Sri Lanka Rupawahini Corporation – 2018

Qualified Opinion

The audit of the financial statements of the Sri Lanka Rupawahini Corporation ("Corporation") for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of 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 Finance Act No. 38 of 1971. My comments and observations which I consider should be furnished to the Parliament appear in this report.
In my opinion, except for the effects of the matters described in the paragraph 1.4 of this report, the financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.1 Basis for Qualified Opinion

My opinion is qualified based on the matters described in the paragraphs 1.4 and 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.

1.2 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 Corporation's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Corporation 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 of the Corporation.

1.3 Audit Scope (Auditor's Responsibility on 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 Corporation'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 Corporation'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 Corporation 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 Corporation and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Corporation has complied with applicable written law, or other general or special directions issued by the governing body of the Corporation *;*
- Whether the Corporation has performed according to its powers, functions and duties; and
- Whether the resources of the Corporation had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.4 Financial Statements

1.4.1 Non-Compliance with Sri Lanka Accounting Standard

Non Compliance with the reference to the particular Standard	Comments of the Management	Recommendation
a) Sri Lanka Accounting Standards - 1		
According to the Paragraph 32 of the Standard, assets and liabilities should not be set off against each other by an entity unless otherwise required or permitted by a Standard. Nevertheless, the debit balances arisen due to accounting errors amounting to Rs.5,565,112 had been set off against the payable agents' commission amounting to Rs.97, 602,473. As a result, the payable balance of agents' commission had been taken in to accounts as Rs.92, 037,361.	Only the net value of the agent's commission account was shown in the ledger because it is a control account. However detailed schedule was submitted and debit and credit balances were shown separately in it.	Provisions mentioned in the Accounting Standard should be followed**.**
b) Sri Lanka Accounting Standards 2		
According to the Paragraph 9 of the Standard, the stocks should be assessed and shown in the financial statements at the net realizable value or the cost whichever less is. However the stocks amounting to Rs. 206,739,963 had been shown at the cost in the financial statements without estimating the net realizable value. Out of the physically verified balance of Rs. 9,929,561 of the said stock, an unusable stock balance of toner valued at Rs.254, 763 and a balance of non-moving stock of DVD and toner amounting to Rs. 434,177 had been included as at 31 December 2018.	Values of non-usable items and non-moveable items included in the stock will be removed from the stock in disposal activities to be carried out yet.	Provisions mentioned in the Accounting Standard should be followed

c) Sri Lanka Accounting Standards 16

According to the section 79 (b) of the standard, the carrying amount of any fully depreciated property plant and equipment should be disclosed in the financial statements. However actions had not been taken accordingly.	The No. 3.3 of the financial statement was disclosed in a note under the property plant and equipment and a note with relevant values was included under No. 8 in page 26.	Provisions mentioned in the Accounting Standard should be followed

d) Sri Lanka Accounting Standards 37

Although nine courts cases had been filed by external parties against the Corporation requesting compensation amounting to Rs. 754,000,000, disclosures had not been made in the financial statements in this regard.	The relevant matters in this regard were disclosed under the intangible liabilities note 3.11 in page 12.	Provisions mentioned in the Accounting Standard should be followed

e) Sri Lanka Accounting Standards 38

According to the paragraph 118 (C) of the Standard, even though the gross value and the cumulated amortization amount of intangible assets as at the open and closing date of the financial year should be disclosed, net value of the intangible assets had been shown in the financial statement instead of the cost of those assets and cumulative amortization value had not been disclosed as well.	The note with the cost relating to intangible assets and cumulative amortization were included in the report with the schedules relating to the financial statements. Actions will be taken to include it to the financial statement since the next year.	Provisions mentioned in the Accounting Standard should be followed

f) Sri Lanka Accounting Standards 39

According to the Standard, even though investments should be shown at the fair value in the financial statements, investment made in the Lanka Puwath Ltd. amounting to Rs. 1,104,000 had been shown at the cost in the financial statements by the Corporation and actions had not been taken to identify the increase or decrease of the investment and to make relevant adjustments in the financial statements. However it was observed in audit that, there was no such institution for the time being.	Not replied	Being taken actions as per the accounting standard.

