

1.1 Qualified Opinion

The audit of the financial statements of the Telecommunication Regulatory Commission of Sri Lanka for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and the Finance Act No.38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Telecommunication Regulatory Commission of Sri Lanka as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in Paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission’s financial reporting process.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Commission is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Commission, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Commission has complied with applicable written law, or other general or special directions issued by the governing body of the Institute
- Whether the Commission has performed according to its powers, functions and duties; and
- Whether the resources of the Commission had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with reference to the relevant Standards	Comments of the Management	Recommendation
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(a) Sri Lanka Accounting Standard 16 Property, Plant and Equipment.		
(i) Although value of the Property Plant and Equipment of the Commission had been stated at their cost of Rs.13,272,142,850, the fair value thereof had not been computed and stated in the financial statements. Notwithstanding the	Necessary steps will be taken to revalue all the assets and state the fair value thereof in the financial statements of the ensuing year.	Action should be taken to revalue assets and state their fair value in accounts.

acquisition of nearly an extent of 50 per cent of a land containing 112 Acres 01 Rood and 10.5 Perches worth Rs.45,000,000 by the Divisional Secretariat Katana, which had been stated as belonging to the Commission, total cost of the land had been included in the above value.

(ii) Although fully depreciated fixed assets valued at Rs.15,192,644 were further being used, action had not been taken to revalue those assets in accordance with Paragraph 51 of the Standard and include in the financial statements.

All fixed assets will be revalued and the fair value thereof will be shown in the financial statements of the ensuing year.

Action should be taken to revalue assets and account them under fair value.

(b) Accounting Standards 37 Provisions, Contingent Liabilities and Contingent Assets

Three institutions had filed cases against the Commission claiming compensations of Rs.62,146,612,000 for non-implementation of the frequency project and breach of the contract agreements respectively. Even though compensation of Rs.14,800,000,000 had been estimated relating to the case filed against the Commission in connection with breach of services and damages caused to a transmission station, that amount had not been disclosed in the financial statements.

Although the matters relating to this case have been stated in the financial statements, the estimated value of the relevant compensation of Rs.14,800 million could not be stated.

In terms of Sri Lanka Accounting Standards 37, the estimated value should be disclosed in the financial statements.

1.5.3 Accounting Deficiencies

Audit Observations	Comments of the Management	Recommendation
(a) Even though the liquidated damages of Rs.1,680,544,180 recovered for the delays of the Lotus Tower Project should be computed as other income, it had been brought to account as liquidated damages of the Lotus Tower under the current liabilities. In addition, having computed the exchange loss therefor, a sum of Rs.226,998,520 had been credited to that account.	In order to obtain Cabinet approval for extending the project period in future according to the recommendations of the University of Moratuwa, the consultants of the project, the draft amount has been accounted under the current liabilities as the liquidated damages. Further, in converting foreign currency in to local currency at the end of the year, exchange loss has been computed at the exchange rate existed at that date and brought to account in accordance with Sri Lanka Accounting Standard 21.	Evidence should be furnished to substantiate the reasons led to include the liquidated damages under the current liabilities.
(b) A sum of Rs.1,924,800 had been paid for the renewal of Oracle Database Support Service Agreement from 24 October 2018 to 23 October 2019 and a sum of Rs.1,560,934 as the value pertaining to the period from 01 January 2019 to 23 October 2019 had not been recognized as an advance payment in the accounts. Accordingly, the profit of the year had been understated by that amount.	Action will be taken to make corrections in preparing financial statements in the year 2019.	Since accounts are prepared on accrual basis, expenditure pertaining to the period from January to October 2019 should be recognized as an payment made relating to the future.
(c) A sum of Rs.560,955 had been paid on 30 November 2018 for servicing activities of the elevator of the Commission from 01 September 2018 to 31 August 2019 and a sum of Rs.373,458 relevant to the period from 01	Action will be taken to make corrections in preparing financial reports in the year 2019.	Expenditure pertaining to the period from January to August 2019 should be recognized as payments made relating to the future.

January 2019 to 31 August 2019 had not been recognized as an advance payment in the accounts. Accordingly, the profit of the year had been understated by that amount.

