Sri Lanka Broadcasting Corporation – 2016

The audit of financial statements of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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 27 of the Sri Lanka Broadcasting Corporation Act No.37 of 1966 and Section 13(1) of the Finance Act No.38 of 1971. 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. A detailed report in terms of Section 13 (7) (a) of the Finance Act was issued to the Chairman of the Corporation on 29 June 2018.

1.2 Management's Responsibility for Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards 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 the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks 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 Broadcasting Corporation as at 31 December 2016 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 in audit.

(a) Sri Lanka Accounting Standard 02

(i) Even though only the Methods of First In First Out (FIFO) Method and the Weighted Average Cost Method had been recommended to value the final stocks in terms of Paragraph 25 of the Standard, the Method of Last In First Out (LIFO) Method had been used for the valuation of the stocks of Compact Discs Cassettes and Magazines as at 31 December of the year under review.

(ii) The Method that Stocks being valued had not been disclosed in the financial statements of the Corporation despite the Method that the Stocks being valued followed for the valuation of the Stocks should be disclosed under Accounting Policies in the financial statements in terms of Paragraph 36 of the Standard.

(b) Sri Lanka Accounting Standard 7

Even though Investments could be stated under cash and cash equivalents only in the instance where the period of maturity of the Investments is less than 3 months from the date of which the Investments being acquired in terms of Paragraph 07 of the Standard, Fixed Deposits valued at Rs.58,499,697 with a maturity period of more than 3 months had been stated as cash and cash equivalent items in the financial statements as at 31 December 2016.

(c) Sri Lanka Accounting Standard 16

Even though a property should be identified as an asset if future benefits flow to the Institution by a property and the cost of that property could be trustworthy calculated and even though a Motor Car of which the reserved value being a sum of Rs.2,200,000 received from the Ministry of Mass Media continued to being used by the Corporation from the year 2014, it had not been identified in a Fixed Asset and had not been brought to account.

(d) Sri Lanka Accounting Standard 17

Even though the minimal lease payments of the Institution relating to Operational Lease should be separately disclosed as less than an year, from 01 year to 05 years and more than 05 years in terms of Paragraph 35 of the Standard, the relevant disclosures had not been made in the financial statements in the year under review.

(e) Sri Lanka Accounting Standard 21

The foreign debtors of the year under review had been understated by a sum of Rs.49,,553 in the financial statements on converting on the exchange rate existed as at the end of the year of which the debtors were formed instead of converting the foreign debtors of the Corporation from the year 2007 to 31 December of the year under review amounting to USD43,947.59 and amounting to Indian Rupees 3,346, on the exchange rate existed as at the last date of the year under review and stating as a sum of Rs.6,590,729 in the financial statements in terms of Paragraph 23(a) of the Standard.

2.2.2 Accounting Deficiencies

The following observations are made.

(a) Even though the rent income for the final 5 months of the year 2016 in terms of the rent agreement of the "Niwahana" Holiday Resort in Nuwara Eliya amounted to Rs.1,450,000, the rent income of the year under review and the rent income receivable had been understated by a sum of Rs.1,015,000 on bringing to account that income as a sum of Rs.435,000.

(b) The Investment Interest Income for the year ended 31 December 2016 and the interest income receivable as at that date had been understated by a sum of Rs.813,346 due to not calculating and accounting the receivable interest income relating to 5 Fixed Deposits.

(c) Even though the Economic Service charges had been a sum of Rs.3,200,569 as per the revised rates for the year under review, the Economic Service charges as at 31 December 2016 had been understated by a sum of Rs.2,283,773 due to stating that fee as a sum of Rs.916,796.

(d) The Economic Service charges value amounting to Rs.4,694,559 receivable as at 31 December of the year under review had not been stated in Final Accounts due to not taking action in terms of the amended Economic Service Charges Act.

(e) The Credit Balance amounting to Rs.5,218,793 existed as at 31 December 2016 had been transferred to the Retained Earnings Account in the year 2016 without examining and settling due to not settling the balances of the Current Accounts of the Regional Offices maintained for the transactions of the sale of air time between the Head Office and the Regional Offices.

(f) The Credit Balance amounting to Rs.128,321 remained as at the end of the year under review in the Current Accounts of the Head Office had been stated by adding the air time sales to the creditors without comparing the Current Accounts for regional services maintained in the Accounts of the Head office with the Current Accounts with the Head Office maintained in each Regional Services.