g) Sri Lanka Financial Reporting Standards (SLFRS) According to the Sri Lanka Financial Reporting Standards 13, property plant and equipment which had been fully depreciated but still in use in operations should be revalued and the fair value of those assets should be disclosed in the financial statements. However actions had not been taken to revalue and show the fair value of the assets which had been purchased at Rs. 3,161,875,819 but fully depreciated, in the financial statements.	Not replied	Provisions of standards should be followed

1.4.2 Accounting Policies

Audit Observation	Comments of the Management	Recommendation
Although financial grant amounting to Rs.100,000,000 had been received to the Corporation in the month of November 2018, the said grant had not been amortized during the year under review whilst a vehicle valued at Rs.11,500,000 received as grant in the year 2016 had been amortized since the day which it was received. The date which starts the amortization of grant had not been disclosed by the accounting policy of the Corporation. Hence the accuracy of the amortization could not be checked.	The purchasing activity of the asset relating to the grant of Rs. 100 Million was completed in the year 2019. Hence amortization of the said value will be done after the relevant assets received concurrence with depreciation of assets. The grant received in the year 2016 was 2 vehicles valued at Rs.11,500,000 and those vehicles were depreciated since the date they received. Hence amortization was done similarly.	Disclose the accounting policy for amortization and amortization to be done comply with the said policy.

1.4.3 Accounting Deficiencies

	Audit Observation	Management Comment	Recommendation
a)	According to the agreement entered in to between the Corporation and the Department of Wild Life Conservation, on 29 December 2017 for producing and telecasting the series of "Sobhadhara" timely exploration environment programe consisted with 50 episodes, the 50^{th} episode had been telecasted on 28 December 2018.However a sum of Rs. 5,000,000 receivable from the Department of wild life Conservation in connection with the final 10 episodes had not been taken in to accounts.	The final invoice relating to the final episode of the Sobhadhara programme was prepared on 28 December 2018 and was issued in the first week of January 2019. The value of the said invoice was received in January as well and it was taken in to accounts under the previous year adjustments.	The receivable income should be taken in to accounts accurately.
b)	An agreement valid for 6 months from 01 March 2018 to 31 August 2018 had been signed between the Corporation and Colombo Municipal Council for producing and telecasting series of waste management programmes namely "Pivithuru Piyasa" consisted with 10 episodes and the receivable income thereon for 10 episodes as Rs. 366,432 per each amounting to Rs. 3,664,320 as per the agreement had been taken in to accounts under the other income. Even though the relevant sum should be received to the Corporation within 7days, it had not	After entering in to an agreement with the Colombo Municipal Council for producing the series of "Pivithuru Piyasa" programme, the relevant value was taken in to accounts as receivable income. According to the agreement it was mentioned that payment should be made to the Corporation within 7 days. However as a result of an internal issue of the said institution, productions of the said series of programmes were stuck. Nevertheless it was not informed officially up to now and the said value was taken in to accounts as a receivable income.	The validity period of the relevant agreement was closed since 31 August 2018. Hence the said amount of money could not be shown as a receivable amount and it should be removed from the revenue.

been received to the Corporation or the work had not been fulfilled by the Corporation. Further income had not been generated through the said work. Hence it was observed that the other income and receivable income had been overstated by Rs.3, 644,320.

1.4.4 Unreconciled Control Accounts or Records

Item	Value as per the financial statements	Value as per the subsidiary records	Difference	Comments of the Management	Recommendation
	Rs.	Rs.	Rs.		
Cumulative depreciation	3,508,843,034	3,521,799,983	12,956,949	Not replied	Reasons for the difference should be examined and adjusted

1.4.5 Going Concern of the Organization

Audit Observation	Comments of the Management	Recommendation
The net assets of the Corporation had decreased continuously from the year 2014 to 2017. Even though losses had occurred continuously from the year 2014 to the year 2017, a profit of Rs. 188,800,669 had been reported in the year 2018 due to the Government Grant of Rs. 479,000,000 received in the year 2018. Further the bank overdraft as at the end of the year 2014 amounting to Rs. 135,658 had increased up to Rs. 244,300,445 as at 31 December 2018.Therefore the going concern of the Corporation without the financial assistance of the Treasury or Government is uncertain.	Not replied	A favorable financial management should be implemented.

