Telecommunication Regulatory Commission of Sri Lanka - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Telecommunication Regulatory Commission of Sri Lanka for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 presented to Parliament appear in this report.

In my opinion, except for the effect of the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Commission as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

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

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

1.3 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 Commission's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Commission, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Commission has complied with applicable written law, or other general or special directions issued by the governing body of the Institute

- Whether the Commission has performed according to its powers, functions and duties; and

- Whether the resources of the Commission had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

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

1.5.2 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with reference to the relevant standard	Comment of the Management	Recommendation
(a) Although the cost of property, plant and equipment of the Commission amounting to Rs. 13,339,684,395 had been stated in its financial statements, their fair value had not been computed and shown in the financial statements according to the Sri Lanka Accounting Standards 16.	Agreed. The Internal Audit Committee of the Telecommunication Regulatory Commission has reviewed the draft fixed assets revaluation policy and referred to the National Audit Officer for its concurrence. Action will be taken accordingly soon after the receipt of relevant concurrence.	Action should be taken to revalue asset and account for them at their fair value
(b) Despite being fully depreciated, the fixed assets costing Rs.12,978,983 which were further in use had not been revalued in terms of Paragraph 51 of the Accounting Standards 16 and stated in the financial statements.	Agreed. The draft fixed assets revaluation policy has been referred to the National Audit Officer for its concurrence. Action will be taken accordingly soon after the receipt of relevant concurrence.	Assets should be revalued and included in the financial statements.

1.5.3 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
(a)The Value Added Tax liability as at 31 December of the year under review had been understated by Rs. 43,145,810 in the financial statements.	The Value Added Tax values have been properly accounted for in the year 2020 and it is kindly informed that action will be taken to further analyze the Value Added Tax Account for the previous years and monitor the differene in the opening balance.	Value Added Tax value should be accurately stated in the financial statements.
(b) A sum of RS.22,097,446 received from the 05 operators who use the Madukanda Communication Tower without entering into	Not agreed. Although the 05 operators of the Madukanda tower have not signed agreements, they have agreed to pay the dues and the money has been settled. All dues from 2011 to 2019 have been calculated in the year under review and	Values should be accurately disclosed in financial statements.

agreements from 2011 to 2019 had been brought to account as revenue for the year under review and Rs.2,678,603 due from them for the year under review had not been accounted for as receivable income.	referred to the operators in the form of notification notices. After the payment, the tax invoices were issued and they were reported on a cash basis in the month in which they were received and the relevant tax money was also properly remitted.	
(c) A sum of Rs.7,089,343 received in the year 2021 for facilities obtained from Madukanda Communication Tower by a private company from February 2012 to December 2020 had not been accounted for as receivable income.	Mobitel has paid the amount due from 14 February 2012 to 31.12.2020 on 21 April 2021.	Receivables should be accurately disclosed by financial statements.
(d)The value of the land where the Hambantota Telecommunication Media Center is located with a title deed had not been shown in the financial statements. In addition, approximately 69 per cent of a land containing 112-Acre 01 Rood and 10.5 Perches valued at Rs. 45,000,000 had been acquired by the Pradeshiya Sabha, but no relevant adjustments had been made in the financial statements.	Not agreed. Since the assessed value of the land for the year 2017 is Rs. 44,000,000 without any payment, it is kindly informed that action will be taken to revalue the land with other lands and account for as per the accounting standards. The actual condition of the Kadirana land is set out in a note to the financial statements and there is a need to revalue the entire asset class including the share owned by the Commission as per Accounting Standards No. 16	All assets should be correctly disclosed in the financial statements.
(e) According to the financial statements, there were outstanding loan balances of Rs. 161,033,612 due from 04 government institutions,	Letters have been sent to recover Rs. 145,283,350 due from the Sri Lanka Broadcasting Corporation. Although reminders were sent from time to time about this amount unsettled by the other 3 government institutions, no reply was	It should be verified that there are debtor balance and included in the financial statements after confirming the

whereas according to the financial statements of those institutions, the loan balance of one institution alone had been overstated by Rs. 4,435,922 and it was observed that there were no creditors balances in the other institutions.	given or not indicated the fact that such balance was not disclosed in the books.	accuracy of those value.