(g) The balance stated in the Machine and Equipment Account as at 31 December of the year under review had been overstated by that amount on not taking action to set- off the Machines and Equipment from the Account even up to the year 2016 despite the Machine named "Power Logger" of which the cost being valued at Rs.425,000 being used for survey activities had been misplaced.

(h) Action had not been taken either to make provisions available in the Accounts for the Appeal cases made to the Supreme Court, Appeal Court and the High Court against 3 verdicts of lawsuits of which a total sum of Rs.11,863,898 being ordered to be paid as sums of Rs.10,000,000, Rs.1,783,587 and Rs.80,311 relating to the plaintiff party or to disclose by notes in the financial statements as at 31 December of the year under review.

(i) A sum of Rs.19,997,092, the Capital Profit obtained by the Institution on selling the portion of land on crediting the total amount received by not calculating the capital profit, loss received by selling a land of 4 acres, 35.4 perches in extent for a sum of Rs.20,000,000 in the year 2005 of which the cost being a sum of Rs.2,908 from the land located in Seeduwa, belonging to the Corporation had been waived from the Accounts and the value of the Building Account had been understated by a sum of Rs.20,000,000 and a sum of Rs.5,500,000 in the provision for depreciation on Buildings Account and a sum of Rs. 500,000 of the Building Depreciation had been understated.

2.2.3 Unexplained Differences

The following observations are made.

(a) Unidentified balances totalling Rs.49,951,991 had been included in to the Schedules to equal that difference on, the difference being a sum of Rs.44,332,958 according to the Schedule given to audit despite the balance had been a sum of Rs.94,284,949 according to the financial statements relating to five Items of Accounts.

(b) Unreconciled balances amounting to Rs.3,733,969 was observed between the Balance stated in the Creditors Schedules furnished along with the financial statements of the year under review with the Creditors Control Accounts of the Accounts Division.

2.2.4 Lack of Evidence for Audit

The following items shown in the financial statements could not be satisfactorily vouched or accepted due to non- submission of evidence for audit indicated against each Item.

Item of Account	Value	Evidence not made Available
	Rs.	
(a) Lands	7,764,234	Register of Fixed Assets Reports of Boards of Survey
(b) Buildings	168,923,977	Reports of Boards of Survey. Register of Fixed Assets. Documents on the Assets received as donations from foreign countries.
(c) Debtors. (Obituaries)	7,997,854	Detailed Schedules.
(d) Payments for Work In Progress. (New Building of the Head Office)	181,000,000	Invoices, Expected Work Plan, Cost Estimates, Work Done Reports.
(e) Trade and other Receivable Balances remaining in Accounts over a period of 10 years. (Lakhanda Branch Account)	12,807,802	Details of Documents and Schedules that state the manner that the Value had been made.

2.3 Accounts Receivable and Payable

The following observations are made.

(a) It was observed that balances amounting to Rs.141,315,701 of the balance totalling Rs.147,825,904 payable to the Telecommunication Regulatory Commission as at 31 December of the year under review remained without being settled from a period over 35 years from the year 1981 to the year 2015.

(b) There were loan balances amounting to Rs.59,614,083 which were older than 10 years out of the foreign debtors loan totalling Rs.65,705,259 in the year under review. Sufficient action had not been taken either to recover or write- off those balances.

(c) Action had not been taken up to date to settle the audit fees totalling Rs.1,110,540 relating to the years 2011 and 2012.

(d) Older creditors balances amounting to Rs.12,609,674 that should be identified and should be settled in the year 2016 had been credited to Revenue Reserves.

(e) The credit balance of the Creditors Control Account in the year 2016 had been a sum of Rs.1,376,083 and, according to the Detailed Schedule that balance was Rs.5,112,530. That difference had been equated by transferring to the Creditors Control Account from Revenue Reserves instead of rectifying by inquiring the reasons for this difference amounting to Rs.3,736,447.

(f) Even though a sum of Rs.1,569,930 remained receivable from the Independent Television Network as at the end of the year under review according to the Final Accounts of the Sri Lanka Broadcasting Corporation, any amount whatsoever had not been payable to the Sri Lanka Broadcasting Corporation according to the Final Accounts of the Institution. Moreover, even though it had been stated that the amount payable to the Sri Lanka Broadcasting Corporation had been a sum of Rs.26,685 according to the Accounts of the Sri Lanka Rupavahini Corporation, a balance receivable from the Sri Lanka Rupavahini Corporation had not been stated according to the Accounts of the Sri Lanka Broadcasting Corporation.

