

## **Head 055- Ministry of Mass Media**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Ministry of Mass Media for the year ended 31 December 2019 comprising the statement of financial position at 31 December 2019 and the statement of financial performance and cash flow statement for the year then ended, 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. The summary report containing my comments and observations on the financial statements of the Ministry of Mass Media was issued to the Chief Accounting Officers on 25 June 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 28 September 2020 in terms of Section 11 (2) of the National Audit Act No. 19 of 2018. This report will be presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements prepared in accordance with the provisions in the State Accounts Circular No.271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Ministry of Mass Media as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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

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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 opinion.

#### **1.3 Responsibility of the Chief Accounting Officer on the Financial Statements**

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The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 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.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Ministry 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.

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

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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 Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

I communicate with the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## 1.5 Report on Other Legal and Regulatory Requirements

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Since there was no Ministry under this Head in the preceding year, financial statements as required by Section 6(1) (d) and Section 38 of the National Audit Act No.19 of 2018 were not prepared for the preceding year and it could not be expressed that the financial statements for the year under review were consistent with that of the preceding year. Further, due to not presenting financial statements for the preceding year, recommendations were not made.

## 1.6 Comments on the Financial Statements

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### 1.6.1 Statement of Financial Performance

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The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) Although receipts of deposits amounted to Rs. 8,783,184 according to the Treasury books, it had been stated at Rs. 8,670,154 in the financial statements and as a result, value of the deposit receipts had been understated by Rs. 113,030.	Action should be taken to make adjustments to be made with the Treasury Books and include correct values in the financial statements.	Due to an error occurred in including the relevant transfer sheets from the Ministry of Finance, the above amount is shown as Rs. 8,783,184 as per the Treasury printouts.
(b) Although receipts of advances amounted to Rs. 5,996,796 according to the Treasury books, it had been stated at Rs. 8,319,728 in the financial statements and as such, the receipts of deposits had been overstated by Rs. 2,322,932.	Action should be taken to make adjustments to be made with the Treasury Books and include correct values in the financial statements.	The values of total debits and credits from January to December, 2019 have been shown in the financial statements. Accordingly, after adjusting relevant debit and credit balances properly by the Ministry of Finance on 31 December 2019, the closing balance of Rs. 21,500,329 has been equally balanced in the Ministry books and the Treasury printouts.

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| (c) | Even though payment of deposits was Rs. 1,888,535 according to the Treasury books, it had been stated at Rs. 1,159,311 in the financial statements and as such, the payment of deposits had been understated by Rs. 729,224.      | Action should be taken to make adjustments to be made with the Treasury Books and include correct values in the financial statements. | Due to an error occurred in including the relevant transfer sheets from the Ministry of Finance, the above amount is shown as Rs. 1,159,311 as per the Treasury printouts.                                 |
| (d) | Although payment of advances was Rs. 26,459,385 according to the Treasury books, it had been stated at Rs. 10,810,183 in the financial statements and as such, the payment of advances had been understated by Rs. 15,649,202.    | -Do-  | After adjusting relevant debits and credits on 31 December 2019, the closing balance of Rs. 21,500,329 has been equally balanced in the Ministry books and the Treasury printouts.                         |
| (e) | Even though the imprest balance as at 31 December 2019 should be Rs. 149,286,164, it had been adjusted as Rs. 130,697,837 and as such, imprests had been understated by Rs. 18,588,327 in the statement of financial performance. | Action should be taken to include correct imprest value in the financial statements.  | Values of the receipts and payments of deposits related to this Ministry together with debit and credit values from January to December 2019 have been included in the statement of financial performance. |

## 1.6.2 Statement of Financial Position

### The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) According to the statement of financial position, a sum of Rs. 11,734,358 had been stated as the purchase of non-financial assets, whereas the	Financial statements should be prepared using correct value so as to reconcile the values in the vote ledger and the financial statement.	The sum of Rs. 11,734,358 shown in the statement of non-financial assets of the Ministry as purchase of the year includes purchase of assets of Rs. 8,169,079 of the Right to Information Commission, a sub office of the Ministry.

expenditure incurred on the acquisition of capital assets had been Rs. 3,465,801. Accordingly, non-financial assets had been overstated by Rs. 8,268,557.

- (b) The Ministry owned 35 vehicles by the end of the year under review and the value of those vehicles had not been included in the statement of non-financial assets. Hence, value of the Property, Plant and Equipment had not been shown accurately.
- (c) Although Rs. 261,903 had been shown as the imprest balance in the statement of financial position, that value had been stated as Rs. 2,397,512 according to the Treasury accounts, thus understating the imprest balance by Rs. 2,135,609.
- Action should be taken to include value of the vehicles in the financial statements.
- It was taken down to assess and account for the value of the vehicles owned by the Ministry in the future.
- In accordance with the guidelines issued pertaining to the preparation of financial statements, financial statements should be prepared so as to reconcile the balances shown in the Treasury books and the financial statements.
- A sum of Rs. 261,903 has been shown as the imprest balance in the statement of financial position of the financial statements prepared by the Ministry. According to the Treasury Accounts, the above balance is Rs. 2,397,512.