1.5.4 Lack of Documentary Evidence for Audit

Item	Amount	Evidence not submitted	Comment of the Management	Recommendation
	Rs.			
Lands	103,863,771	Updated Register of Fixed Assets and other related written evidence	Agreed. The possibility to prepare and provide them at the audit in the following year will be looked into.	Documents and information should be maintained so that existence and the value of assets can be confirmed through the written evidence.
Debtors	4,125,687	Balance confirmation letters.	Not agreed. All the debtors related to the selected sample have been sent letters by registered posts requesting that debtors balance be confirmed and replies be directly sent to you.	Debtors balance should be confirmed and value thereof should be included in

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comment of the Management	Recommendation
(a) A sum of Rs. 6,359,303 due from a company and included in the opening balance of the receivable accounts had not been recovered even by 13 July 2021.	Action is being taken through the Legal Division to recover the unpaid Communication Tax by the Lanka Cable Satellite Network Ltd. LCSN.	Action should be taken to recover the dues.

(b) The debtors balance as at 31 December of the year under review was Rs. 373,509,522 and a sum of Rs. 2,177,058 that had been excessively recovered had been included in the debtors balance. But no action had been taken to settle it.	It is informed that the balance that had been excessively recovered is not a result of transactions made during the year under review.	Action should be taken to settle debtor balances.
(c) A sum of Rs.424,000 paid as allowances to an officer during the period of her interdiction in the year 2013 had not been recovered in the year under review as stated in the disciplinary order dated 29 August 2019.	According to the disciplinary order, it has been informed that the overpayment be repaid, but the payment was defaulted. The Commissioner General of Labour informed that the employer has no legal capacity under the Act to deduct it even in the calculation of gratuity.	Allowance payments should be made correctly and action should be taken to recover payments that are not legally entitled.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) Section 11 of the Finance Act No. 38 of 1971 and Section 8.2.2 of the Public Enterprise Circular No. PED / 12 of 02 June 2003	The Commission had not obtained the concurrence of the Minister of Finance for the sum of Rs. 1,500 million invested in fixed deposits as at 31 December 2020.	Not agreed. Section 22 (f) of the Sri Lanka Telecommunication Regulatory Commission (Amendment) Act No.27 of 1996 states that a fund can be kept and in terms of Section 9 (2) of the Finance Act No. 38 of 1971 the Sri Lanka Telecommunication Regulatory Commission does not have a surplus fund. It is wish to inform that a very short term temporary fund will be set aside only for activities in accordance with the Acts and those funds will not be maintained in current accounts, will be effectively managed in the short term and will never be made for investment purposes.	As per the circular, the approval of the Minister of Finance should be obtained for the investment of temporary surplus funds.

		Similarly, a letter has been referred to the Department of Public Enterprises on 09/06/2011 requesting permission to properly manage these temporary funds.	
(b) Public Enterprise Circular No. PED / 12 of 02 June 2003			
(i) Section 9.3	Although appointments should have been made to act in a post for a period not exceeding 03 months, contrary to that 08 acting appointments had been made.	Steps are being taken to grant permanent appointments to these posts once the amendments to the current scheme of recruitment are finalized.	Appointments to the acting posts should be made in accordance with the circulars.
(ii) Section 9.12	Although the approval of the Department of Public Enterprises and the Treasury should have been obtained for the operational medical insurance scheme of the Commission, no such approval had been obtained. A sum of Rs.55,256,869 had been paid as insurance premiums to an insurance company for the year under review and the insurance company had reimbursed Rs. 26,176,701 to 235 officers of the Commission.	The Attorney General has informed that the Commission has been vested with the powers under Section 22 (c) of the Sri Lanka Telecommunications (Amendment) Act, No. 27 of 1996 to decide on the salaries and allowances to be paid to the staff of the Commission. As the Life and Medical Insurance Scheme was still in operation at the time of issuance of Circular No. PED / 12 dated 02 June 2003, it has not been submitted to the Treasury for approval.	Action should be taken to comply with the circular.