(g) Letters of Confirmation of Balances had been sent to 148 trade debtors of whom the total value being a sum of Rs.222,503,345 as at 31 December of the year under review and, four debtors of whom valued at Rs.1,402,024 out of it had been confirmed that they did not have been balances to be paid to the Corporation.

(h) The balance totalling Rs.503,075 relating to a financial fraud occurred before 21 years ago and in the year 2007 had been indicated in a Suspense Account in the preceding year and had been transferred to the Miscellaneous Debtors Account without taking action to settle even in the year under review.

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

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

Reference to Laws, Rules and Regulations	Non- compliance
(a) Act No.13 of 2006 and Economic Service Fees Amendment Act No.07 of 2017 dated 17 May 2017.	❖ Even though the economic services charges sub- ration on the turn- over under the tax from 01 April 2016 had been 0.5 per cent, Although Tax Reports had been prepared and had been furnished by the Corporation for the Estimate Year 2016/17 under the old sub- ratio of 0.25 per cent. As such, the tax liability in the Tax Reports had been understated by a sum of Rs.1,438,537.

	❖ Even though the fees for the relevant quarter should be paid in monthly installments on self- estimate basis on or before 20th of the forthcoming month as at the end of each quarter, it had not been so done. The total economic service charges payable with fines up to 31 December 2016 according to the Tax Estimate Reports furnished by the Department of Inland Revenue amounted to Rs.54,301,192.
(b) Paragraph No.A12 of Sri Lanka Auditing Standard 705.	A notification for observations had not been made by the Corporation in verification of stocks relating to the Compact Discs, Cassettes and Magazines totalling Rs.3,536,443 which had been carried out as at 31 December 2016.
(c) Public Enterprises Circular No.PED/12 of 02 June 2003. Section 4.2.2	Even though the Corporate Plan, Budget and the Performance should be timely inquired, examined on the manner that the actual performance differs from the planned performance and the Corporate Plan and the Budget should be revised accordingly, action had not been taken accordingly.
Section 7.4.5	Even though the physical existence of every fixed asset should be verified by appointing Committees annually by the Corporation, vehicles had not been physically verified in the year under review.
Section 5.1.3 and Public Finance Circular No.01/2014 of 17 February 2014. Paragraph 5.	Even though updated copies of the Corporate Plan approved by the Board of Directors should be furnished to the Line Ministry, the Department of Public Enterprises, the Treasury and to the Auditor General 15 days before the commencement of the Financial Year, a Corporate Plan had not been furnished for the years 2016- 2018.
(d) Public Finance Circular No.02/2015 of 10 July 2015 Paragraph I	Even though action should be taken to identify the dilapidated vehicles that could not be used and they should be disposed of, two motor vehicles of which

	costing Rs.1,300,000 which had been dilapidated and had been disposed and a motor vehicle of which the cost could not be identified had not been disposed in terms of the Circulars.
(e) Decision of the Cabinet of Ministers of අමප/05/ විවිධ (026) of 16 June 2005.	Even though the approval of the Cabinet of Ministers should be obtained by furnishing a Memorandum with functions scheduled to be entrusted with, the period of contract, emoluments and a Performance Evaluation Report of the prior period of contract in an instance where the period of contract is extended along with the Bio Data Form of the holder of the name in the application for the appointment of the Consultants, monthly allowances amounting to Rs.1,920,000 had been paid in the year under review for 04 Consultants recruited without such an approval of the Cabinet of Ministers in the years 2014 and 2015.
(f) Treasury Circular No.842 of 19 December 1978. Third Schedule	
Paragraph 2.11	A computerized Register of Fixed Assets had been maintained instead of the Register of Fixed Assets and details relating to various important items such as lands, buildings, motor vehicles, generators, transmitters had not been included into it.
(g) Treasury Circular No.IAI/2002/02 of 28 November 2002.	Even though a separate Register of Fixed Assets should be maintained for computer, software and accessories, a Register of Fixed Assets had not been maintained relating thereto.
(h) Economic Service Charges Act No.07 of 2017 dated 17 May 2017.	The fee relating to the relevant quarter should be paid in monthly installments on self- estimate basis on or before the 20th of the forthcoming month as at the end of each quarter. However, even though provisions should be made available for fines payable for the year 2016 on not making payments of monthly installments for any other quarter whatsoever of the year excluding September, the Fine Account Balance payable as at 31 December 2016 had been understated by a sum of Rs.236,386 due to not taking action accordingly.