1.5.4 Non-reconciled Control Accounts or Reports

Item	Value as per Financial Statements	Value as per Corresponding Reports	Difference	Comments of the Management	Recommendation
	Rs.	Rs.	Rs.		
(a) Turnover subject to the Nation Building Tax and the Economic Service Charges Tax	11,811,272,245	11,845,891,066	34,618,821	Action has been taken to prepare reconciliation statements to recognize this difference and these reconciliation statements will be presented in future.	Since the turnover pointed out by the observation has been adjusted to the cash basis, reasons behind the difference should be reported.
(b) Balance of the Value Added Tax Control Account.	223,392,670	238,629,877	15,237,207	Action will be taken to examine the relevant difference.	Reasons for the difference should be ascertained and corrected.

1.5.5 Lack of Documentary Evidence for Audit

Item	Amount	Evidence Not Furnished	Comments of the Management	Recommendation
	Rs.			
Treasury Deposits	354,000,000	Investment Certificate	Action will be taken to update the relevant files in consultation with the Treasury on this investment.	Relevant evidence should be furnished to substantiate the matter.

1.6 Accounts Receivable and Payable

1.6.1 Amounts Receivable

Audit Observations	Comments of the Management	Recommendation
(a) Agreements had not been entered into with 04 operators who used the antenna and transmission tower at Kokavil in order to recovery the lease rent remained recoverable from the year 2012 and lease rent of Rs.334,293 had not been recovered even up to 15 May 2019 from one operator of the Lanka Bell Ltd. who had entered into agreements.	The Legal Division is taking necessary action to enter into agreements with the four operators who had not entered into agreements and reminders have been sent to the Lanka Bell Ltd. on 18.06.2018 to settle the relevant payments.	A proper methodology should be introduced to recover the money.
(b) Out of the electricity bills value recoverable from the operators who used this tower from January 2012 up to 30 November 2018, a sum of Rs.75,463,256 had not been recovered up to 15 May 2019. Steps had not been taken against the operators for not paying the above amount.	Even though the Commission has informed the SLBC/SLRC and ITN in several instances to settle the payments receivable for the electricity bills that had been continued to exist over a longer period, no response whatsoever has been made thereon.	Action should be taken to recover the outstanding money by introducing a proper methodology.
(c) The debtors balance as at 31 December of the year under review amounted to Rs.1,661,523,593 and the balance that remained older than 02 years amounted to Rs.373,504,055. Since all the debtors older than 02 years had been included in this category as per the classification of debtors, age analysis of those debtors could not be correctly recognized and a balance totalling Rs.302,858,443 exceeding Rs.1 million of 10 institution that had continued to exist over a period from 07 years to 30 years, too, had been shown in this balance.	Necessary steps will be taken to classify all the debtors exceeding 02 years period according to specific age groups enabling the identification of age analysis of the debtors accurately.	Steps should be taken to classify all the debtors according to specific age groups and settle the outstanding balances.

- (d) The amount due from the Sri Lanka Broadcasting Corporation stood at Rs.145,254,449 by 31 December 2018 and it included balances continued to exist from the year 1981. According to a Commission's decision, a letter has been sent to the Secretary to the Ministry of Mass Media with a copy to the His Excellency the President seeking speedy mediation to recover the dues. Expeditious steps should be taken to recover the outstanding money.
- (e) Action had not been taken to settle a sum of Rs.2,129,435 which had been excessively recovered from the debtors as frequency licence charges. Further analysis will be carried out on the overpayments and thereby possible relevant steps will be taken thereon subject to the decision of the Commission. Action should be taken to settle the money that had been excessively recovered.
- (f) In terms of Telecommunication Levy Act No.21 of 2011, the telecommunication tax should be paid before 15 of the following month. Although 03 institutions had not duly paid taxes and surcharges, action had not been taken to recover those money. Herein, it could be computed that only a sum of Rs.6,358,657 was recoverable from one institution while Rs.1,267,758 was recoverable from another institution. Necessary legal action is being taken to recover the lease amounts from the LCSN institute and action will be taken to recover the lease amounts due from the other institutions. Tax and surcharges should be recovered properly in accordance with the Telecommunication Levy Act.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Management	Recommendation
(a) Inland Revenue Act, No.24 of 2017 and Public Enterprises Circular No. 03/2016 dated 29 April 2016.	Even though the Pay As You Earn Tax should be deducted from the salary of the relevant officers and remitted to the Inland Revenue Department, contrary to that, a sum of Rs.7,404,781 had been paid	The Pay As You Earn Tax recovered from the officers are remitted to the Inland Revenue Department. Nevertheless, the	In terms of Inland Revenue Act, No.10 of 2006 and amendments made thereto, Pay As You Earn Tax should be deducted from the salary of the relevant

from the funds of the Pay As You Earn officers and remitted
 Commission even in the year Tax thus deducted to the Inland Revenue
 under review as in the from the officers are Department.
 preceding years. again reimbursed by

the Commission. The
 legal position
 applicable to the
 reimbursement of the
 deductions of the
 PAYE Tax of the
 employees was
 consulted from the
 Attorney General's
 Department.