(iii) Section 9.14.2	Approval of the Department of Public Enterprises and the Secretary to the Treasury had not been obtained for the scheme of recruitment and had followed a recruitment scheme approved only by the Commission.	Following the appointment of a special committee on the advice of the Audit Committee for assessing and reorganizing the approved staff and the organizational structure of the institute, the Sri Lanka Institute of Development Administration was selected for this purpose and its advisory board conducts these activities. Once that complex work is completed, approval is to be sought in accordance with Public Enterprises Circulars	Approval of the Secretary to the Treasury should be obtained in accordance with the Circular.
(c) Letter No. NSCC / 3 / ABC / 24 dated 01 June 2007 of the National Salaries and Cadres Commission.	An overpayment of Rs. 8,764,000 had been made during the year under review due to the payment of Rs. 6,000 each in excess of the approved monthly transport allowance of Rs.2000 for the non-staff grade staff.	As per the powers vested by the Section 22 c (1) of Telecommunications (Amendment) Act, No. 27 of 1996 and in accordance with the Commission's Decision No. 2KX.189.15(17) dated 11 March 2010, transport allowance of Rs. 6000 for non-staff grade staff has been approved.	Payment of transport allowance should be made in accordance with the approval.
(d) Paragraph 1 of the Management Services Circular No. 39 of 26 May 2009	Without the recommendation of the National Salaries and Cadres Commission and the approval of the Department of Management Services, Rs. 77,621,496 had been paid to the staff as incentives, house rent allowances and allowances for unavailed leave during the year under review.	Payments have been made on the approval of the Commission in accordance with the powers vested in it by Section 22 (c) of the Act and it has been informed that the power to determine salaries and allowances have been vested in the Commission by the above Act.	Approval should be obtained in accordance with the circular.

2. Financial Review

2.1 Financial Results

The operations of the Commission for the year under review had resulted in a surplus of Rs. 28,028,050,762 as compared with the corresponding surplus of Rs. 37,883,540,711 for the preceding year, thus observing a deterioration of the financial results by Rs. 9,855,489,949. This deterioration was mainly due to decrease of the licence fees income, telecommunication tax income, telecommunication development charges income by Rs. 9,422,955,136 and non-recovery of levy on outgoing local access charges.

2.2 Trend analysis of the main income and expenditure items.

The income and expenditure of the Commission showed a significant variations compared to the previous year. Details are given below.

Description	As at 31.12.2020	As at 31.12.2019	Difference Deficit / (Surplus)	Percentage of the Difference
	Rs.	Rs.	Rs.	%
licence fees income	12,036,758,914	16,175,312,122	(4,138,553,208)	(26)
telecommunication tax income	10,826,164,612	15,065,669,041	(4,239,504,429)	(28)
telecommunication development charges income	4,292,953,440	5,337,850,939	(1,044,897,499)	(20)
levy on outgoing local access charges income	-	192,765,504	(192,765,504)	(100)
Total income	29,000,860,956	38,575,208,162	(9,574,347,206)	(25)
Total expenditure	972,810,192	691,667,451	281,142,741	41
Before tax profit of the year	28,028,050,762	37,883,540,711	(9,855,489,949)	(26)

(a) The declining the telecommunication tax revenue from Rs. 15,065,669,041 to Rs. 10,826,164,612 by Rs. 4,239,504,429 due to reducing the telecommunication tax from 25 per cent to 11.25 per cent according to the revisions made on 05 November 2018 and 01 December 2019, exemptions of levy on outgoing local access charges with effect from 11 June 2019, and increasing the use of smart phones and over the top free mobile applications had also contributed to the decline in revenue.

(b) Out of the total expenditure of Rs. 739,137,932 of the Commission, 92 per cent or Rs. 679,034,945 had been spent on administrative and operating expenses and it had included Rs. 431,252,335 or 64 per cent on staff salaries and allowances. However, only 7 per cent or Rs. 54,779,057 of the total expenditure had been spent on telecommunications regulation, the main purpose of the establishment of the Commission.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
Even though Rs. 345,502 had been paid to the National Housing Development Authority in 1999 and 2010 for the acquisition of ownership of the land with 6.21 perches where the Hanthana Frequency Checkpoint is located, its ownership had not been obtained even during the year under review. Further, no title deeds or lease agreements had been obtained for the lands where the head office and the Kokavil Multipurpose Center are located by the end of the year under review.	The National Housing Development Authority has informed that all the relevant payments of the Hanthana Frequency Check Center have been completed and the necessary approval should be obtained to issue the freehold deed. Kokavil Multipurpose Center: The Commissioner General of Lands has sent a reminder to the Divisional Secretary requesting to take action for transfer the land.	Action should be taken to establish the ownership of the assets.

