

## **Sri Lanka Broadcasting Corporation - 2018**

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### **1.1 Qualified Opinion**

The audit of the financial statements of the Sri Lanka Broadcasting Corporation (“Corporation”) 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 reported to the Parliament appear in this report.

In my opinion, except for the effects of the matters described in the paragraph 1.5 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.

### **1.2 Basis for Qualified Opinion**

My opinion is qualified based on the matters described in the paragraphs 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 Corporation’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 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.

#### **1.4 Scope of Audit (Auditor's Responsibility for the Audit of 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.

## 1.5 Financial Statements

### 1.5.1 Non-Compliance with Sri Lanka Accounting Standard

Non - compliance with reference to the Standard	Management Comment	Recommendation
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<p>(a) Sri Lanka Accounting Standard 01</p> <p>-----</p> <p>(i) According to the paragraph 40 (a) of the standard, when restatement or reclassifies the comparative figures by an entity in order to rectify the accounting deficiencies, comparative figures relating to 2 previous years should be presented in the financial position statement. However such comparative figures had not been presented by the Corporation in connection with retrospective adjustments made in the year under review.</p> <p>(ii) According to the paragraph 32 of the standard, assets and liabilities or income and expenditure should not be offset by the accounting unit. However the profit of foreign currency amounting to Rs. 1,033,424 had been deducted</p>	<p>Agreed with the audit observation. One year was shown. Actions will be taken as per the Standard in future.</p> <p>Agreed with the audit observation</p>	<p>Comparative information for 2 years should be presented as per the Standard.</p> <p>Assets and liabilities or income and expenditure should not be offset each other in the accounts.</p>

from the financial cost. Therefore the financial cost shown in the final accounts of the year under review had been understated by the same amount.

(b) Sri Lanka Accounting Standard 8  
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According to the paragraph 49 of the Standard, when correcting errors of the previous period by an entity, the following disclosures should be made in the financial statements in this regard. However such actions had not been taken by the Corporation relating to the year under review.

- Nature of the prior period error.
- For each prior period presented, to the extent practicable, the amount of the correction.
- The amount of correction at the beginning of the earliest prior period presented.

Agreed with the nature of the prior period errors. To the extent practicable, the amount which should be corrected was presented for the line items in the financial statements for each prior period and the amount of correction

Due information should be disclosed in the financial statements when errors corrected for the previous period

(c) Sri Lanka Accounting Standard 16  
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(i) According to the paragraph 16 of the standard even though import duties, non-refundable purchase taxes and any cost directly attributable to bringing the asset to the location should be recognized as the cost of the asset, the total amount of Rs. 222,894 relating to antennas purchased in the year 2018 including port and airport charges, Nation Building Taxes, storage

Agreed with the audit observation

According to the standard, the cost of the assets should be taken into accounts by adding port and airport charges, Nation Building Taxes, storage charges, agent commission, operating charges incurred by the Corporation.

charges, agent commission, operating charges and loading charges had been recognize as a maintenance cost. Therefore assets had been understated by the same amount.

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| <p>(ii) According to the paragraph 19 of the standard, administration and other general overhead cost which should be incurred on purchasing property plant should not be capitalized. However a sum of Rs. 1,948,500 incurred on foreign training when purchasing 8 Transmeters had been debited to the asset account. Hence the value of assets as at 31 December of the year under review had been overstated by the same amount.</p>                           | <p>This expense was included to install and operate the machines because it was an initial training given for operating Trans Meters.</p> <p>According to the Standard administration and other general overhead cost which should be incurred on purchasing property plant should not be capitalized. Hence the cost incurred on foreign training should not be capitalized</p> |
| <p>(iii) According to the paragraph 73 (f) of the standard, the carrying amount of each class of property plant and equipment as at the end of the year should be disclosed in the financial statements after adjusting purchasing , revaluation, annual depreciation, sales and removing to the opening balance of the year. However the balance of software items of the Head Office as at 31 December 2018 had been shown in the accounts to the net value.</p> | <p>Agreed with the observation</p> <p>Information mentioned in the Standard should be disclosed by the financial statements.</p>                                                                                                                                                                                                                                                 |

- (iv) According to the paragraph 73 (c) of the standard, even though depreciation rate for every class of property plant and equipment should be disclosed in the financial statements, depreciation rate for software had not been disclosed. Agreed with the observation. Depreciation rate for software should be disclosed in the financial statements.