1.4.6 Documentary Evidences not made available for Audit

	Item	Amount Rs.	Evidence not available	Comments of the Management	Recommendation
a)	Agent Commission payable	92,037,360	Age Analysis	Facilities to provide an age analysis in connection with the payable agent commission were not in the prevailing computer system. However actions will be taken to provide an age analysis in this regard modernizing the computer system soon	Relevant evidence should be supplied.
b)	Unrecoverable balances of debtors	58,459,978	Criteria to identify debtors	When calculating impairment provision, the age analysis of debtors was used to identify the debtors who were not be able to recover completely and accordingly 100 per cent impairment was made for the balances brought forward continuously more than 5 years.	Reasons to identify debtors as non-recoverable should be mentioned clearly.
c)	Investments (Share capital Lanka Puwath)	1,104,000	Share Certificates	Not replied	Obtaining share certificates.

1.5 Accounts Receivable and Payable

1.5.1 Receivable Accounts

	Audit Observation	Comments of the Management	Recommendation
a)	According to the credit policy of the Corporation the credit period had been limited to one month. However a sum of Rs. 415,334,848 represents 78 per cent had exceeded the said period of time and out of that a sum of Rs.	Although the credit period was limited to a month as per the policy of the Corporation, practically there were instances of that the payment was not made in the due period of a month.	Actions should be taken to make recoveries without delay from the debtors, to enact fines on the period of delay, to proceed legal actions without delay

	72,377,998 represents 14 per cent had exceeded 5 years.	Eg. In some instances, cricket matches or other such long term programme may be telecasted exceeding a period of a month. In such instances invoices are issued after the whole telecast is completed and payments are made after issuing invoices as well. Further even though it had telecasted within a period less than a month, payments can be delayed in an instances of due advertisements are not telecasted.	
b)	Out of the total value of debtors as at 31 December 2018, a sum of Rs. 258,549,697 or 48 per cent had represented 21 agreements entered in to with 12 debtors who were exceeded Rs. 5 Million in value. Out of the debtor value mentioned above, even though legal actions had been taken to recover a sum of Rs. 10,000,000 receivable from the National Savings Bank relating to an agreement entered into in the year 2014, it was observed that the recoverability was uncertain because the National Savings Bank had not signed the agreement properly.	Not replied	It should be entered in to agreements properly
c)	Legal actions could not be preceded in connection with 4 debtors at balance of Rs. 2,129,262 due to the facts that the Corporation had not entered into agreement properly with the customers and their addresses could not be found.	Not replied	Actions should be taken to recover debts without delay
d)	Out of the debtor balance of Rs. 534,003,529 receivable to the Corporation as at 31 December of the year under review, the debtor balance which had exceeded 5 years was Rs. 72,377,998. Out of that legal actions had been taken to recover only a sum of Rs.17, 281,155 represents 24 per cent. Even though it had been informed	Not replied	Actions should be taken to recover debts without delay

	in the previous year that actions were being taken to recover the total amount of debtor balances of Rs. 33,134,937, any progress had not been acquired in the year under review in this regard.		
e)	A sum of Rs. 21,461,907 which had been recommended to write off and the Board approval had been granted due to the reasons such as institutions had been closed, values were not adequate to take actions to recover, terms of prescription were expired or making over entries had been included in the debtor balance of Rs.534,003,529 as at 31 December 2018.This amount had been impaired 100 per cent as at the end of the year under review and even though approval had been requested from the Department of Public Enterprises to write off the said balance on 24 August 2016 , follow up actions had not been taken in this regard up to now.	Not replied	Actions should be taken to settle the balances
f)	According to the Section 11 of the Prescription Act No. 68 of 1969, legal actions should be taken within 6 years to recover debts from the clients who avoid paying debts and if it is impossible to take actions within the said period, terms of prescription is expired. However actions had not been taken to precede legal actions to recover a sum of Rs. 45,305,890 receivable from 70 debtors, those of which 6 years had been lapsed as at 31 December 2018.	Not replied	Actions should be taken to recover debts without delay
g)	Out of the debtor balances of Rs. 534,003,529 as at 31 December 2018, confirmations had been called by the Corporation only for Rs. 3,118,264 represents 6 per cent.	Actions had been taken to send letters to all client debtors as at 31 December 2018 in order to confirm the debtor balances	Confirmations should be called from all debtors.