3.2 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
A sum of Rs. 91,929,931 due from 03 government institutions from the year 2012 for using the Kokavil Communication Tower had not been recovered even during the year under review.	The Legal Division has been informed regarding the signing of the agreement and that institution and the Ministry of Mass Media and Information has been informed by letter regarding the arrears of this institution but no written response has been received so far.	Steps should be taken to recover the dues without delay

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
(a) The agreement that had been entered into on 28 July 2014 by the Commission with the contractor for the construction of a Telecommunication Media Center at the IT Park, Hambantota, had been terminated 10 August 2016 and the contractor had lodged a complaint with the Dispute Arbitration Board against that decision and for an estimated compensation of Rs.706,666,172. The physical progress of the project as at the date of terminating the contract was 33.1 percent and a cost of Rs. 684 million incurred thereon had been fruitless.	Construction was halted after a decision made by the Telecommunications Regulatory Commission of Sri Lanka and the Legal Division is working to resolve existing legal issues to begin further work.	Appropriate action should be taken regarding the fruitless expense incurred due to termination of the contract.
(b) As the consultancy fee for the initial renovation work of the head office building, a sum of Rs.10,057,910 had been paid to the University of Moratuwa on 25 January 2015. Nevertheless, the building had not yet been renovated. Further, the contract for the renovation of the head office building was being carried out as an extension to the main building and as such, the above consultancy fee mentioned in the work-in-progress account had become a fruitless expenditure.	The management of the Telecommunications Regulatory Commission of Sri Lanka has paid money to the University of Moratuwa, the Consultancy Institute for the renovation of the head office building and its initial work has been carried out by the University of Moratuwa. Subsequently, the management of the Telecommunications Regulatory Commission of Sri Lanka decided to construct a new building and thereafter, to modernize the head office building.	The need for construction should be properly identified and action should be taken accordingly and then the payments should be made.

3.4 Procurement Management

Audit Observation	Comment of the Management	Recommendation
(a) Six Procurement activities worth Rs. 1,266,700,000 included in the Procurement Plan had not been carried out during the year under review as they were not necessary and suspended by the Director General. Plans had been made without properly identifying the requirements and as such, the opportunity to allocate funds for other essential activities had been lost. Similarly, 06 procurements worth Rs. 1,140,550 which had not been included in the procurement plan had been implemented and reasons for non-implementation 34 procurement activities worth Rs. 1,083,495,000 or the fact whether they were implemented had not been stated.	As the administration had been informed that there was no current requirement, action was taken to abandon the procurement. Due to the delays in the receipt to the Budget Control Division, the Corona virus, changes in the line ministry and vacancies in the Procurement Committees, projects could not be implemented during the period under review.	Action should be taken in accordance with the Procurement Plan.
(b) Although the Agreement worth Rs. 2,992,330 entered into by the Commission with the Sri Lanka Institute of Development Administration on 20 October 2020 to obtain consultancy services to revise the staff composition, organizational structure and the scheme of recruitment of the Commission was due to expire in January 2021 and Rs. 1,490,166 had been paid for that purpose for the year under review, the relevant work had not been completed even by June 2021.	The Covid 19 epidemic interrupted the initial workings of the process and this task is a very complex process. At present, the proposed draft scheme of recruitment has been submitted and necessary amendments are being made in consultation with the heads of each division.	The task of revising the staff composition, organizational structure and scheme of recruitment of the Commission should be finalized expeditiously.

3.5 Deficiencies in the Contract Administration

Audit Observation	Comment of the Management	Recommendation
(a) Lotus Tower Project As per the Cabinet Decision No.10/2473/401/031 dated 27 October 2010, the Telecommunications Regulatory Commission and two Chinese companies had entered into a contract agreement worth US $104,300,000 on 03 January 2012 for contract for the construction of the Lotus Tower. According to the agreement, contract was to be completed in 912 days from 12 November 2012, but the Commission had extended the contract period up to 31 October 2017. The Commission had entered into a loan agreement with EXIM Bank on 17 September 2012 to procure funds for this construction. According to the loan agreement, it had been agreed to grant 85 per cent of the contract value, or US $.88.655 million and the loan was to be completed by 18 August 2016. As the construction contract was not completed according to the scheduled timeframe, the full loan amount could not be properly obtained and during the relevant period US $ 67.260 million or only 76 per cent of the loan amount had been granted. The following observations are made in this connection.		
(i) According to the Memorandum of Understanding entered into by the Commission and the Urban Development Authority on 23 January 2012, the land on which the Lotus Tower was constructed is 7 Acres, 2 Roods and 8.41	Agreed. The observation is correct.	Documents should be maintained so as to include accurate data.

