion of knowledge and appreciation of Sri Lankans abroad. An advance amounting to Rs.3,454,279 had been paid to a private Company on 02 January 2015 for its initial work without entering into a written agreement or without the consent of the Ministry of Finance. However, this function had been completely abandoned after January 2015 and action had not been taken to recover the advance paid.

4.9 Personnel Administration

The Cadre positon of the Corporation as at 31 December 2015 was as follows.

	Approved	**Actual**		**Vacancies**	**Surplus**
		Permanent	**Other (Service assignments/ Contract basis)**		
Senior Level	14	16	01	08	(11)
Tertiary Level	110	161	16	-	(67)

Secondary level	620	635	36	255	(306)
Primary level	241	128	09	104	-
Total	985	940	62	367	(384)

Following observations are made in this respect.

(i) Even though in addition to the 985 staff approved for the Corporation, there were 61 posts approved as personal only to that officer as at that date, information regarding the number of posts available therefor had not been presented.

(ii) Number of employees on contract basis and duty assignment basis as at 31 December 2015 were 40 and 22 respectively. Additionally, 12 acting appointments in the above actual cadre (permanent and others) had been given.

(iii) Eleven and 65 officers had been recruited for the salary Code HM 1-2 at the senior level and MA 3 Salary Code at the secondary level respectively which had not been approved by the Department of Management Services.

(iv) The approved Cadre of tertiary level was 110, As 161 actual cadre and 16 posts on contract basis had been given a surplus of employees had existed in 67 posts despite 08 acting appointments had also been given.

4.10 Market Share

According to the survey conducted by the Lanka Market Research Bureau- (LMRB) on 15 Rupavahini channels on watching television by viewers, the market share of 24.4 per cent for Corporation existed for the year 2004 had decreased to 5.7 per cent by the end of the year under review. However, the Corporation had not taken necessary action to identify the reasons for decreasing this market share and to get it developed.

5. Accountability and Good Governance

5.1 Presentation of financial Statements

In terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, the Draft Annual Report of the year under review should be presented to the Auditor General within 60 days after the end of the financial year but that report had not been presented.

5.2 Corporate Plan

The following observations are made.

(a) Even though a corporate plan had been prepared in terms of Section 5 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, for the period 2013 to 2017 it had not been timely reviewed, updated and presented to the Auditor General.

(b) Even though it was planned to earn a pre- tax profit of Rs.95,000,000 by the end of the year 2015, according to the financial prediction of the Corporate Plan, the loss for the year under review was Rs.371,675,001.

5.3 Action Plan

Eight activities planned according to the Corporate Plan of the Corporation had not been included in to this Action Plan. Similarly, 09 activities which were not included in the Corporate Plan had been included in the Action Plan.

5.4 Internal Audit

The following observations are made.

(a) Even though the Internal Audit Division of the Corporation had issued 15 Audit queries and reports in the first six months and 08 audit queries and reports issued in the latter half of the year under review, the attention had not been paid by the Management to rectify many issues shown in such queries and reports and to implement important suggestions made therein.

(b) Even though the Corporation had prepared an Internal Audit Programme in terms of Section 13(5)(d) of the Finance Act, sanction of the Auditor General had not been obtained therefor.

5.5 Procurement and Contract process

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As a procurement plan had not been prepared for the year 2015, it was observed that the procurement activities had not been done according to a plan.

5.6 Budgetary Control

The following observations are made.

(a) Even though Capital Budgetary provisions amounting to Rs.736,402,000 had been made for purchasing capital items for the development activities of the Corporation through the Budget of the year under review, the expected development activities could not be done as only property, plant and equipment valued at Rs.41,050,820 had actually been purchased.

(b) Variations ranging from 2,425 per cent to 27.8 per cent between the budgeted and actual assets, liabilities and operating activities of the Corporation as at 31 December 2015 were observed, and as such, it was observed that the budget had not been made use of as an effective instrument of management control.

5.7 Tabling of Annual Reports

Even though the annual Report for the year 2012 of the Corporation had been referred to the Parliamentary Consultancy Council on media and Parliamentary affairs on 07 April 2015, information to ensure the presentation of it to Parliament had not been presented. Annual reports for the years 2013 and 2014 had also not been tabled in Parliament even by June 2016.

6. Systems and Controls

Weaknesses in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Corporation from time to time. Special attention is needed in respect of the following areas of control.

Systems and field of control	Observations
(a) Financial control	(i) Issuance of advances not complying with the circular instructions and non-recovery during the prescribed period. (ii) Issuance of invoices after the supply of airtime. (iii) Granting credits exceeding the credit limits (iv) Delay to recover loans.
(b) Personnel Management	(i) Granting long term acting appointments. (ii) Granting appointments not approved by the Department of Management Services and payment of salaries and allowances.
(c) Operating Management	(i) Not reviewing and updating the corporate plan timely. (ii) Non-preparation of Action plan and Budget in line with the updated Corporate Plan. (iii) Payment of bonus contrary to the Circular instructions (iv) Payment of transport allowances without the approval of the Treasury (v) Reaching the Corporation regularly to a loss position from a profitable position.
(d) Internal Audit	Not taking action to rectify the lapses shown in Audit queries and Audit reports of the Internal Audit Division.