### 1.6.3 Imprest Adjustment Account

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) Although net value of the difference between the receipts and payments balances of the Advance Account amounted to Rs. 20,403,945 as per the Ministry books and Treasury accounts, it had been adjusted as Rs. 2,431,811 to the Imprest Adjustment Account. Accordingly, the Imprest Adjustment Account had been understated by Rs. 17,972,134.	Adjustments to be made with the Treasury books should be done before the preparation of financial statements and action should be taken to include correct values in the financial statements as per the instructions given.	The net value of the difference between the Ministry books for the year under review and value of total debits and credits made from January to December for the year 2019 amounting to Rs. 2,431,811 has been adjusted to the Imprest Adjustment Account.
(b) Although net value of the difference between the receipts and payments balances of the Deposit Account amounted to Rs. 843,253 as per the Ministry books and Treasury accounts, it had been adjusted as Rs. 227,061 to the Imprest Adjustment Account. Accordingly, the imprest adjustment t had been understated by Rs. 616,192.	Adjustments to be made with the Treasury books should be done before the preparation of financial statements and action should be taken to include correct values in the financial statements as per the instructions given.	The difference between the values stated in the Ministry books for the year under review and receipt and payment deposit balances related to our Ministry amounting to Rs. 227,061 has been adjusted to the Imprest Adjustment Account.

#### 1.6.4 Non-maintenance of Registers and Books

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The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Security Register		
----- A Security Register inclusive of the details of the officers who should give security in terms of Financial Regulation 89(1) had not been prepared.	A Security Register should be prepared in terms of Financial Regulations.	It is kindly informed that measures will be taken to prevent these mistakes in the future.
(b) Record of Losses		
----- The Record of Losses had not been maintained in an updated manner in accordance with Financial Regulation 110.	A Record of Losses should be maintained in an updated manner in the format stipulated under the provisions of Financial Regulations.	It is accepted that a lapse has caused on the part of Ministry in updating for the year 2019 the register to be maintained as per the Financial Regulation 110.
(c) Register of Official Telephones		
----- A Register of Official Telephones had not been maintained in terms of Financial Regulation 845 (1).	In terms of Financial Regulations, a Register of Official Telephones should be maintained as indicated in the Appendix 26.	It is informed that arrangements are being made to maintain a Register of Official Telephones as indicated in the Appendix 26 in terms of Financial Regulation 845 (1).

## 1.6.5 Non-compliance with Laws, Rules and Regulations

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
Non-compliance with laws, rules and regulations	Non-compliance	
Paragraph 3.1.6 of the State Finance Circular No.05/2016 dated 16 March 2016.	The Board of Survey Report for the year 2019 with a copy to the Chief Accounting Officer had not been submitted to the Auditor General even by 18 June 2020.	The Annual Board of Survey Report should be furnished prior to 17 March each financial year.
		Since board of survey was in abundance with shortcomings and errors, 5 committees have been appointed to conduct a new board of survey in July 2020.

## 2. Financial Review

### 2.1 Revenue Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) In terms of Paragraph 03 of the Circular No.01/2015 dated 20 July 2015, revenue should be more correctly forecasted. Nevertheless, the estimated revenue was Rs.1,200 million and the collected amount of revenue was Rs.615 million and accordingly, the collected revenue was only 51 per cent of the estimated revenue.	If there is an issue regarding estimates, it should be settled in consultation with the Treasury and ensured to collect revenue as in the estimates.	Revenue should be forecasted in terms of Paragraph 03 of the Fiscal Policy Circular dated 20 July 2015 of the Secretary to the Treasury and the estimated revenue of the Ministry for the year 2019 has been stated as Rs. 1,200,000,000 in the audit query. Nevertheless, the revenue estimate presented by the Ministry for the year 2019 is Rs. 600,000,000.
(b) Tax revenue including the fines due from 02 private media institutions for the period from 2007 to 2013	Outstanding tax should be recovered expeditiously as possible and outstanding tax	Action will be taken to recover this aoutstanding money within a period of 03 months.



was Rs. 53,157,130. should be recorded in the  
 Although that amount outstanding revenue  
 remained outstanding even by statement.  
 the end of the year under  
 review, it had not been  
 recorded in the outstanding  
 revenue statement.

## 2.2 Expenditure Management

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Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- Savings of the net provisions of 25 recurrent Objects ranged from 07 per cent to 100 per cent and non-utilization of provisions of those Objects or shortcomings in the preparation of estimates were observed as the reasons behind the above savings.	----- Expenditure estimates should be accurately prepared in terms of Financial Regulation 50.	----- Existence of staff vacancies, incurring expenditure economically, not arising the desired expenditure are the matters attributed to the savings.