(i) Public Finance Circular No.05/2016 of 31 March 2016.	A Board of Survey had not been carried out relating to the following assets according to the financial statements as at 31 December 2016. (i)Fixed Assets of the Trincomalee (Deutschewell) Relay Station — Rs. 2,173,006,103 (ii)Closing Stocks — 22,371,290

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result for the year under review had resulted in a profit of Rs.57,411,250 as compared with the corresponding profit of Rs.64,280,088 for the preceding year, thus indicating a deterioration of Rs.6,868,838 in the financial result in the year under review as compared with the preceding year. Even though Government Grants for revenue expenditure had been increased by a sum of Rs.15,000,000, the decrease of other operating income by a sum of Rs.36,541,883 or by 7.8 per cent had been the main reason for the above deterioration.

In analyzing financial results of the year under review and of 04 preceding years, a net loss had been occurred from the year 2012 to the year 2014 and, a net profit had been occurred in the year 2015 and in the year under review. The contribution in the year 2015 amounting to Rs.827,054,364 had been decreased to a sum of Rs.812,449,234 in the year 2016 after considering personnel emoluments, taxes paid to the government and depreciation for non-current assets.

3.2 Analytical Financial Review

The important rate analysis is given below.

Rates	2014	2015	2016
Liquidity			
(i) Current	0.85:1	1.4:1	1.5:1
(ii)Instant	0.77:1	1.32:1	1.46:1
Profitability			
(i)Gross Profit	28.28	6.03	6.79
(ii)Net Profit/ (Loss)	(10.42)	12.98	10.96

(a) An increase in the current ratio and instant rate had indicated according to the Accounts of the year under review as compared with the preceding year and as such, it indicates that current assets remain sufficiently to settle current liabilities. However, it is observed that the accurate position is not disclosed by the ratio calculated on the information stated in the Accounts, as per the following matters.

(i) Not having a capacity and a liquidity of recovering loans by including local debtors balances amounting to Rs.52,046,735 which are older than 02 years to 41 years and foreign debtors balances amounting to Rs.61,855,400 in the debtors including in the Current Assets.

(ii)Not indicating the actual value of the foreign debtors in the financial statements on not identifying the foreign exchange variance advantage of the foreign debtors as at the end of the year under review as a sum of Rs.6,590,729, as per the Accounting Standards.

(b) The gross profit rate of the year under review had been increased from 6.03 per cent to 6.79 per cent as compared with the preceding year and, even though the increase of the total air time income by 5.82 per cent as compared with the preceding year had been affected in this connection, it was observed that a conclusion on the accuracy of the gross profit ratio could not be made on erroneously calculating the sales expenditure in the year under review.

(c) The net loss ratio prior to the revenue provisions of the year under review had been increased from 59.47 per cent to 59.93 per cent as compared with the preceding year and, the net loss ratio after the revenue provisions had been decreased from 12.98 per cent to 10.96 per cent. The increase of administrative expenditure and the decrease in other operating income as compared with the preceding year had been the main reason in this connection.

(d) The Capital Contribution amounting to Rs.109,710,154 received from the Government in the year under review had been transferred to the Account opened as per the request made by the Bank to deposit a value equal to the value as security in a Bank Account which does not receive an interest in opening Letters of Credit and an amount of over Rs.100 million had been deposited without any profit whatsoever throughout the year and the balance in that Account as at the last date of the year under review had been a sum of Rs.153 million.

3.3 Legal Cases initiated against or by the Corporation

The following observations are made.

(a) Even though lawsuits had been filed against Peoples' Trust Credit Investment Company Limited for recovering a sum of Rs.150,000 receivable for the programmes broadcasted by the Corporation, the case had been put off by the Court for over a period of 02 years on not being able to carry out the lawsuit on the claimant leaving his place of residence.

(b) Even though lawsuits had been filed for recovering a sum of Rs.471,715 receivable for the programmes broadcasted in the Corporation by the Lanka Cement Company, the case had been put off by the Court for over a period of 02 years on not taking action by the Corporation to furnish the details on an asset of the Company as per the Order made by the Court to furnish the assets of the claimant to obtain a writ from the Court.

(c) Even though 02 lawsuits had been filed in the Colombo District Court and in the Provincial High Court for recovering sums of Rs.4,716,813 and Rs.7,551,750 due to the frauds committed in 02 instances by a Sales Executive Officer, the above 02 lawsuits had been put off without hearing for over a period of 02 years on the claimant leaving his place of residence.

(d) An Appeal had been made to the Provincial High Court in Colombo against the Order made to pay the contribution money amounting to Rs.80,311 and the Surcharge from the verdict of the lawsuit filed in the Colombo Magistrate Court against not making payments of the provident money to a female employee in the Girandurukotte Community Radio Network and, a sum of Rs.245,000 that is, thrice of the compensation which remained payable, had been paid only for the court charges for this lawsuit.