Accordingly, it was
 informed that there
 were no legal
 barriers to reimburse
 PAYE tax to the
 employees.

Accordingly, that
 answer has been
 submitted to the
 Commission for
 approval by now.

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| (b) Section 9.14.2 of the Public Enterprises Circular No. PED/12 dated 02 June 2003. | The concurrence of the Secretary to the Treasury had not been obtained for the scheme of recruitment through the Department of Public Enterprises. | Subsequent to completion of making amendments to the Scheme of Recruitment properly in the year 2019, action will be taken to obtain concurrence of the Department of Public Enterprises. | Action should be taken to obtain concurrence of the General Treasury in accordance with the Circular No.PED/12 dated 02 June 2003. |
| (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. | The Commission had not conducted a board of survey for the year under review and not furnished relevant reports to the Auditor General. | Comments have not been made. | A Board of Survey should be properly conducted and relevant reports should be submitted in terms of Financial Regulation 757 (2). |
| Financial Regulation 757 (2) | | | |
| (d) Paragraph 01 of Management | In the determination of salaries and allowances for the staff of | By the Sri Lanka Telecommunications | In the payment of allowances and |

<p>Services Circular No.39 dated 26 May 2009.</p>	<p>the State Corporations and statutory boards, recommendation of the Salaries and Cadre Commission and approval of the Department of Management Services should be obtained. Nevertheless, without being obtained such recommendation and approval, a sum of Rs.91,859,110 had been paid to the staff as incentive, bonus and house rental allowances during the year under review upon the decisions of the Commission in compliance with the internal circulars.</p>	<p>(Amendment) Act No.22 of 1996, powers for the determination of salaries and allowances has been conferred on the Commission and the Attorney General has given instructions in this connection by his Letters No.E/164/07/TRC dated 15.08.2007 and E/164/07/TRC dated 24.09.2007.</p>	<p>salaries, recommendation of the Salaries and Cadre Commission and approval of the Department of Management Services should be obtained thereon.</p>
<p>(e) Letter No. NSCC/3/ABC/24 dated 01 June 2007 of the Salaries and Cadre Commission.</p>	<p>Although a monthly transport allowance of Rs.2,000 had been approved for the non-staff grade officers , a sum of Rs.11,808,000 had been paid at Rs.6,000 during the year under review. Accordingly, a sum of Rs.7,872,000 had been paid in excess to the approved limit.</p>	<p>In terms of powers vested under section 22C(2) of the Sri Lanka Telecommunications (Amendment) Act, these payments have been made for the staff of the Commission under the approval of the Commission. Similarly, concurrence in that regard has been further expressed by the Letters No.E/164/07/TRC dated 15.08.2007 and E/164/07/TRC dated 24.09.2007 of the Attorney General.</p>	<p>Action should be taken to pay only the recommended allowance.</p>

2. Financial Review

2.1 Financial Results

The operations of the Commission for the year under review had resulted in a surplus of Rs.45,706,552,824 as compared with the corresponding surplus of Rs.53,576,471,208 for the preceding year, thus showing a deterioration of Rs.7,869,918,384 in the financial results of the year under review. The above deterioration was mainly attributed to the decrease in the licence charges income, telecommunication levy income, telecommunication development charges income and levy on outgoing local access charges by Rs.6,335,108,677 and use of Smart Phones and mobile applications in which Over-the-top can be utilized, free of charge and changes of the Government tax policy. In addition, increase in the losses of the foreign exchange transactions by Rs1,545 million compared to the preceding year as a result of speedy depreciation of Rupee and increase in the expenditure on bonus allowances by 50 per cent too had contributed to the above deterioration.