1.5.2 Payable Accounts

Audit Observation	Comments of the Management	Recommendation
A credit balance of Rs. 3,520,954 relating to contra deal transactions made in the years 2014 and 2015 had been included in the credit balance of Rs. 19,004,079 as at 31 December 2018. Further clients were not in in a position to claim the said balance because the Corporation had not entered into agreements with the clients. However attention had not been paid to take this balance to the revenue.	Client debtor balances are considered to be credited to revenue after lapse of 6 years. Hence actions will be taken to credit the value of contra deal amounting to Rs.3,520,954 to the revenue after lapse of 6 years.	Proper attention should be paid to recover debts and it should be entered in to proper agreements.

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

Reference to Laws, Rules Regulations etc.	Value	Comments of the Management	Recommendation
	Rs.		
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Section (2) (b) of Financial .Regulation 371 amended by the Public Finance Circular No.03/2015 dated 14 July 2015			
• Although the maximum ad hoc imprest which can be given in one instance is Rs.100,000, ad hoc imprest had been given in 85 instances exceeding the maximum imprest limit as at 31 December of the year under review for programmes, accommodation facilities, supplies and purchasing	18,533,375	Although the maximum ad hoc imprest which can be given in one instance is Rs.100,000, according to the nature of the	Financial Regulation should be followed.

		activities of the Corporation advances had to be given exceeding the said limit.	
• Although ad hoc imprest can be issued only for the staff grade officers , advances had been issued to non- staff grade officers in 76 instances	16,648,185	Advances had to be paid to producers exceeding the above amount in the process of production of programmes because a huge amount of money incurred	
• Although imprest issued should be settled as soon as the intended purpose is completed, advances amounting to Rs. 3,629,920 issued September 2018 had been settled in a delay of 03 days to 260 in 114 instances. Further advance issued from the period of the year 2015 to the year 2018 had not been settled even up to 20 May 2019.	2, 018,247	Although ad hoc imprest can be issued only for the staff grade officers, programme producers of the Corporation are not staff grade officers. However relevant advances have to be obtained by the producers for producing programmes hence the said advances had been paid them	
(ii) F.R 396			
When the validity period of a cheque for payment is expired, the value of the cancelled cheque should be entered in to the relevant ledgers as payable. However cancelled cheques had been taken in to accounts as a liability of cancelled cheques without being taken actions accordingly. The value of the cheques cancelled in the years 2013, 2014,2015,2016,2017 and 2018 amounting to Rs. 3,878,848 Rs. 86,535 Rs. 4,992,832 Rs. 453,843 Rs. 10,298,794 and Rs.11,478,290 respectively	31,189,142	A considerable amount of cancelled cheques were remained in the Corporation annually. It is practically impossible to mention them under each name in the financial statements.	Financial Regulations should be followed.

	had been shown under the current liabilities of the financial position statement.		Therefore the total value of cheques was mentioned under the recurrent liabilities of the statement of financial position. Relevant details were mentioned in the schedules which were given along with the final accounts.	
(b)	Section 6.1 of the Chapter VIII of the Establishment Code of the Democratic Socialist Republic of Sri Lanka			
	The average over time payment per hour should be 1/8 of days' pay and days' pay should be 1/30 of monthly consolidated salary and the living allowance should not be considered. However cost of living allowance, food allowance and adjustment allowance had been added to the basic salary of the employees of the Corporation for considering as the monthly consolidated salary and 1/20 of the said salary had been considered for calculating overtime payments. Accordingly it was observed in the sample audit that over time had been over paid for 11 employees for serving in the month of May 2018.	515,613	Not replied	Actions should be taken as per the Establishment Code
a)	Finance and Planning Circular No. 124 dated 24 October 1997			
	Appointment can be made on acting basis maximum for 3 months in instances of the post is vacant or the officer does not report for the duty. Nevertheless, there were 9 instances in the Corporation that acting basis appointment were being implemented exceeding the period of 3 months. The all officers mentioned above had been served in the said posts more than a period of 5 years.		Not replied	Provisions of the Circulars should be followed.