4. Operating Review

4.1 Performance

The objectives of the Corporation as per the Sri Lanka Broadcasting Corporation Act, No.37 of 1966 are given below.

(i) Acting as the Institution which maintain radio channels with the maximum number of listeners for Sinhala, Tamil and English languages.

(ii) Acting as the leader who provide balanced information expeditiously, with responsibility, in the field of Media in Sri Lanka.

(iii) Producing and presenting advanced and creative radio programmes for the well- being of the indigenous culture.

(iv) Providing necessary training to generate a self- motivated staff fulfilled with knowledge, attitudes and competencies.

(v) Providing a clear hearing condition to local and foreign listeners by properly updating the production and broadcasting technology.

(vi) Acting as the pioneering Institution for generating a quality radio media tradition, in compliance with a Code of Ethics.

(vii) Providing creative contribution for raising the awareness of the public relating to the implementation of public policies and development programmes as the National Radio Network.

(viii) Maintaining good financial control and human resources management.

(ix) Strategically conquering the competitive market.

The following observations are made relating to the performance of the Institution.

(a) Even though identifying the unnecessary expenses of the Corporation by introducing s method of calculating the cost based on the activities and making profitable by minimizing those expenses had been a strategy of the Finance Division as per the Corporate Plan, the expenditure of all the regional services of the Corporation of, Rajarata Service, Ruhunu Service and Kandurata Service in the year 2016 had been improved by 53.8 per cent, 16 per cent and 72.2 per cent respectively as compared with the year 2012 and, the loss had also been increased by 0.2 per cent, 45 per cent and 148 per cent respectively. As such, it had not been able to implement the strategies of controlling the above expenses of the Finance Division. It had been confirmed that the relevant parties responsible had been failed in this connection.

(b) Even though it had been planned by the Corporate Plan in the year 2014 by the Institution to improve the position of the income of these services by 50 per cent by implementing the sales strategies of the regional services in consolidation with those of the Head Office continuously, it had been failed to operate the strategies planned for the achievement of those objectives successfully.

(c) A Capital Expenditure amounting to Rs.307,691,512 had been incurred with the 05 years from the year 2012 to the year 2016 for updating the transmission systems necessary for raising the regional serviced and communal radio service to high standard and to produce and present creative programmes with high standards by updating the entire system of studio equipment and accessories that are currently established in the system in a manner that complies with the modern technology, for the well- being of the financial position of the Institution. However, it was observed that the Institution had failed to achieve the above intended objectives by improving the loss prior to the Government Contribution in the year 2016 by 61.7 per cent as compared with the year 2012.

(d) Even though the air time sales income had been fluctuated in analyzing the Final Accounts of the Institution in five preceding years, a clear improvement had not been made. A deterioration of 8.31 per cent indicated in the sales in the year 2016 as compared with the year 2012. The cost of sale had been increased by 35.83 per cent in this period, and, the gross profit had been deteriorated by 83.22 per cent.

(e) Even though strategies had been formulated to improve the air time sales of the Corporation by preparing and implementing a method for the production of programmes that can face the challenges of the competitive market with the knowledge and information obtained in connecting with the competitive market by the staff of the Sales Division and by identifying the market strategies necessary for conquering the competitive market by deploying them for the sales activities of the Corporation, the air time sales income had been decreased ranging from 5.6 per cent to 13.4 per cent in the 5 preceding years as compared with the year 2012.

4.2 Management Activities

The following observations are made.

(a) Even though the land, 2.5036 hectares in extent, located in Colombo, being used by the Sri Lanka Broadcasting Corporation of which the land and building values being sums of Rs.3,002,691 and Rs.1,884,632 respectively is being enjoyed from the year 1949, the Institution had failed to legally acquire that land up to date.

(b) An agreement had been entered into with the Divisional Secretariat, Thimbirigasyaya to lease a land for a period of 30 years from the year 2012 on the basis of making an annual lease rent payment amounting to Rs.127,400,000 from 23 February 2012 for the construction of a building for commercial purposes. That objective had not been achieved up to 31 December 2016 and, even though a sum of Rs.1000 million had to be paid as taxes and fines as at 31 December 2016, it had not been disclosed in the financial statements.