## 1.5.2 Accounting Deficiencies

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<b>Audit Issue</b> -----	<b>Management comment</b> -----	<b>Recommendation</b> -----
(a) A sum of Rs. 143,550 obtained from encashed the performance bond relating to the contractor who had violated the contract for supplying and installation of time attendance system of the Head office and regional service offices had been credited to the software account instead of being credited to the other income account. As a result, the value of software as at 31 December of the year under review had been understated by the same amount.	Agreed with the audit observation.	Accounting error should be corrected.
(b) The value of the Power Logger Machine at the cost of Rs. 425,000 stolen in the year 2016 had been added to the stock of inventory instead of being shown separately in the statement of financial position as a receivable loss until recover from the responsible parties.	Action will be taken to show separately in the notes.	Accounting error should be corrected.
(c) Stock of CD cassettes and magazines valued at Rs. 1,430,845 which had been identified to dispose in the physical verification for the year 2018, had been shown under the stock instead of being shown as unusable stock until to be disposed.	Actions to be taken to show separately in notes and to dispose through the Board of Survey.	Accounting error should be corrected.

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| (d) | Value of depreciation of software amounting to Rs. 830,250 for the year under review had been debited erroneously to the Government Grant amortization account instead of being debited to the software depreciation account. Hence the balance of the said account for the year under review had been understated by the same amount.                                                                                     | Audit observations are correct. Actions will be taken to correct in future.                                                                                                                           | Accounting error should be corrected.                                      |
| (e) | A sum of Rs. 455,000 had been retained out of the total gratuity payment which should be paid to an employee of the Corporation in order to recover the loss of power log machine misplaced. However even though the activities relating to investigation had not been completed, this amount had been taken into accounts as operating income. As a result the loss for the year had been understated by the same amount. | Actions will be taken to correct in future.                                                                                                                                                           | It should be disclosed in the financial statements as a receivable amount. |
| (f) | A sum of Rs. 7,001,084 receivable from 2 foreign broadcasting channels had not been considered when calculation of doubtful debts relating to the accounting year. As a result, the doubtful debts for the year had been calculated understating Rs. 125,022 in the accounts.                                                                                                                                              | Provision for doubtful debts was not made for two foreign broadcasting channels.                                                                                                                      | All relevant debtors should be considered when calculating doubtful debts. |
| (g) | A sum of Rs. 5 million paid by the Uwa Provincial Council in the year 2008 to the Sri Lanka Broadcasting Corporation for purchasing and supplying of a trans meter 2.5 kw for activities of Uwa Provincial Community Radio had been taken into accounts as a capital grant. Therefore the capital grants account as at 31 December of the year under review had been overstated by the same amount.                        | This amount was taken into accounts considering as a capital grant in the year 2008 and for the time being it was proposed to adjust to the receivable amount from the Uwa Provincial Community Radio | Accounting error should be corrected.                                      |

- (h) According to the letter presented by the Sri Lanka State Plantation corporation, even though the total payable lease rent for the Hunnasgiriya Broadcasting Station premises was Rs. 12,305,708, lease rent payable for the year 2018 amounting to Rs. 1,215,000 had only been taken into accounts. As a result, the balance of the payable lease rent account as at 31 December of the year under review had been understated by Rs. 11,090,708.
- Actions will be taken to discuss with the Sri Lanka State Plantation corporation and to pay.
- The total payable amount should be shown in the financial statements.
- (i) According to the records of the Default Tax Recovery Unit of the Department of Inland Revenue and the tax accounts of the Corporation, even though the total tax liability as at 31 December 2018 was Rs. 211,984,585 ( without fines) , it had been shown as Rs. 122,259,049 under the non-financial liability of the statement of financial position. As a result, outstanding amount of tax payable for the year under review had been understated by Rs. 89,725,536.
- Difference of Rs. 89,725,536 will be corrected.
- The total payable amount of tax should be shown in the financial statements.
- (j) The payable lease rent amounting to Rs. 124,344,000 for the land 119.5309 hectare in extent which had been located in the Divisional secretariat Division Kuchchaweli and obtained in the year 2009 on long term lease basis for conducting broadcasting station had not been taken in to accounts up to 31 December of the year under review.
- Actions will be taken to obtain a Cabinet paper to write off the said lease rent and further actions will be taken accordingly.
- Payable amount of tax should be shown in the financial statements.



### 1.5.3 Unreconciled Control accounts or Records

Audit Issue -----	Management comment -----	Recommendation -----
(a) According to the schedules presented with the financial statements for the year under review even though the balance of air time creditors was Rs. 11,057,598, the balance of the air time creditors control account was Rs. 12,419,431. Accordingly an unreconciled balance of Rs. 1,361,833 was observed between the balance of air time creditors control account and the balance of the creditors schedules.	Actions will be taken to send schedules after searching the matter.	Such balances should be rectified after searching reasons.
(b) When comparing the balance of receivable deposits according to the financial statements amounting to Rs. 9,452,462 with the balance of the schedules amounting to Rs. 9,032,782, it was observed that the balance of the schedule had been presented equal to the balance of the financial statements by including an unidentified balance of Rs. 419,680.	Audit observation is correct. Separate receivable balances were identified searching the balance of the account. The balance which should be recovered further was Rs. 419,680.	Balances should be rectified after searching reasons.
(c) Although a sum of Rs. 238,823,973 had been recognized as air time debtors in the financial statements, according to the schedules the said balance was Rs. 239,218,614. Accordingly a difference of Rs. 394,641 was observed between the balances of the financial statements and the schedules.	Reason for the difference was, the value added to the debtor balance was not adjusted to the debtor's schedule. Action will be taken to rectify this in 2019.	Balances should be rectified after searching reasons.