3. Operating Review

3.1 Uneconomic Transaction

Audit Observation	Comments of the Management	Recommendation
For the production of a film and a tele-drama which are not the objected functions of the Commission, sums of Rs.32,192,177 and Rs.7,160,400 had been paid respectively during the year 2015 upon the approval of the Commission and a sum of Rs.26,400,000 only had been settled by the film director on 12 January 2018 out of the expenditure incurred on the film. A sum of Rs.5,782,177 had further remained recoverable. Accordingly, it was observed that sum totalling Rs.12,952,577 comprising the amount not recovered from the film production and the amount paid for the tele-drama had become an uneconomic transaction.	The Commission has appointed a committee to take decision on the steps to be taken in future to settle the money thus spent and action is being taken in accordance with the recommendations of the said Committee at present.	Since the Commission too has given approval to carry out activities extraneous to the objectives of the Commission, the Commission is also responsible for the said loss and action should be expeditiously taken to recover the loss.

3.2 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Provisions of Rs.10 million had been allocated during the year 2018 for the “Net Safe Child Protection” programme which had not been implemented, despite being included in the Action Plan for the year 2016. The approval of the Commission had not been received for this programme and proposals had been made to control the contents on the internet through the Filtering Mechanism in order to achieve the objectives of the project. It was not observed that steps had been taken to implement the above proposal even up to 09 April 2019.</p>	<p>Development of a methodology to control internet through Filtering System is only a proposal made by the Commission.</p>	<p>Before allocating provisions for the programmes, approval thereon should be obtained and measures should be taken to secure the children from Internet.</p>
<p>(b) The programme of the introduction of methodology for automation of frequency observation system ,which had been postponed in the year 2016 due to lack of adequate number of Technical Officers, had not been implemented even during the year under review.</p>	<p>Relevant activities for the installation of Frequency Operation System are in progress. Action is being taken to obtain Cabinet approval for the appointment of Technical Evaluation Committee and the Procurement Committee for that purpose.</p>	<p>Action should be taken according to the plans and to fill vacancies of the officers who have technical knowhow on the field.</p>
<p>(c) Even though the Cabinet approval had been received in the year 2014 for the preparation of National Equipment Identity Register for the protection of consumers who use the mobile phones, the programme for the prevention of duplicate phones from entering into the market had not been implemented even in the year 2018.</p>	<p>Necessary provisions for the implementation of National Equipment Identity Register preparation project have been included in the budget, 2019 of the Telecommunication Commission and necessary activities relevant to that task are in progress.</p>	<p>Steps should be taken in accordance with plans.</p>

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| (d) The Commission had failed to take necessary action to declare as a law, the Guidelines 2010 and 2017 issued by the Telecommunication Regulatory Commission of Sri Lanka in relation to the telecommunication transmission towers. | Necessary arrangements are being made to make a Guideline on Telecommunication Transmission Towers in to a law. | Expeditious steps should be taken to make the Guideline on Telecommunication Transmission Towers in to a law. |
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3.3 Idled or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
According to the contract agreement relating to the construction of Telecommunication Media Centre at contract value of Rs.2,494 million, works should be commenced on 10 August 2014 and construction should be completed in July 2016. This project had been discontinued by 23 June 2016 and the total expenditure incurred on this project as at 31 December 2018 amounted to Rs.684 million. Accordingly, this building, the constructions of which had not been completed, had remained idle for more than a period of 02 years.	The Telecommunication Regulatory Commission is looking for an investor who expects to by the partly constructed building at Hambantota Information Technology Park at a suitable payment system.	Action should be taken promptly to utilise the idled building in an investment activity.

3.4 Procurement Management

Audit Observation	Comments of the Management	Recommendation
(a) Despite being included in the Procurement Plan, there were 32 procurement activities worth Rs.1,856,798,710 which had not been implemented during the year under review. Out of the items included in the Procurement Plan, 11 procurement activities only had been completed during the year.	Due to reasons such as subsequently recognising that new purchases were unnecessary, complexity of the information technology systems, temporary stoppage of vehicle purchasing according to the directives of the Ministry of Finance, 21 items included in the Procurement Plan could not be completed.	In the preparation of plans, requirements should be precisely identified and steps should be taken in accordance with the plans as far as possible.

- (b) There were 10 procurements carried out during the year under review without being included in the Procurement Plan 2018 and the value thereof amounted to Rs.3,376,754. Taking into consideration urgent requirements, certain procurement activities not included in the Procurement Plan of the year 2018 were carried out in accordance with the Procurement Guideline to make purchases extraneous to the Procurement Plan. Procurement Plan should be amended.