(c) The land, 159 acres, 03 roods and 22 perches in extent located in Diyagama had been acquired in the year 1959 for the construction of a Transmission Station. Even though the land should be utilized only for that purpose as per the conditions of the Agreement, the transmission activities had been defaulted from the year 2006 and the sum of Rs.47,000,000 obtained by selling 2 blocks of lands, 10 acres in extent and 19 acres, 02 roods and 23.2 perches in extent to sums of Rs.22,000,000 and Rs.25,000,000 respectively in the years 2002 and 2009 contrary to the conditions of acquiring the land had been taken under income. Even though action had been taken by the Corporation for the development of the remaining part of this land on buildings belonging to the Corporation still being remained in that part of the land, this land had been vested to the Mahinda Rajapakse Sports Development Foundation in the year 2009 without an agreement with the Corporation, without giving any compensation whatsoever.

(d) The building of the Transmission Station and all the machines and equipment had been handed over to the Head Office of the Sri Lanka Broadcasting Corporation in the year 1993 after the completion of the project initiated with the assistance of the Japan Broadcasting Corporation (NHK) in the year 1989. Even though that land and building had been estimated for a sum of Rs.960,000,000 as per the Estimate Report dated 29 July 2011 any asset whatsoever had been brought to account and any file whatsoever relating to the project had not been furnished to audit.

(e) Registers had not been maintained in a manner that the cost of the assets that had either been purchased or sold or had been disposed of use from the year 1974, could be classified and differences between the balance of the Fixed Assets and the assets that physically exist due to not writing off the assets that had either been disposed of use or that had been sold, from Accounts and sufficient action had not been taken by the parties responsible up to date for rectifying this condition.

(f) Even though the lessor had been removed from the "Niwahana" Holiday Resort by filing a lawsuit against the lessor due to not making lease rent payments of the "Niwahana" Holiday Resort, Nuwara Eliya belonging to the Corporation due to not paying lease rent as per the Agreement, legal action had not been taken by the Corporation to recover the lease rent amounting to Rs.5,106,500 recoverable as per the Agreement and the legal expenses amounting to Rs.2,151,206 spent from the year 2010 for reclaiming the ownership of the property from the year 2005 to February 2014, even up to 31 December 2017.

(g) The land in which the "Niwahana" Holiday Resort in Nuwara Eliya is located had been leased to an external party for maintaining a Holiday Resort for s monthly lease rent amounting to Rs.290,000 for a period of three years from 01 June 2015 without extending its period despite the lease rent period of that land had been scheduled to expire on October 2015 and, it was observed that the outstanding lease rent as at December of the year under review amounted to Rs.725,000.

(h) Even though the Cash and Bank Balances including Fixed Deposits amounting to Rs.90,666,817 and Rs.58,499,697 respectively, amounted to Rs.260,851,451 and Rs.320,286,094 respectively, belonged to the Corporation as at 01 January and 31 December of the year under review, it had to pay an Overdraft Interest amounting to Rs.4,600,116 due to maintaining a bank Overdraft of over a sum of Rs.30,000,000 throughout the year.

(i) A surcharge amounting to Rs.17,987,509 had to be paid on arrears of tax relating to the period from 2004/2005 Estimate Year to 2014/2015 on not paying tax properly as per the Economic Service Charges Act, No.13 of 2006.

4.3 Operating Activities

The following observations are made.

(a) Even though a land, 30 acres in extent belonging to the areas of the Nuwara Eliya and Welimada Divisional Secretariat Offices had been allocated by the Government in the year 1984 for the construction of the Ambewela Broadcasting Station, action had not been taken to legally acquire that land by a lease agreement and, that land had not been utilized for the proposed function even up to 31 December 2017. Action had been taken by the relevant Divisional Secretariat to lease a portion of that land to a private Institution called "Vidulanka" despite action had been taken to enter into the lease agreement for the portion of land of 6 acres in extent belonging to the area of the Nuwara Eliya Divisional Secretariat Office. Moreover, the Corporation had failed to obtain the tax right for the remaining 24 acres in extent of land belonging to the Welimada Divisional Secretariat and, only the two Holiday Resorts in the land had been maintained by the Corporation.

(b) The land, 1.503 hectares in extent, located in Kalatuwawa which had been purchased for a sum of Rs.50,000 in the year 1990 for the construction of an FM Transmission Station had not been utilized for the proposed function up to date. Even though a Tower of 19.77 perches in extent out of it had been constructed and had been enjoyed by the Lanka Bell Limited from the year 2011 and that Institution had been agreed to pay a sum of Rs.15,000 monthly in this connection, it had not been able to charge the ground rent income receivable to the Institution from the year 2011 on not being able to enter into a legal lease agreement up to date.

