

Selacine Television Institute

1. Establishment of the Institute

Even though this Institute had been vested by the Ministry of Mass Media on 20 December 2001, provisions had not been made by an Act or other legal provisions in order to determine its objectives and to implement its functions. Action is being taken to register as a Limited Liability Company namely "Selacine Ltd" under the Companies Act.

2. Financial Statements

2.1 Opinion

In view of my comments and observations appearing in this report I am unable to express an opinion on the financial statements of the Selacine Television Institute for the year ended 31 December 2010 presented for audit.

2.2 Comments on Financial Statements

2.2.1 Delay in the Presentation of Financial Statements

The draft annual report and the financial statements should be prepared and presented to the Auditor General and the copies thereof should be presented to the relevant Ministry and the Department of Public Enterprises of the General Treasury, within 60 days after the closure of the year of accounts in terms of 6.5.1 Paragraph of the Public Enterprises Circular No. PED/12 of 02 June 2003. Nevertheless, the Selacine Television Institute had presented its financial statements for the year ended 31 December 2010 only on 06 June 2011. The Draft Annual report had not been presented along with them.

2.2.2 Accounting Standards

Depreciation on fixed assets had not been made in terms of Section 43 of the Standard No. 18.

2.2.3 Accounting Policies

The following observations are made.

- (a) According to the debtors age analysis, the debtors unidentified during the period 2002 to 2007 amounted to Rs.902,736 and it represented 19 per cent of the total debtors. Debtors for more than 90 day amounted to Rs.14,240,303 representing 33 per cent of the total debtors. Even though it was stated under the accounting policies of the Institute that provision for bad and doubtful debts are made, provision for bad and doubtful debts in respect of the above debtors had not been made.
- (b) Even though it was stated under the accounting policies of the Institute that the Defined Benefit Plan method is applied for the provision of gratuities the corporation of provisions had been made in accordance with the provisions in the Gratuities Act.

2.2.4 Accounting Deficiencies

The following matters were observed.

- (a) Although the outstanding audit fees payable by the Institute amounted to Rs.168,639 only a provision of Rs.30,630 had been made.
- (b) In posting the Invoice value of sales to the sales ledger sums of Rs.3,000 and Rs.20,474 had been overstated and understated respectively.
- (c) Provision for income tax had not been made.

2.2.5 Lack of Evidence for Audit

Due to non-availability of fixed asset registers, leasing agreements, paid vouchers invoices schedules, confirmation letters, and properly prepared age analysis etc in respect of property plant and machinery, accounts receivable, trade and other payables, expenditure and bank securities in the year 2010 totalling Rs.149,287,356 could not be satisfactorily vouched or verified.

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

Instances of non-compliance with the following laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, rules, regulations and management decisions	Non-compliance
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| (a) Public Finance Circular No. PF/PE/09 of 27 June 2002 | The Treasury approval for the investment of Rs.500,000 in fixed deposits had not been obtained. |
| (b) Public Enterprises Circular No. PED/12 of 02 June 2003 | |
| (i) Section 6.5.3 | Even though the annual reports should be tabled in Parliament within 150 days after the year of accocunts, action had not been taken to prepare the Annual Reports or to table in Parliament since the year 2003 to 2009. |
| (ii) Section 9.2(d) | The organization chart of the Institute and the approved cadre had not been registered in the Department of Public Enterprises of the General Treasury. |

(c) Financial Regulation (F.R.)
of the Republic of Sri Lanka

(i) F.R. 138 (6)

Even though the schedules, certificates receipts etc relating to the certification expenditure should be attached to the voucher, receipts, Bills, notifications and particulars of salaries in respect of 43 vouchers valued at Rs.2,270,085 subjected to audit test check were not attached to the relevant vouchers.

(ii) F.R. 386 (7)

Although the cancelled cheques should be attached to the cheque countefoil and kept with the cheque book it had not been complied with in respect of 2 cheques valued at Rs.1,850,000 subjected to audit test check.

(d) Treasury Circular No. 842 of
19 December 1978

A proper register of fixed assets had not been maintained.

(e) Stamp fees (Special
Provision) Act No. 12 of
2006

When a payment exceeding Rs.25,000 is made, the recipient should sign the voucher on a Rs.25 stamp. Nevertheless, it had not been complied in respect of 81 vouchers valued at Rs.10,304,670 subjected to audit test check.

3. Financial and Operating Review

3.1 Financial Review

3.1.1 Financial Results

The operation of the Institute for the year under review had resulted in a pre-tax net profit of Rs.1,013,763 as compared with the pre-tax net profit of Rs.2,146,537 for the preceding year thus indicating a deterioration of pre-tax net profit of Rs.1,402,774. Even though the overall income of the Institute had increased by Rs.49,860,470 or 53 per cent as compared with that of the year 2010 the overall expenditure of the year had increased by 56 per cent and as such the overall profit had decreased by 58 per cent as compared with that of 2009.

3.2 Operating Review

3.2.1 Dormant Accounts

A pre-paid account of Rs.1,685,425, two debtors ledger accounts valued at Rs.18,492, four creditors accounts amounting to Rs.341,463 and 2 bank accounts amounting to Rs.6,500 had been dormant since the beginning of the year 2008.

3.2.2 Transaction of Contentious Nature

Four creditors accounts valued at Rs.22,236 had been written off against the accumulated fund in the year 2010 without any authority.

3.2.3 Board of Directors

A Board of Directors had not been appointed for the year 2010.

3.2.4 Budget

A proper budget had not been prepared for the year 2010. The budgeted income and expenditure had not been separately identified divisional wise.

4. Systems and Controls

Deficiencies in systems and controls observed during the course of audit had been brought to the attention of the Chairman of the Institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Recovery of Income Receivable
- (b) Staff
- (c) Maintenance of Books and Records