perches. However, it was observed according to the information submitted by the Commission to the audit that the extent of land belonging to the Urban Development Authority was 4 Acres 3 Rood and 24.47 acres.		
(ii) According to the financial feasibility report of this project, it had been planned commence operation of this project the year 2015 and to earn an annual income of Rs. 1,685 million therefrom for the first 5 years and an income of Rs. 1,918 million for the second 05 years . Nevertheless, due to the delays in the project activities, the expected annual income had been lost. When calculating the anticipated income as per the financial feasibility report, the loss of income as at 31 December 2020 was Rs. 9,639,408,102.	It has not been possible to earn income as expected in the feasibility report.	Action should be taken to achieve desired targets.
(iii) Although it was planned to pay the loan instalments from the project income, due to the non-completion of the construction work of the project as planned, Rs.7,877 million had been paid out of the Commission's funds as loan instalments and interest by 31 December 2020. Due to the payment of loans and instalments, the remittance made to the Consolidated Fund in 2017, 2018, 2019 and 2020 had decreased by total of Rs. 53,400 million comprising Rs. 5,200 million, 6,150 million, 19,050 million and Rs. 23,000 million respectively in relation to the year 2016.	A sum of US $ 10.43 million has already been recovered from the contractor's interim payments due to delays in the project as per the Contract Agreement TRC / CEIC / 01.2011. This is the maximum late fee that can be charged for project delays as per the relevant contract agreements. The Telecommunications Regulatory Commission of Sri Lanka has also appointed an advisory committee for the commercialization of the Lotus Tower in Colombo. The Committee is making the necessary plans at present.	Action should be taken to abide by the original plans of the project.
(iv) Although the Lotus Tower was officially opened on 16 September 2019 at a cost of Rs. 11,325,012, it has not been taken over by the Commission and	Observation is correct.	Arrangements should be made to take over the Lotus Tower by the Commission and commence the

commenced business operations as yet.		business operations expeditiously.
(v) Allowances of Rs.13,067,971 had been paid in the year under review to the officers who were recruited on contract basis outside the approved staff for commercialization of Lotus Tower as per the decisions of the Commission and it had been stated in the financial statements as accounts receivable on a recovery basis from a company that had not yet been established.	Action has been taken in accordance with a decision of the Commission	It is risky to cover the expenses from an unestablished company and therefore, necessary steps should be taken to get rid of it.
(b) According to the Cabinet Decision No. 10/2473/401/031 dated 27 October 2010, approval had been granted to enter into agreement with the University of Moratuwa to obtain consultancy services for the construction of the Lotus Tower. Accordingly, as per the agreement signed between the two parties on 15 February 2013 to obtain consulting services, it had been agreed to pay 1.5 per cent of the contract amount or Rs. 198.7 million of the contract value as the consultation fee. Out of that amount, only Rs. 150 million had been paid to the University of Moratuwa and the Consultancy Service Agreement had been extended to 31 October 2017 by the Commission Decisions No. 2k15.219.13 (ii) dated 26 November 2015. Accordingly, Rs. 72 million had been paid to the University of Moratuwa at the rate of Rs. 03 million per month. Even after the expiration of the agreement, Rs. 59.8 million had been paid to	With the extension of the contract period, the consultancy service agreement of the project had to be extended and the approval of the Commission has been obtained for that purpose. It has been failed to complete the construction within the specified period as per the Colombo Lotus Tower Project Agreement and hand over it to the Telecommunications Regulatory Commission of Sri Lanka after properly inspecting and certifying the components of the contract. The University of Moratuwa is the project engineer as per the agreement entered into with the Telecommunications Regulatory Commission of Sri Lanka and the contractor. Further, it is the responsibility of the project owner to keep the Project Engineer of the contract continuously active until the project is completed and handed over to the Telecommunications Regulatory Commission of Sri Lanka in accordance with the Cabinet approved agreement. Accordingly, the time given to the Project Engineer to perform his function has been extended from time to time in	Consultancy fees should be paid with formal approval and transparency.