b) Public Enterprises Circulars

(i) Section 6.5.1 of the Circular No. PED/12 dated 02 June 2003	.		
Although the Draft Annual Report for the year under review should be submitted to the Auditor General within 60 days after the close of the financial year, the said report had not been submitted to the Auditor General even up to the date of this report		Not replied	Provisions of the Circulars should be followed
(ii) Circular No. PED/04 dated 01 January 2003 Circular No. PED/58 dated 29 April 2011 Circular No. PED 03/2015 dated 17 June 2015			
According to the provisions of the Circulars, it had been decided that the all-inclusive monthly allowance which should be paid to the Chairman of the Corporation from the year 2003 to the year 2011 was Rs. 30,000, from 01 May 2011 to June 2015 was Rs. 60,000 and from June 2015 it was Rs. 80,000. However contrary to this requirement, an additional entertainment allowance of Rs 30,000 had been approved to the Chairman of the Corporation since 01 October 2010 by the Board Approval No. 759.07.00 (i) dated 07 September 2010 and it had been paid monthly up to 31 December 2018.	2,908,069	Not replied	Provisions of the Circulars should be followed
(iii) Circular No. PED 01/2015 dated 25 May 2015			
• Paragraph 2.3	.		
Transport and fuel allowance had been paid during the year under review for 137 officers who were in MM and JM categories and not entitled to the fuel and transport allowances	10,208,104	Not replied	Provisions of the Circulars should be followed

• Paragraph 3.2 Approval of the Secretory to the Ministry had not been obtained for over usage of 3756 liters of fuel used by 03 Chairmen and 02 Director Generals employed in the year 2018 and approval of the Board of Directors had not been obtained for the over usage of 1268 litres of fuel used by 03 Working Directors, a Director (Marketing) and a Sectional Head	695,873	Not replied	Provisions of the Circulars should be followed
(iv) Circular No. PED 03/2018 dated 07 December 2018 Annual accounts of the Corporations should be submitted to the Auditor General within 60 days after the close of the financial year for paying bonus. However paying bonus was not entitled to the Corporation due to the late submission of accounts of the Corporation. Nevertheless, bonus had been paid by the Corporation during the year under review as Rs. 45,000 per each.	40,988,411	Not replied	Provisions of the Circulars should be followed
c) Public Administration Circulars (i) Circular No. 30/2016 dated 29 December 2016 The consumption of fuel should be re-tested after a period of 12 months from each fuel test or after carrying out a major repair to the engine whichever occurs first. However such a fuel test had not been carried out in respect of 47 vehicles owned by the Corporation.	-	Not replied	Provisions of the Circulars should be followed
(ii) Circular No. 21/2013 dated 07 October 2013 Paragraph 2 Overtime allowances for the service of weekends and holidays cannot be obtained to the than 8 the Department of Management Services month without obtaining the approval of hours per day or more than 5 days per employees of the	-	Not replied	Provisions of the Circulars should be followed

	Corporation for a period less. However it was observed in a sample audit that the said allowances had been paid relating to the month of May 2018. In addition to that both payments including overtime payment and days' pay had been paid for more than 350 employees out of 900 employees approximately for 5 days or more and some officer for 10,11, and 12 days for the same duty.		
d)	Assets and Liabilities Act of National State Council No. 01 of 1975 amended by the Act No.74 of 1998. Expresses of assets and liabilities had not been given by 11 executive officers out of 82 who should submit express of assets and liabilities for the year 2017/2018	- Not replied	Actions should be taken according to the Act

1.7 Cash Management

Audit Observation	Comments of the Management	Recommendation
Although the bank had granted an overdraft facility limit up to Rs. 179,000,000 to a bank account maintained by the Corporation, the said limit had been exceeded every month of the year and the overdraft balance of the said account as at 31 December 2018 was Rs. 275,474,993. Further, even though the overdraft limit of the other bank account maintained by the Corporation was Rs. 10,000,000 , this limit also had been exceeded in 5 months of the year under review and according to the financial statements , the overdraft balance of the said account as at 31 December	Although it was mentioned here that the balance of the account of the Bank of Ceylon institutional branch was Rs. 275,474,993 as at 31 December 2018, it should be corrected as Rs. 235,474,993. Further it was the balance according to the cash book and according to the bank account the overdraft was Rs. 205,605,573.50. The balance of Rs. 8,825,452 shown here was the balance according to the cash book of the Bank of Ceylon Torrington	Bank overdraft should be maintained as not to be exceeded the relevant limit.