#### 1.5.4 Documentary Evidences not made available for Audit

Subject	Amount Rs.	Evidence not supplied	Management comment	Recommendation
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(a) Balance of Nations Trust Bank Account	3,570,403	Balance confirmation	Actions to be taken to bring through E mail.	Balance confirmations should be obtained.
(b) Lands	7,761,326	Fixed assets register, physical verification reports	Audit observation is correct	Fixed assets register should be prepared and physical verification reports should be kept after carrying out a survey.
(c) Buildings	193,700,207	Physical verification reports, Fixed assets register	Audit observation is correct	Fixed assets register should be prepared and physical verification reports should be kept after carrying out a survey
(d) Trade debtors Lakhanda Branch	12,807,802	Details of files and detailed schedules for the value	Agreed with the audit observation	Maintaining necessary documents is a responsibility of the Corporation and if there were absence of documents for confirmation of balances, appropriate actions should be taken for such balances.

#### 1.6 Receivable and Payable Accounts

##### 1.6.1 Receivable Accounts

Audit Issue	Management comment	Recommendation
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(a) Effective actions had not been taken to recover the balances of other receivables amounting to Rs. 14,958,606 older than a period from 01 to 18 years even up to 31 December 2018	It is scheduled to be taken legal actions. (For CSN). A trans meter was supplied by the VOA institute for Rs. 1.6 million receivable from the said institute.	Receivable income should be recovered.
(b) A sum of Rs. 267,459 brought	Balances which can be	Receivable balances

- forward since 1986 relating to the payment made by the Corporation before a period of more than 32 years to the Employees Provident Fund on behalf of the staff had been brought forward as at 31 December 2018 without being settled.
- recovered from the employees of the Corporation had been recovered. should be recovered
- (c) Out of the total foreign trade debtor balances of Rs. 65,085,768 relating to the year under review , balances of Rs. 60,654,436 were older than 10 years and effective actions had not been taken to recover these balances
- Proposed to the Board of Directors to write off. Actions should be taken against the officers who avoided to recover debtor balances and relevant money should be recovered without delay
- (d) According to the agreement entered into with the Chief Secretary to the Uwa Provincial Council on 17 May 2013, the agreement period of the Uwa Provincial Community Radio had been expired on 16 May 2016 and the receivable total outstanding amount as at the end of May 2016 was Rs. 17,368,230. Only a sum of Rs. 2 million had been paid by the Uwa Provincial Council by a cheque on 17 September 2018 and accordingly an outstanding amount of Rs. 15,368,230 should be received to the Broadcasting Corporation.
- Discussions were being held with the Chief Secretary to the Uwa Provincial Council in this regard and a sum of Rs. 3 million had been paid on 23 August 2019. It was agreed verbally to pay the balance in 4 instalments. Draft report relating to the agreement was sent. Immediate actions should be taken to recover the receivables and as the period of agreement had expired, actions should be taken to enter into a new agreement or any other possible decision.
- (e) Balance confirmation letters had been sent to 104 debtors at the total value of Rs. 85,938,354 as at 31 December of the year under review and replies had been sent only by 3 debtors valued at Rs. 924,500. Out of that, one debtor had informed that he had paid his debt completely in the year 2011 and another one had informed that he did not agree with the balance mentioned by the Corporation.
- Audit observation is correct. Balances should be corrected having discussions with the relevant debtors.

### 1.6.2 Payable Accounts

<b>Audit Issue</b> -----	<b>Management comment</b> -----	<b>Recommendation</b> -----
It was observed that balances remained unsettled since a period of 37 years from the year 1981 to the year 2015 had been included in the total balance of Rs. 149,420,035 payable to the Telecommunication Regulatory Commission as at 31 December of the year under review.	Referred to the President Secretariat. Not completed.	Reasons should be searched for long lasting balances and should be corrected.

### 1.6.3 Advances

<b>Audit Issue</b> -----	<b>Management comment</b> -----	<b>Recommendation</b> -----
Advances of Rs. 451,292 which had been paid to private suppliers in the year 2017 had not been settled even up to 31 December 2018 and had been shown in the trade and other debtors.	Agreed with the audit.	Immediate actions should be taken to settle the advances paid to the suppliers.