3.5 Deficiencies of the Contract Administration

Audit Observation	Comments of the Management	Recommendation
<p data-bbox="296 817 550 851">Lotus Tower Project</p> <p data-bbox="296 896 821 1433">According to the Cabinet Decision No.10/2473/401/031 dated 29 October 2010, the contract for the construction of the Lotus Tower had been awarded to 02 Chinese companies. The Telecommunication Regulatory Commission and those Group had entered into the Contract Agreement on 03 January 2012. The value of the contract amounted to US\$ 104,300,000 and this contract should have been completed in 912 days from 12 November 2012 to 12 May 2015 in terms of the agreement. The following observations are made in this connection.</p>	<p data-bbox="839 1467 1189 2007">Even though several reminders have been issued to the Urban Development Authority in this connection, action has not been taken in accordance with the Cabinet approval to vest the land by recovering only the expenditure incurred. Instead, the Urban Development Authority requests the Telecommunication</p>	<p data-bbox="1204 1467 1457 1657">Activities relating to vest the land in the Commission should be accelerated.</p>
<p data-bbox="296 1467 821 1702">(a) The Urban Development Authority had not vested the land of 2.59 hectares in the Commission in terms of the Cabinet Decision No 11/2262/501/026/TBR dated 14 December 2011.</p>		

Regulatory Commission to pay the Rs.11.7 billion stated in the Memorandum of Understanding without taking steps in line with the Cabinet decision.

- (b) Subsequent to the expiry of period of contract relating to the construction of Lotus Tower, approval had been granted to extend the period of contract up to October 2017 as per the Commission's Decision No.2k15.217.02 (2) dated 28 August 2015. Nevertheless, constructions had not been completed even by 31 March 2019.
- Observation is accepted.
- Prompt action should be taken to use the Lotus Tower in investment activities by preventing further delays.
- (c) Subsequent to the payment of consultancy charges of Rs.150,000,000 in 12 instalments, relevant payment had been suspended and outside the provisions in the conditions of the agreements, consultancy charges at Rs.3,000,000 per month is being paid to the Moratuwa University from month of November 2015 indicating as contract supervision. The Commission had informed that the above payment had to be made as a result of failure in preventing possible damages by allowing the constructions to be carried out without a formal supervision.
- Observation is accepted
- Action should be taken in accordance with the conditions of the agreement and Cabinet approval should be obtain to pay consultancy charges.
- (d) Even though a process had been initiated to lease out the Colombo Lotus Tower to a property management company, the Cabinet approval thereon had not been obtained up to date.
- The Attorney General's Department has informed that in terms of Telecommunication Act, the Telecommunication Regulatory Commission has no powers to establish companies to implement property management process approved by the Cabinet. Accordingly,
- Action should be taken to obtain Cabinet approval immediately.

action will be taken to reach a concurrence on the process with the Line Ministry after the construction of Lotus Tower and thereby, obtain Cabinet approval for that process.

3.6 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
(a) Although the total approved cadre of the Commission as at 31 December of the year under review stood at 298, actual cadre was 221 together with unapproved 02 posts. Accordingly, total number of vacancies was 79. Amendment of the approved cadre and accordingly, making recruitments had not been completed even by March 2019. Similarly, two officers had been appointed to an unapproved post of Assistant Accountant from the year 2015, whereas approval for those posts had not been obtained up to date.	The approved cadre and the number of vacancies as at 31.12.2018 stood at 298 and 79 respectively and filling the above vacancies has been commenced in exigency of the service. The new cadre requirements, organizational structure, scheme of recruitment are being amended at present and they are due to be forwarded to the Department of Management Services for approval. Accordingly, action will be taken to obtain approval for the 02 posts of Assistant Accountant.	Making necessary recruitments and amendments to the organizational structure and rules of the scheme of recruitment should be immediately carried out and action should be taken to obtain approval of the Department of Management for the two posts of Assistant Accountant.
(b) Without taking steps to fill vacancies of the permanent staff, 08 officers had been recruited on secondment basis, while 28 officers had been recruited on contract basis by 31 December 2018.	Process of filling vacancies in the staff is determined in terms of powers vested under the appointment rules of the Commission and the Commission Act. Accordingly, 28 persons on contract basis and 08 persons on secondment basis have been appointed for essential posts.	Since services cannot be continuously obtained from the officers recruited on secondment basis, necessary steps should be taken expeditiously to fill the staff vacancies.