(c) A Unit to furnish complaints on audio condition of the broadcasts had not been established in the Corporation and, documentation of the complaints received from the listeners to the Corporation had not been carried out by any Division whatsoever of the Corporation. Even though action should be taken to take suitable action by referring the complaints to the Audio Research Division, the Corporation had failed to take timely steps on the Corporation not being acquired with such a procedure.

4.4 Idle/ Underutilized Assets

Even though a total sum of Rs.3,400,000 had been spent in several instances from the year 2008 for the purchase of software and accessories for the automation of the broadcasting services, the Corporation had failed to operate that software in a manner that facilities receivable from that service could be obtained, even by 31 December 2017. Moreover, the conditions of the software being used for Accounting remain in the same condition. As such, it was observed that many functions of which a large amount of money had been spent to obtain that software, had not been automated up to date.

4.5 Identified Loses

The following observations are made.

(a) One thousand and twenty- seven portions, 10 perches each in extent out of the land in Seeduwa, 125 acres in extent belonging to the Sri Lanka Broadcasting Corporation had been distributed among the public by the Katana Divisional Secretariat within the period between 2000- 2001 without an agreement with the Sri Lanka Broadcasting Corporation. Even though the ownership of the land remained with the Corporation even up to the date of audit, sufficient action had not been taken to recover compensation.

(b) The Power Logger Survey Equipment valued at Rs.425,000 which was under the use of the Power Station Division, which was under the custody of the Security Services Division had been misplaced on a date from 19 October 2016 to 27 October 2016 and, any action whatsoever had not been taken to recover from the parties responsible.

4.6 Procurement and Contract Process

It was observed that the values stated in the Report of the Radio Wave Strength Wave Examination carried out afterwards had been the values lower than the lowest values mentioned in the expected specifications on awarding the contract not considering the specifications in measuring the Field Strength of the Transmitter and the Antenna System in awarding the contract of purchasing and installing 10KW 07 Transmitters and an Antenna System valued at Rs.104,720,555 for the modification of the Karagahatenna Broadcasting Station, belonging to the Institution. Moreover, it was revealed that at least the minimal values that should be attained in the regional level had been achieve only in 09 instances out of 182 instances where the examinations had been carried out.

4.7 Personnel Administration

The following observations are made.

(a) Even though 851 employees had been deployed in service as at 31 December 2016 in the Corporation, Schemes of Recruitment and Promotions had not been prepared and had not been furnished to the Secretary to the Ministry.

(b) According to the information furnished, the permanent staff and the surplus staff of the Corporation as at 31 December of the year under review had been 851 and 187 respectively.

(c) It was observed that 04 Key Staff- Grade Posts of the Corporation being remained vacant from a period between 03 years to 09 years could directly affect towards the performance of the Corporation.

(d) A fuel allowance totalling Rs.260,000 had been paid from 01 April 2016 up to date, a sum of Rs.10,000 each, in addition to the monthly allowance amounting to Rs.35,000 entitled as per the Appointment Letter, to the Officer appointed on assignment basis to monitor Folk Singing Research and Musical Programmes.

(e) Even though the Officer who had been acting as the Director general of the Corporation had been released from 19 January 2015, that Officer had not been appointed into the post of Deputy Director General, the post that he had been acting previously, in terms of Section 19(3)(b) of Sri Lanka Broadcasting Corporation Act. Even though he had been appointed as a Consultant of the Corporation from 19 October 2015 on the approval of the Board of Directors without the approval of the Cabinet of Ministers, instead, he had been informed that he will not be accepting that post. However, a sum of Rs.1,076,918 had been paid in the year under review for Official Residences, Official Vehicles, fuel;, salaries, Employee Provident Funds and for telephone allowances despite there was an ability to make that Officer contribute to the performance of that Institution by assigning him other duties from the date of his release, without doing so and despite another Director General had been appointed.

5.6 Utilization of Vehicles

The following observations are made.

(a) Even though a Motor Vehicle in running condition provided by the Board of Investment of Sri Lanka had been revaluated for a sum of Rs.2,300,000 in the year 2010, action had not been taken up to date to clearly acquire its ownership to the Corporation.

(b) Even though a Motor Vehicle provided from the Mahaweli Authority of Sri Lanka which had been disposed of running from a period of over 10 years and which remains being parked in the Ekala Transmission Station premises had been revaluated for a sum of Rs.150,000 in the year 2010 and had been brought to account, it remained being defaulted even without being able to dispose on not taking action to clearly acquire its ownership to the Corporation.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the financial statements, Drafts and the Annual Report should be furnished to the Auditor General within 60 days after the closure of the Year of Accounts in terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the financial statements had been furnished to the Auditor General on 04 August 2017.