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

<b>Reference to laws, rules ,regulations etc.</b> -----	<b>Non -compliance</b> -----	<b>Management comment</b> -----	<b>Recommendation</b> -----
(a) Paragraph 31.11.1 of the Chapter XLVIII of the Establishment Code	In an instance that there was a law suit in court in connection with a criminal offence, any salary should not be paid for the period interdicted. However it had been recommended to pay half pay to the officer who had been interdicted by the Institute based on the same section mentioned above. After the approval a sum of Rs. 954,664 had been paid as half pays to an officer who was not entitled to pay any salary for the period from October 2011 to August 2016.	Audit observations are correct.	Actions should be taken to recover the relevant money.

(b)	F.R. 371 (2) (b) and 371 (5) amended by Public Finance Circular No. 03/2015	Ad hoc imprest should be issued at the immediate date to the specific purpose and it should be settled within 10 days after the relevant purpose fulfilled. However settlement of imprest of Rs. 501,000 had been delayed in 33 days to 293 days as at 31 December 2018. It was further observed that a sum of Rs. 6,000 out of that had been remained over a period of more than 13 years.	Agreed with the audit observation.	Ad hoc imprests should be settled as per the Circular.
(c)	Financial Regulation (i) F.R.110	It was observed that losses and damages register had not been maintained including the information relating to amount decided to be recovered in connection with the loss or damage, amount which should be incurred to resupply.	Deficiencies will be corrected in future.	Losses and damages registers should be maintained up to date.
(ii)	F.R.396 (ii) and (iii)	Actions had not been taken as per the Financial Regulation in connection with 86 cheques valued at Rs. 424,251 which had not been presented for payments even though validity period of 6 months had been lapsed as at 30 April 2019. Out of that, 7 cheques valued at Rs. 27,312 had been issued in the year 2017 and 3 cheques valued at Rs. 17,620 had been issued in the year 2016.	Audit observations are correct.	Actions should be taken as per the Financial regulation in connection with the expired cheques.

## 1.8 Fund Management

<b>Audit Issue</b> -----	<b>Management comment</b> -----	<b>Recommendation</b> -----
Direct debit transfers and direct credit transfers valued at Rs. 385,180 and Rs. 35,505 respectively remained in the main bank account of the Corporation as at 31 December 2018 had not been recognized and settled even up to 30 April 2019.	Actions will be taken to rectify in future.	Direct debit and direct credit should be settled without delay.

## 1.9 Non- compliance with Tax Requirement

<b>Audit Issue</b> -----	<b>Management comment</b> -----	<b>Recommendation</b> -----
(a) Section 16 (2) (b) and schedule 4 of the Inland Revenue Act No. 24 of 2017 When calculating capital allowance for depreciable assets purchased in the year under review such as audio frequency devices amounting to Rs. 84,561,277, buildings valued at Rs. 27,296,918, computers valued at Rs. 31,078,837 , furniture valued at Rs. 2,871,461 , machines valued at Rs. 1,458,381 trans meters valued at Rs. 3,400,000and software valued at Rs.2,700,000, as per the said section 5 per cent for buildings and 20 per cent for other assets had not been applied. Hence capital allowances had been over calculated by Rs. 16,998,428.	Agreed with the audit observations.	Capital allowances should be calculated considering the provisions of the Inland Revenue Act.
(b) Section 10 (1) (b) of the Inland Revenue Act No. 24 of 2017. When calculating the taxable income, fines should not be deducted. Although fines of Rs. 521,279 deducted from the net profit when calculating the taxable revenue for the year 2018 should be added to the net profit, without doing so the taxable revenue had been calculated.	Agreed with the audit observations.	Taxable revenue should be calculated as per the provisions of the Inland Revenue Act.

(c) Paragraph 7 of amended Stamp Tax Act. No.43 of 1982

The amount payable as stamp tax should be remitted to the Commissioner General within 15 days after the quarters ended on 31 March, 30 June, 30 September and 31 December. However stamp tax had been remitted by the Corporation in a delay of 23 days to 79 days.

Agreed with the audit observations. Stamp tax should be remitted as per the stamp tax Act.

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs. 39,479,594 and the corresponding surplus for the preceding year amounted to Rs 66,004,203. Therefore a deterioration amounting to Rs. 105,483,797 of the financial result was observed. The reason for the deterioration is decrease of air time income by Rs. 32,570,403 or 5 per cent and increase of administration expenses by Rs. 52,840,227 or 16 per cent.