- (c) As stated in the Scheme of Recruitment of the Commission, the number of Senior Telecommunication Officers in the cadre approved by the Department of Management Services on 11 December 2011 was 04. Nevertheless, the number of Senior Telecommunication Officers had been increased up to 09 according to a decision of the Commission.
- By the Commission's decision No.2k16.224.08(2) dated 26.04.2016, approval has been granted to increase 04 posts of Senior Telecommunication Officers up to 09 posts. Accordingly, in terms of Commission's Decision No.2k16.227.10(11) dated 26.07.2016, approval of the Commission has been received to promote these officers to the post of Senior Telecommunication Officer.
- Approval of the Department of Management Services should be obtained for the number of posts remains in excess to the approved cadre.

3.7 Vehicle Fleet Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) Out of 29 motor vehicles owned by the Commission, 05 vehicles had not been used during the year 2018 and details on the disposal of the said vehicles had been included in the Action Plan, 2018. Nevertheless, auctioning of vehicles had not been carried out during the year.</p>	<p>New committees have been appointed and steps are being taken in a manner able to complete those auctions during the year 2019.</p>	<p>Necessary steps should be taken to dispose of the vehicles.</p>
<p>(b) Three out of the vehicles to be disposed were the frequency observation vehicles and as such, this had been an obstacle to continue frequency observation activities.</p>	<p>The relevant Technical Divisions have informed that the conduct of frequency observations by 03 vehicles causes impediments to that process and since observation activities are not further carried out with the unusable vehicles, new vehicles are used in the frequency observations. Further, steps are being taken to obtain new vehicles at present.</p>	<p>Action should be taken to obtain new vehicles.</p>

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
(a) The computer programmes on human resource management, stores management and the digitalization of court orders and documents, which had been included in the Action Plan and scheduled to be implemented by the Commission for the year 2018, had not been initiated during the year.	The Technical Unit had not been properly established until the latter half of 2018 and due to difficulties found in obtaining necessary guidelines for the relevant procurements, those procurements could not be properly carried out.	Action should be taken in accordance with the plans.
(b) Sixteen activities included in the Action Plan to be implemented during the year had not been entirely completed and the progress thereof remained between 5 per cent upto 80 per cent. It included 03 activities with progress of 25 per cent and less than that and 05 activities with progress of 50 per cent and less than that.	At the progress reviewing, the matter on non-achievement of progress of relevant activities was specially brought to the notice of the relevant Heads of Divisions. Accordingly, by paying special attention on the activities of which progress could not be achieved in the preceding year, action will be taken to upgrade the performance in the year 2019.	Action should be taken in accordance with the plans.
(c) Plans had been drawn to conduct researches in the field of telecommunication with the assistance of the Universities in the preceding year and provision of Rs.1.5 million had been allocated thereon during the year under review. Although any expenditure had not been incurred in that connection during the year under review, the Institute had stated its progress as 50 per cent.	Having completed all activities relevant to carry out telecommunication researches, progress of this activity had been achieved. Action has been taken to pay financial provisions in instalments as per the agreements after reviewing the researches.	Action should be taken in accordance with the plans.

4.2 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
Variations ranging from 8 per cent upto 34 per cent between budgeted and actual income and variations ranging from 33 per cent upto 96 per cent between budgeted and actual expenditure were observed and there were 11 Objects worth Rs.20,397,633 not included in the budget. Accordingly, budget had not been made use of as an effective instrument in management control.	The matter was noted down.	In the preparation of the budget, it should be carried out so as to minimize the variations and action should be taken to make use of the budget as an effective instrument in management control.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Management	Recommendation
In reaching the targets of covering telecommunication activities in every rural area by the year 2030 for the promotion of telecommunication information technology based on the sustainable development goals, the extents of covering required milestones for regulation of relevant activities had not been indicated.	The Telecommunication Regulatory Commission has initiated a comprehensive project in this connection. This project has been named as “ <i>Gamata Sannivedanaya</i> ”. The subscriber companies and the Telecommunication Regulatory Commission expect to meet the communication gap prevailing in those areas, in future.	The extents of covering necessary milestones should be correctly identified.