5.2 Corporate Plan

The Corporate Plan for 2016- 2018 had not been prepared in terms of Section 5.1.2 of the Public Enterprises Circular No.PED/12 of 02 June 2003 and Section (1) of the Paragraph of the Public Finance Circular No.01/2014.

5.3 Action Plan

Ten activities under 3 Sections including the Action Plan had not been implemented in the year under review and 4 activities belonging to 2 Sections had not been sufficiently executed even by the end of the year.

5.4 Internal Audit

Even though 04 posts of Permanent Audit Assistant remained in the Internal Audit Unit as per the Approved Cadre, only two Audit Assistants had been deployed in service as at 31 December 2016.

5.5 Procurement Plan

Even though the Master Procurement Plan should be prepared by the procurement entity as per Section (a) of Paragraph 4.2.1 of the Government Procurement Guidelines 2006 and even though the procurement activities expected at least for a period of three years should be enlisted in the Master Procurement Plan in terms of Section (b) of that Paragraph, the Procurement Plan had been prepared only for the year 2016 by the Corporation.

5.6 Tabling of Annual Reports

The Annual Report for the year 2014 had not been tabled in the Parliament even by 31 December 2017.

5.7 Unresolved Audit Paragraphs

(a) The construction activities of the Antenna Tower in Puthur had been handed over to the National Handicraft Board on 16 July 2011 not considering the financial and technical competency and deviating from the Procurement Guidelines. A sum of Rs.9,126,933 had been paid to the National Handicraft Board as Advances for the initiation of the construction activities and the contract had been abandoned without carrying out construction activities. A loss amounting to Rs.4,778,892 had been incurred to the Corporation on repaying only a sum of Rs.4,348,041 out of the paid Advance, to the Corporation.

(b) A sum of Rs.23,119,683 had been spent for importing 2 Antenna Towers with 60 meters and 100 meters in height respectively in the year 1996 and, a sum of Rs.2,568,000 had been paid as Advances to a private Institution for the installation of those Towers. Those Towers had not been installed even by the end of the year under review on the places that they should be installed not being decided and, it was observed that those equipment remained being stacked unsecured in the Ekala premises.

(c) Action had not been taken to properly obtain the ownership of two houses (Anuradhapura and Kandy) purchased for a sum of Rs.860,000 by the Corporation, by obtaining the Certificates of Transfer for those houses.

6. Systems and Controls

Deficiencies 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.

Areas of Systems and Controls	**Observations**
(a) Accounting	(i) Not updating the Method of Accounting of the Corporation. (ii) Errors remaining in calculating the Cost of Sales. (iii) Assets, liabilities, income, expenditure ommission from Accounts being observed.
(b) Control of Assets	(i) Not taking action to obtain legal deeds for the lands purchased by the Corporation. (ii) The Corporation, not being able to safeguard the lands being enjoyed, belonging to the Corporation and a large amount of lands not being utilized. (iii) The lands not being enjoyed but, belonging to the Corporation being illegally acquired by external parties. (iv) Lands and Buildings not being physically verified. (v) Losses being incurred to the Corporation on weaknesses in the administration of Assets. (vi) Some assets not being remove from books despite they being removed and being sold.
(c) Accounts Receivable and Payable	(i) Loan balances older than 41 years remaining not being recovered. (ii) Not taking action to identify and compare the Debotrs' Control Accounts and Schedules. (iii) Not taking action to identify and compare the Creditors' Control Accounts and Schedules. (iv) Unpaid Accrued expenses remaining between 02 years and 10 years and not taking action to analyze the expenses and to write- off them from books. (v) Not settling the tax liabilities on the due date as per the Standards and tax Acts.

(d) Control of Stocks	Not computing the physical stocks for the closing stock stated in the financial statements.
(e) Control of Vehicles	(i) Not taking action to dispose dilapidated motor vehicles and the motor vehicles that are not in a usable condition. (ii) Not carrying out a physical verification on Motor Vehicles.
(f) Personnel Administration	(i) Not existing an approved Scheme of Recruitment. (ii) Consultants recruited non-compliance with laws, rules and regulations being deployed in service over a period of several years by extending their service period. (iii) A surplus of employees being remained due to recruitment for the posts not being approved.
(g) Control of Procurements	(i) Not preparing a Detailed Procurement Plan. (ii) Deficiencies remaining in the contract of the modification of a Broadcasting Station.