### 2.2 Trend Analysis of Main Income and Expenditure items

Income Source	2018	2017	2016	2015
Income of air time sales	658,781,373	691,351,776	663,142,415	642,941,057
Variation of income as a percentage compared with the previous year (%)	(4.7)	4.3	2.3	0.7
Other operational income	329,501,974	325,491,937	292,596,221	312,151,321
Variation of operational income as a percentage compared with the previous year (%)	1.2	11.2	(6.3)	1.2
Total Revenue	988,283,347	1,016,843,713	955,738,636	960,092,378
Variation of total income as a percentage compared with the previous year (%)	(2.8)	6.4	(0.5)	0.6
Expenditure				
Operational Expenses	347,499,195	327,918,435	321,745,130	386,746,874
Variation of operational	6.0	1.9	(16.8)	5.2

expenses as a percentage ( % )				
Administration expenses	386,726,869	333,886,642	317,162,912	313,682,908
Variation of administration expenses as a percentage ( % )	15.8	5.3	1.1	4.5
Financial Expenses	1,939,271	5,952,777	5,555,448	6,213,541
Variation of financial expenses as a percentage ( % )	(67.4)	7.2	(10.6)	30.1

(a) According to the financial data for previous 04 years, there was an increase of air time income of the Corporation up to the year 2017 and it had decreased by 4.7 per cent in the year 2018. There was a variation of the other operational income. Even though there was an increase of 1.6 per cent in the year 2015, it had decreased by 6.3 per cent in the year 2016. The total income of the Corporation had decreased by 2.8 per cent. Decrease of air time income of Trincomalee Broadcasting Station by Rs. 43,399,619 represents 32 per cent had mainly affected to this deterioration. Accordingly it was observed that the total income was varied.

(b) It was observed that the operation expenses and administration expenses which had varied in preceding 4 years , had increased 6 per cent and 15.8 per cent respectively in the year under review as compared with the previous year. The annual tax expenses of Kuchchaweli and Hunnasingiriya land which had not been taken into accounts up to the year under review had been taken into administration cost for the year under review. It had affected to the increase of expenditure.

### 2.3 Ratio Analysis

Ratio	2018	2017
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Liquidity		
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Current	1.03 :1	1.51:1
Quick	0.92:1	1.23:1
Profit		
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Gross Profit	4.37%	9.56%
Net Profit	-5.99%	9.55%

(a) According to the values of the financial statements, for the year under review , a deterioration can be seen in the current ratio and quick ratio for the year under review compared with the previous year and it was reflected a deterioration of short term financial strength accordingly. Further local debtor balance of Rs. 51,770,700 and foreign debtor balance of Rs. 62,905,695 remained over a period of 2 to 43 years were included in the debtor balance of the current assets. Hence it was observed that, there were no recoverability and liquidity.

(b) The gross profit ratio had decreased from 9.56 per cent to 4.37 per cent compared with the previous year and decrease of air time income had mainly affected to this decrease.



- (c) The net profit ratio had decreased from 9.55 per cent to -5.99 per cent compared with the previous year. Accordingly the deterioration of net profit ratio was 15.54 per cent.

### 3. Operational review

#### 3.1 Identified Losses

<b>Audit Issue</b> -----	<b>Management comment</b> -----	<b>Recommendation</b> -----
(a) According to the paragraph 15 of the Employees Provident Fund Act No. 15 of 1958, contribution to the Employees Provident Fund should be remitted to the Fund before the last date of the following month of the month which the contribution had been deducted. However a loss of Rs. 15,051,384 had occurred due to the fact that remittance of Employees Provident Fund for the years 2007 and 2008 had been delayed by the Sri Lanka Broadcasting Corporation and thus surcharges had to be paid for the period of April 2007 to December 2009 .	Audit observations are correct.	Remittance should be made on the date mentioned in the Employees provident Fund Act. The loss occurred should be recovered from the responsible party if there was any.
(b) According to the paragraph 8 (1) of the Employees Provident Fund Act No. 15 of 1958, all employees of Corporations should be obtained the membership of the Employees Provident Fund. However contributions had not been paid to the Employees Provident Fund on behalf of 5 employees of Kothmale Community Radio. As a result, the Court had ordered to pay a surcharge of Rs. 1,783,507 for the said offence. Hence a loss had occurred to the Corporation by the same amount.	Audit observations are correct.	Funds should be paid as per the provisions of the Employees provident Fund Act. The loss occurred should be recovered from the responsible party if there was any.

(c) According to the section 5.1 of the Gratuity Act No. 12 of 1983, gratuity should be paid within 30 days of the service terminated. However a loss of Rs. 253,884 had occurred due to enactment of surcharge by the Commissioner of Labor for the delay of 8 months relating to the payment of gratuity to 2 officers of the Corporation	Agreed with the audit observations	Gratuity should be paid on the due date as per the Gratuity Act. The loss occurred should be recovered from the responsible party if there was any.
(d) A financial fraud of Rs. 221,965 which had been brought forward over a period more than 17 years and other such fraud taken place in 2007 amounting to Rs. 281,110 had been brought forward even up to the end of the year under review without being reimbursed.	Agreed with the audit observations.	Immediate actions should be taken to recover the money fraud.
(e) Actions had not been taken by the management to recover the reinstallation value of Rs. 305,900 relating to 12 musical instruments which had been misplaced in the Ruhunu Sevaya in the year 2016 from the responsible officer even up to 31 July 2019 the date of audit.	Agreed with the audit observations	The relevant loss should be recovered from the responsible parties.