2018 was Rs. 8,825,452. An additional interest was being charged by the bank for the overdraft balances exceeding the approved limit and a sum of Rs. 30,811,157 had been paid by the Corporation as interest for overdraft during the year under review.

Branch. The favorable balance according to the bank account was Rs. 2,850,826.15

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a profit of Rs. 188,800,669 and the corresponding loss in the preceding year was Rs. 193,927,831. Therefore an improvement amounting to Rs. 382,728,500 of the financial result was observed. The Grant amounting to Rs. 479,000,000 received from the Government for the year under review had mainly effected to this improvement.

2.2 Trend Analysis of major Income and Expenditure items

When analysing the financial results of the year under review and the preceding year, the loss for the year 2017 had decreased gradually and had become to a profit in the year 2018. However after adjusting the personal emoluments, Government taxes and depreciation for non-current assets to the financial result, the contribution of the Corporation for the year 2017 was Rs. 1,094,480,917 and it had improved up to Rs. 1,325,002,743 as at the end of the year under review.

2.3 Ratio Analysis

Ratio	2018	2017	2016
Gross profit ratio (percentage)	13	17	17
Net profit ratio(percentage)	11	(10.9)	(13.6)
Current ratio (turns)	2	1.67	1.98
Quick ratio (turns)	1	1.40	1.62

Although the gross profit ratio of the Corporation had decreased in the year under review, net profit ratio had increased. It was further observed that the current ratio was increasing gradually.

3. Operational Review

3.1 Uneconomic Transactions

Audit Observation	Comments of the Management	Recommendation
The Approval of the Cabinet had been given on December 2014 to conduct a rupawahini channel in a studio established in Italy or other country in Europe through satellite technology in order to bring out the Sri Lankan uniqueness to the world and to improve the appreciation and knowledge of Sri Lankans who live in foreign countries and to obtain necessary equipment temporary in lease base under the agreement of the Ministry of Finance. A sum of Rs. 3,454,279 had been paid on 02 January 2015 as an advance to a Company located in Pannipitiya area which had engaged with distribution of satellite technology Internationally .However written agreement or approval of the Ministry of Finance had not been obtained in this regard. Further the said activity had been given up completely after January 2015 and actions had not been taken to recover the advance paid even up to the end of the year under review.	A case had been filed before the Magistrate Court Colombo against to the relevant institute in connection with the payment of Rs. 3,454,279 paid as advance on 02.January 2015 for conducting television channel from a European country through the satellite technology. The said case is hearing at present.	Legal actions should be accelerated

3.2 Identified Losses

Audit Observation	Comments of the Management	Recommendation
A number of 1,562 cassettes valued at Rs. 3,382,650 issued by the library to the employees of the Corporation on return basis during the period from the year 1996 to the year 2017 had not been returned even up to the date of this report.	Not replied	Proper actions should be taken to get returned the cassettes issued on the return basis.

3.3 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
a) Amortization made for the programmes purchased by the Corporation from the external parties of which the due number of frequency could not be telecasted within the period of the agreement amounting to Rs.32, 633,373 had been included in the value of amortization of the programmes of Rs. 69,854,416 made during the year 2018. It was further observed that proper arrangements had not been made for telecasting programmes purchased from external parties in due number of times within the period of agreement. Hence amortization had been made without earning any income.	Not replied	Actions should be taken to telecast due number of times the programmes purchased externally.
b) According to the agreement entered into between the Sri Lanka Rupawahini Corporation and the Star India Pvt. Ltd.for telecasting right of the Rio Olympic competition held in August 2016 , a sum of USD 125,000 which should be paid to the Star India Pvt. Ltd. in August 2016 had been paid in a delay of a period more than 2 years. As a result a loss of Rs. 2,122,920 had been occurred to the Corporation due to the changes of foreign currency rates.	Not replied	If there was a delay of any officer for the said loss, it should be recovered from him.
c) The legal right of the high valued building and land 8 acers in extent located in Bouddhaloka Mawatha Colombo 7 of which the head office of the Sri Lanka Rupawahini Corporation is conducted in about 35 years since its establishment of the year 1982 had not been transferred to the Corporation and actions had not been taken to disclose the value of the said property in financial statements.	Not replied	Necessary actions should be taken to acquire the property.