the University of Moratuwa for the period from 01 November 2017 to 16 September 2019 as consultancy fees. Due to not handing over the Lotus Tower to the Commission after its opening on 16 September 2019, a sum of Rs. 28.6 million had been paid to the University of Moratuwa as consultancy fees for the period from 01 October 2019 to 31 December 2020. Accordingly, the total amount of consultancy fees paid as at 31 December 2020 was Rs. 310.4 million.	accordance with the project completion targets given by the project contractor.	

3.6 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
There were 70 vacancies of the Commission as at 31 December of the year under review and the post of Secretary of the Commission remained vacant for more than a period of 09 years. Similarly, two officers had been recruited on permanent basis for the post of Assistant Accountant which is not included in the approved cadre and sum of Rs. 1,873,503 had been paid as their salaries, house rent allowances, incentive and transport allowances during the year under review.	As the scheme of recruitment still being revised and the government has taken a decision for not to make recruitments to the primary level posts, vacancies could not be filled. Advertisements relating to the vacancies have now been published to make recruitments to the posts.	Action should be taken to fill vacancies or to revise approved cadre.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comment of the Management	Recommendation
(a) Forty five (45) activities worth Rs.7,736 included in the revised Action Plan for the year 2020 had not been fully completed and the progress thereof had ranged from 0.1 per cent to 90.2 per cent.	The disruptive and unavoidable epidemic situation has contributed for the failure to fully complete 45 activities in the action plan and to remain their progress in a range from 0.1 percent to 90.2 percent as well as not to achieve the expected progress. It has been brought to the notice of the the Heads of Departments to get the maximum progress of the programmes in the Action Plan in the context of a better future and to review the progress of the relevant activities at the divisional level.	Action should be taken to achieve the progress of the Institute by taking steps in accordance with the Action Plan.
(b) Although the Compliance Division has estimated Rs. 400 million in 2020 to purchase the technical equipment and software required to monitor the quality of service parameters, which were included in the Action Plan for 2019 but were temporarily suspended in 2019 due to a lack of funding, that task had not been carried out.	The appointment of the Technical Evaluation Committee was delayed due to a change in the Ministries. Nevertheless, for the purchase of such equipment in the year 2020, the relevant draft bid documents along with the technical specifications, draft newspaper advertisements and the documents containing the information of the recommended committee members have been sent to the Presidential Secretariat.	Action should be taken to make annual provisions for essential projects that can be implemented and accordingly, to carry out the relevant activities.

4.2 Budgetary Control

Audit Observation	Comment of the Management	Recommendation
The actual collection of revenue for 08 types of revenue was Rs.22,173,757,388 and the budget revenue was Rs.31,418,431,056 and accordingly the failure to achieve budgeted revenue was Rs.9,369,456,744. Revenue of Rs.253,477,080 had been	Revenue estimates are prepared correctly by the Revenue Administration Division and are most likely to change due to political, technical, economic, environmental and at the time of preparation of the budget, these two types of revenue did not exist and the money expected	The budget should be made use of as an effective instrument in control.

collected from 06 items not included in the budget and Rs.5,270,841 had been spent on 06 items. Similarly, no expenditure had been incurred on 38 administrative and regulatory expenditure items amounting to Rs. 1,270,214,312 included in the budget and Rs.57,649,430 had been spent on 07 items in excess of the budgeted value. Accordingly, the annual budget had not been made use of as an effective instrument in control.

to be spent on the "Village Communication" project could not be so spent due to not implementing the project under the prevailing conditions in the country. Accordingly, the money was deposited in a fixed deposit (Rs. 1.5 billion) and the fixed deposit interest income was also remained as an unexpected return at the time of preparation of the Annual Budget. Further, although the budget is not included in the name of the Expenditure Heads itself, all the relevant expenditures are included in the relevant Expenditure Heads. Similarly, in the face of the Covid situation in the country, there was no opportunity to implement the action plan properly.