### 3.2 Management Inefficiencies

<b>Audit Issue</b>	<b>Management comment</b>	<b>Recommendation</b>
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(a) A part of R F cable belonged to a private television institute located in Haputhale Broadcasting Station premises had been removed without permission in march 2018. The responsibility of safeguard the said cable was under the Broadcasting Corporation. However only explanation had been called from the officer who was charged in this regard from the initial investigation carried out and actions had not been taken to carry out proper investigation and to recover the loss from the responsible officers even up to 31 July 2019.	Not recovered due to inability of estimating the value of the asset. Security officers were transferred.	The loss should be recovered from responsible parties

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| <p>(b) Damages to the content of disks and tapes were observed due to expansion ,shrinking, frosting and getting covered in dust because the disk tape library had been established in an environment which is not suitable for a CD library. Further there was a favorable environment to Termite .Hence compact disks and CDs had destroyed due to termite. It was observed that those disks had to be washed and dried daily.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>Disk tape library had been conducted in this place for a long time and it is scheduled to be searched for a proper place.</p>            | <p>Immediate actions should be taken to conduct the disk tape library in an appropriate place as to be avoided the damages.</p>       |
| <p>(c) When conservation of old music programmes belonged to the Corporation in digital system, a data base (Backup) had not been maintained as to be reused. Due to the server failure taken place in October 2017 all backups conserved since the year 2009 had destroyed. Authorities had failed to recover the destroyed backups as at 08 January 2019 the date of audit.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <p>Assignment was given to the engineering section to prepare a proper computer data file.</p>                                              | <p>Actions should be taken to maintain a backup in an external place in conservation of old songs.</p>                                |
| <p>(d) A letter had been referred to the Attorney Generals Department on 07 November 2014 by the State Plantation Corporation of Sri Lanka as the owner of the land in order to obtain instructions for recovering outstanding lease rent relating to the Hunnasgiriya Broadcasting Station Premises. Actions had been taken by the Attorney Generals Department to have a discussion on 09 September 2016 with the participation of two institutes to compromise the conflict. Nevertheless any one had not participated to the said discussion on behalf of the Broadcasting Corporation. Hence the Attorney Generals Department had informed to compromise the conflict by paying outstanding amount of Rs. 9,075,833 which had been mentioned in the letter dated 01 July 2016 presented by the State Plantation Corporation. However actions had not been taken by the Broadcasting Corporation to settle the outstanding lease rent even up to the date of audit.</p> | <p>It was scheduled to have a discussion with the State Plantation Corporation and to make a decision regarding the outstanding amount.</p> | <p>The issue should be settled by paying outstanding amount of lease as per the instructions of the Attorney Generals Department.</p> |

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| (e) The Rajarata Sevaya is being conducted since the year 1981 in the land located in No. 513, Step 1 New Town Anuradhapura of Nuwaragam palatha east Divisional Secretariat Division Anuradhapura district. Although the legal right of the said land was not belonged to the Corporation, actions had not been taken to settle the matter.                                                                                                                         | Actions is being taken to settle the ownership.                                                                                            | Ownership of the land should be settled.                                                                                              |
| (f) The disciplinary investigation relating to the power logger machine misplaced in the year 2016 had been commenced in the year 2018 after a 2 years and a sum of Rs. 188,000 had been incurred thereon. However at the time of receiving examination report in the year 2019, two people who found guilty were retired.                                                                                                                                           | Audit observations are correct.                                                                                                            | Investigation relating to losses should be completed as soon as possible and losses should be recovered from the responsible parties. |
| (g) A law suit had been filed by the Assistant Commissioner of Labor in the Magistrate Court Nawalapitiya against to non-paying of Employees Provident Fund to 5 employees served in Kothmale Community Radio and it had been directed to pay a sum of Rs. 1,783,507 + surcharge . However the Corporation had appealed against to the said direction and the legal charges incurred by the Corporation during the year under review in this regard was Rs. 272,000. | Agreed with the audit observation. The trial is being proceeded in the Appeal Court.                                                       | If surcharge is to be paid on the negligence of any officer such losses should be recovered from responsible parties.                 |
| (h) A law suit had been filed by the Commissioner of Labor against to the Sri Lanka Broadcasting Corporation for non-payment of surcharge of Rs. 15,051,385 which had been enacted on avoiding payment of contribution to the Employees Provident Fund on due date and it had been directed to pay the said amount as surcharge. A sum of Rs. 100,000 had been incurred by the Corporation during the year under review in this regard.                              | It was permitted to pay the payable amount as monthly instalment of Rs. 250,000.<br><br>(Letter 2018.10.02)<br>Additional Magistrate Court | Officers who had avoided the responsibility should be identified and the loss should be recovered from them.                          |
| (i) A law suit had been filed in the Colombo Magistrate Court by the Assistant Commissioner of Labor against to non-payment of contributions to the Employees Provident Fund amounting to Rs. 1,006,374 to 3                                                                                                                                                                                                                                                         | Agreed with the audit observation.                                                                                                         | Such a situations should be avoided in future.                                                                                        |