3.4 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Although the monopoly power for telecasting the lottery draw conducted by the National Lotteries Board and the Development Lotteries Board was owned by the Sri Lanka Rupawahini Corporation, the air time for telecasting the lottery draw had been reserved by the said 2 Institutes through private agencies. Hence a commission of 15 per cent of the revenue received to the Corporation from the Lotteries Board had to be paid to an intermediate party and in addition to that commissions had to be paid to the Marketing Executives of the Corporation. The revenue earned by the Corporation during the year under review telecasting the lottery draw was Rs. 763,356,152 and the total expenditure thereon was Rs. 246,490,626 as production cost incurred by the Corporation thereon was Rs. 154,010,000, agent commission was Rs. 91,401,923 and the marketing executive's commission was Rs. 1,078,703. However a sum of Rs. 91,401,923 had lost to the Corporation due to the reason that the State Institutions were not directly connected.	The National Lotteries Board and the Development Lotteries Board were two clients and they reserve the air time through agencies. Although the monopoly power for telecasting the lottery draw was owned by the Corporation, the right of supplying the client value was owned by the relevant institutes. Accordingly, the value of their air time was given by those institutes through agencies and if these two institutes come through agencies 15 per cent commission has to be paid as well as the other institutes.	Actions should be taken to deal directly when dealing with the Government Institutions without dealing through an agent.

3.5 Procurement Management

	Audit Observation	Comments of the Management	Recommendation
a)	According to the technical specification for purchasing communication equipment valued at Rs. 48,600,844 from a foreign supplier for the Main Control Room of the Reconciliation Channel, the guarantee period had been mentioned as 5 years. Nevertheless the guarantee period had been mentioned in the supply agreement as a one year.	When purchasing communication equipment valued at Rs. 48,600,844, to the Main Control Room of the Reconciliation Chanel, accessories such as cables, connectors and monitors relevant to those equipment were included in it. Bidding documents delegated the authority by the manufacturing company in connection with such accessories are not submitted. Bidding documents delegated the authority are submitted only for the main equipment. According to the technical specifications of the Corporation, period of guarantee for the parts of equipment was 5 years and it had been mentioned in the tender documents that 5 years guarantee period was granted for relevant equipment. However under a common condition of the supply agreement it was mentioned that the period of guarantee was one year.	Proper attention should be paid for the conditions which should be included when entering in to agreements. The supply agreement should be amended as per the technical specification of the Corporation
b)	Further the supplier had agreed to deliver the service assistance throughout 24 hours of the day in any day of the week. However 64 x 64 Digital Video Switches were out of order before expiring 9 months of the purchasing and the supply of the service in this regard had been commenced after 21 days. Although it had been agreed in the specifications to supply an additional system for the said equipment and spare parts for certain equipment, actions had not been taken accordingly.	Not replied	Being taken actions for violating the agreement.

c)	According to the Government Procurement Guideline 3.6.1, in the instance of reissuing an order to the same supplier for the same commodity, the value of the said order should not be exceeded 50 per cent of the value of the previous contract. However 2 broad cast quality H.D. Cameras had been purchased at US$ 47,685.52 in March and April of 2018, from the supplier from whom the 3 cameras had been purchased at US$. 82,256.12 in January and February of the year 2018. Accordingly the 50 per cent of the value of the pervious order had been exceeded by US$. 6,557.46.	Not replied	Actions should be taken as to obtain the maximum advantage as per the Government Procurement Guideline.
d)	When procuring of equipment facilities on hire base for the television programmes organized by the Corporation, facilities such as stage, lightning and video walls had been hired in 4 instances from a supplier of Rajagiriya area incurring a sum of Rs. 1,845,900 for 2 television programmes. However an adequate time had not been given for bidding as per the Section 6.2 of the Procurement Guideline. As a result some lowest bids had been rejected due to delays of receiving. Nevertheless actions had been taken to reject two	Not replied	Actions should be taken as to obtain the maximum advantage as per the Government Procurement Guideline.

lowest bids and to select the bid which had been received in a delay and with the highest price. Accordingly it was further observed that priority had been given to a special party avoiding instances of selecting the best supplier following the provisions of Procurement Guideline. Further actions had been taken to obtain the bids through fax massages even though it had been informed in the documents for calling bids that sealed quotations should be submitted.