## 2.3 Incurring Commitments and Liabilities

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Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- Liabilities relating to the year under review amounting to Rs. 232,436 paid by vouchers even by 31 May 2020 had not been stated in the annual financial statements as at 31 December 2019.	----- In terms of Financial Statement 150, all the liabilities as at 31 December of the year under review should be disclosed together with the annual financial statements.	----- Although vouchers have not been stated in liabilities and commitments due to a mistake, payments have to be made in exigencies of the service.

## 2.4 Issuance and Settlement of Advances

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Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>In terms of Financial Regulation 371(5) as amended by State Finance Circular No.3/2015 dated 14 July 2015, the ad hoc imprests obtained should be settled within 10 days from the completion of the work. Nevertheless, ad hoc sub imprests totalling Rs. 1,804,012 given in 83 instances had been settled after a period ranging from 31 days to 236 days from the completion of the work.</p>	<p>Action should be taken in terms of Financial Regulations and circular provisions in respect of the officers who acted contrary to the regulations.</p>	<p>It is expected to not to repeat the payment of advances to the officers who do not properly settle the advance and to implement relevant internal control under a proper supervision.</p>

## 3. Operating Review

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### 3.1 Failure to achieve the expected output level

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The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) Of 05 functions which had been made provisions of Rs.03 million in the Annual Action Plan including the Administration Division, 04 functions had not reached the expected output level and the completed amount of works too was as low as 5 per cent.</p>	<p>Steps should be taken to carry out the functions as planned.</p>	<p>Since provision made form the budget 2019 for the new projects was inadequate, activities could not be completed as planned.</p>

- (b) Although it had been planned to pass the Act pertaining to the regulation of the process of issuing radio and television broadcast licences in the year 2019, that target had not been achieved even by the end of the year 2019. Activities should be carried out as planned. The draft prepared to this Bill in accordance with the Cabinet decision given on 04 March 2020 is being reviewed by an experienced committee of experts in the field appointed for that purpose.

### 3.2 Losses and Damages

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
Steps had not been taken in accordance with the Financial Regulations regarding the misplacement of 02 laptops and 02 electric fnas even by 27 February 2020.	In case of misplacement of items, relevant inquiries should be carried out immediately in terms of Financial Regulations.	It is kindly informed that action will be taken to instruct the officials to take measures according to Financial Regulations from 103 to 105 and F.R.108 regarding the misplacement of 02 laptops and 02 electric fnas in the year 2016 and to inform you on the progress of this investigation.

### 3.3 Management Weaknesses

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) In terms of Section 13:2 of Chapter XLVIII of the Establishments Code, an authority ordering a preliminary investigation should, at the same time such order is issued, specify the time limit within which the officers should complete the preliminary investigation taking into consideration the nature of each case.	Action should be taken to ensure expeditious completion of preliminary investigation regarding the vehicle accidents.	The delay caused regarding the preliminary investigation activities of vehicle accident is accepted and the officers concerned were instructed to prevent such shortcomings in the future.

Nevertheless, due to failure to comply therewith, the preliminary investigation report related to a vehicle which had met with an accident on 01 October 2006 had been submitted after a delay of nearly 02 years. As a result, more than a period of 2 ½ years had been delayed for the repairs of the vehicle.

- (b) A Cab owned by the Department of Government Information and assigned to the use of Ministry had met with an accident on 26 December 2016. According to a decision taken at the Procurement Committee meeting convened regarding the repairs of the above Cab, the Department had repaired the relevant vehicle at a cost of Rs. 453,000 subject to conduct of a preliminary investigation by the Ministry. Nevertheless, preliminary investigation on the vehicle accident had not been conducted even by 26 June 2020.
- Action should be taken to complete the preliminary investigations expeditiously.
- This observation is accepted. A board of investigation has been appointed on 13.06.2018 to conduct a preliminary investigation on the accident caused on 26.12.2016, whereas the report of the above investigation has not been submitted as yet.

- (c) The contract for the construction of *Amaradewa Asapuwa*, which is being built at Apegama Premises, Battaramulla, had been awarded at an estimate of Rs.250 million. Even though mobilization advance of Rs. 31,390,535 and a sum of Rs. 33,962,434 for the completed works of the contract had been paid by August 2019, progress of the constructions of the project remained at 10 per cent. Further, the contractor had abandoned the project by September 2019 and the advance amount that could not be recovered as at that time was Rs. 20,951,883.
- Due amounts should be recovered as soon as possible taking necessary steps.
- The construction institution has already been informed to pay the total amount due inclusive of the advance to the Ministry as per the calculation of the consultant agency and it has been informed in writing that action will be taken to initiate legal action in the future in case the above payment is not made. As it has been stated that further construction of this *Asapuwa* should be awarded to a construction institution selected under a formal procurement procedure, relevant procurement activities are to be initiated immediately after making financial provisions.