employees and the suit had put on held on the request of the Corporation because a similar cause of action was being proceeded in the Appeal Court. A sum of Rs. 45,000 had been paid as legal charges during the year.

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| (j) | A law suit had been filed in the District Court against to the Corporation by an assistant producer of the Corporation requesting Rs 8 million and legal interest as compensation for the physical and mental damage occurred by an accident taken place when travelling by a vehicle of the Corporation in the year 2014. A sum of Rs. 63,000 had been paid as legal charges during the year under review.                                                                                                           | Trial is being proceeded.         | Full insurance cover should be obtained for the vehicles of the Corporation.                                      |
| (k) | A case had been filed in the Labor Court of the Department of Labor in the year 2007 against to permanent appointment not being given to few officers of the Corporation at the time of giving permanent appointment and promotions not being given to few officers in the permanent service. Accordingly a sum of Rs. 300,000 had to be paid per each complaint and a sum of Rs. 347,500 had been incurred as legal charge in the year 2017 and 2018.                                                                | Trial is being proceeded          | Activities of the Institute should be managed as to be avoided legal suits in future.                             |
| (l) | A suit had been filed in the Colombo District Court against to the Peoples Trust Credit Investment Company in the year 2008 in order to recover a sum of Rs. 150,000 which should be recovered for programmes advertised. However the case could not be proceeded over a period more than 3 years because the dependant had given up the place he resided and the case had been held. The Corporation had failed to get the case active providing the information relating to the current situation of the defendant. | Agreed with the audit observation | The case should get active providing information relating to the current situation of the defendant to the Court. |
| (m) | A suit had been filed in the Colombo District Court against to the Ceylon Cement Company in the year 2008 in order to recover a sum of Rs. 471,715 which should be recovered for the programmes advertised by the Corporation. Even though a direction had been given by the Court to submit information relating to the assets of the dependent to issue a writ order, the Corporation                                                                                                                               | Agreed with the audit observation | The case should get active providing information relating to the assets of the defendant to the Court.            |

had not taken actions to submit information relating to the Company. As a result the suit had been held over a period more than 3 years by the Court.

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| <p>(n) Two cases had been filed in the Colombo District Court and Colombo provincial High court in the year 2015 in order to recover a sum of Rs. 4,716,813 and Rs. 7,551,750 relating to the fraud made by a marketing executive in 2 instances. The above mentioned cases could not be proceeded and had been laid down over a period of 4 years because the dependent had given up the place he resided. The Corporation had failed to get the case active providing the information relating to the current residence of the defendant.</p> | <p>Agreed with the audit observation.</p> | <p>The case should get active providing information relating to the current residence through the vote register of the Department of Election to the Court.</p> |
| <p>(o) Annual reports for the years 2016 and 2017 had not been tabled in Parliament even up to the date of this report.</p>                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>Audit observation is correct.</p>      | <p>Relevant annual reports should be tabled in the Parliament as soon as possible.</p>                                                                          |

### 3.3 Idle or Underutilized Property, Plant and Equipment

<b>Audit Issue</b>	<b>Management comment</b>	<b>Recommendation</b>
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<p>(a) The motor vehicle received from the Mahaweli Authority in the year 2010 which had been revalued at Rs. 150,000 and taken into accounts but the ownership had not been transferred properly had been written off from the accounts in the year under review. However actions had not been taken to handover to the relevant Institute or to dispose and had been parked in the Broadcasting Station premises Ekala even up to 05 June 2019 the date of audit</p>	<p>Actions to be taken to handover to the Mahaweli Authority.</p>	<p>Actions should be taken to handover the vehicle.</p>

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| (b) | Only the ground floor of the three storied building which the training section had been conducted is being utilized for the time being and first and second floors had been remained idle without utilizing. | It was scheduled to be utilized after repairing in future. | Actions should be taken to utilize the building immediately. |
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### 3.4 Procurement Management

<b>Audit issue</b> -----	<b>Management comment</b> -----	<b>Recommendation</b> -----
(a) Although procurement activities valued more than Rs. 200 million had been carried out by the Corporation, planning of the procurement had not been done properly due to a separate section not being organized for procurement. Even though Procurement Committees and Technical Evaluation Committees had been established as per the terms of the procurement Guideline, preparing specifications, evaluation of bids, and technical evaluations had not been organized as to be checked internally. Hence internal control relating to the procurement had remained in a feeble condition. However relevant authorities had not been taken actions to introduce policies, methods practices and organization structures to minimize the risk of errors which can be arisen in procurement.	It was scheduled to be established a separate section for procurement as per the combination of staff in future.	Procurement section should be established and a strong internal control system should be established as well.
(b) It should be confirmed in building constructions that the procurement entity had completed acquisition of lands and all other requirements had been fulfilled to carry out the project without disturbances.	Audit observations are correct	Immediate actions should be taken to acquire the land.