3.6 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
(i) The approved number of cadre for the Corporation was 1,049 including 1,041 permanent and 8 contracts. However the number of permanent posts employed as at the date was 864 only and the number of officers recruited on casual and contract basis as at the date was 110. Accordingly 75 vacancies were remained in the permanent posts as at the date. Further 6 posts were in the acting basis.	Not replied	Recruitments should be made only for the approved cadre.
(ii) Sixteen officers under contract basis and 22 officers under assignment basis had been recruited for 11 posts which had not been included in the approved cadre approved for the Corporation by the letter of the Director General of the Management Services No. DMS/E4/37/4/231/1-1dated 30 June 2011.	Not replied	Recruitments should be made only for the approved cadre.

(iii) Several posts had been approved by the above mentioned letter of the Director General of the Management Services only for the person who held the post as at 30 June 2011. However 301 officers were in the said posts of which only for the person who held the post and it was observed that 3 officers were included on acting basis in the said number of posts.	Not replied	Actions should be taken as per the approved provisions.
(iv) Six instances were observed that officers who had not fulfilled the necessary qualification as per the approved Scheme of Recruitment and Section 1.7 of Chapter 11 of the Establishment Code had been appointed on the acting basis for the executive posts of the Corporation.	Not Replied	Actions should be taken in accordance with the approved Scheme of Recruitment and other relevant regulations.

4. Accountability and Good Governess

4.1 Corporate Plan

Audit Observations	Comments of the Management	Recommendation
a) A corporate plan had been prepared for the period from 2017 to 2019. According to the financial prediction of the corporate plan, it had been plan to earn the income of air time sales amounting to Rs. 2,350 Million and pre-tax profit amounting to Rs. 60 Million as at the end of the year. However the income of air time sales as at the date was Rs. 1,698 Million and actual pre-tax profit was Rs. 190 Million due to the Government Grant of Rs. 479 Million which had not been included in the corporate plan.	Not Replied	Plans should be prepared after a proper study of achieving.
b) A procurement plan had not been prepared for the year 2018 including main investments, expansion of capacity and other main procurement proposed by the Action Plan.	Not Replied	A procurement plan should be prepared.

c) Strengths weaknesses, opportunities and threats in the business environment had been evaluated by the Corporation. Further actions which should be taken to minimize the weaknesses included therein had been recognized by the Annual Action Plan. However it was observed that as per the adverse financial condition, any activity which had been planned to minimize the disturbances could not be implemented.	Not Replied	An action plan which can be implemented practically should be prepared.

4.2 Internal Audit

Audit Observation	Comments of the Management	Recommendation
a) Although 6 officers including 2 approved posts for the Internal Audit Section and 4 Management assistants had been employed in the Internal Audit Section of the Corporation, audit queries had not been issued during the year under review and only 11 audit reports had been issued to the Chairman .However actions had not been taken by the Board of Governors to rectify the deficiencies pointed out by the said reports.	Not replied	Adequate internal audit should be implemented and actions should be taken to rectify the deficiencies identified in it
b) Two posts namely Internal Auditor and Internal Audit Officer had been approved in the cadre approved for the Corporation by the Director General of the Department of Management Services on 30 June 2011. Out of that the post of Chief Internal Auditor was vacant since 01 October 2018 and actions had not been taken to fill the vacancy even up to the date of this report.	Not replied	Actions should be taken to fill the vacancies.

4.3 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
Adverse variations were observed between the budgeted and actual financial data in the operation result of the Corporation during the year under review hence it was observed that the budget had not made use of as an effective instrument of management control.	Not replied	The budget should be prepared after estimating the correct practical situation.