Although a sum of Rs. 42.5 million had been allocated for the construction of studio complex for Yal F.M Jaffna to the procurement plan for the year 2018, the land could not be acquired even up to the end of the year 2018. Hence the said project could not be commenced during the year under review.

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| (c) | According to the F.R. 50, the Accounting officers should assured that all procurements which had been included to the estimates can be fulfilled by the Corporation within the financial year. However responsible parties had failed to fulfill the projects which had been included into the procurement plan over a number of previous years. Further the capital grant received from the Government could not be utilized efficiently due to unsuccessful procurement plans and weak financial management. As a result, an amount more than Rs. 100 million had been remained in the accounts erroneously as at the end of each year. | Audit observations are correct. These funds are remained for the payment relating to the projects which are to be commenced. | A good financial management should be established and projects included in the procurement plans should be implemented efficiently. |
| (d) | According to the Procurement Guideline 3.4.1 even though shopping method can be applied for procurement which is less value and can be purchased immediately. However, even though the requirement of computers of the Corporation and its cost were known more than a year, the requirement of computers had been divided in to minor parts and had been purchased at                                                                                                                                                                                                                                                                    | Purchasing were made as per the requests and receiving funds.                                                                | Purchasing should be done as to be able to obtain maximum benefit to the Corporation.                                               |



Rs. 9.12 million following the shopping method in 10 instances. Hence economies of scale which could be obtained from calling open bids had been missed and a high price had to be paid.

- (e) According to the section (a) and (b) of the paragraph 4.2.1 of the Procurement Guideline, a master procurement plan should be prepared by the procurement entity and expected procurement of 3 years at least should be included in to the master procurement plan. However a summarized procurement plan for the year under review only had been prepared by the Corporation.
- Annual procurement plan was prepared and is being implemented.
- Procurement plan should be prepared as per the provisions of the Procurement Guideline.
- (f) According to the section (b) of the paragraph 4.2.2 of the Procurement Guideline , procurement time table had not been prepared describing time orderly the steps of each procurement since the commencement of the procurement up to the completion.
- To be prepared in future.
- Procurement time table should be prepared as per the provisions of the Procurement Guideline.
- (g) According to the paragraph 2.3.1 of the Procurement Guideline, officers of the procurement committee should confirm in building constructions that the procurement entity had completed acquisition of lands and all other requirements had been fulfilled to carry out the project without disturbances. However without obtaining such clearance, a sum of Rs. 5,830,890 had been incurred as
- Being constructed the building after identifying as the most suitable place for broadcasting digital waves clearly.
- Constructions should be done after obtaining the ownership of the land.

at 31 December 2018 for construction of two storied building for the Kandurata Sewaya in a land which had not been owned by the Government. It was observed that, this action had been taken while the free hold land Aniwaththa Bahirawakanda belonged to the Corporation was located in a distance of 500 meters. This land was 23 perches in extent and there was an old building in the said land.

### 3.5 Human Recourses Management

<b>Audit Issue</b> -----	<b>Management comment</b> -----	<b>Recommendation</b> -----
(a) According to the section 2.1 of the Chapter II of the Establishment Code, for all posts , if there is any post belonged a certain grade or service , Scheme of Recruitment should be prepared by the relevant institution including information such as the salary scale, required qualifications, age limit and other details specifically and the approval should be obtained as per the sub sections from 2.2 to 2.5. However a Scheme of Recruitment had not been prepared and approved even up to 05 August 2019 the date of audit.	Scheme of Recruitment was prepared as per the cadre approved on 07.06.2019 and further actions are being taken having discussions with the Department of Management Services.	Immediate actions should be taken to prepare and approve a Scheme of Recruitment.
(b) According to the Department of Management Services Letter No. DMS/1591/5/3 dated 19 September 2018 for approval of cadre, it had been directed to make recruitments only after preparing a scheme of recruitment for the Corporation and obtaining the approval of the Department of Management Services. However recruitments and promotions had been done by the Corporation for a long time without an approved recruitment and promotion Scheme.	Actions were taken to recruit only for essential posts.	Promotions and Recruitments should be done after the scheme of Recruitment is prepared and get it approved by the Department of Management Services only.