

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and the Finance Act No.38 of 1971 . My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2021, 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 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 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 intend 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 Audit Scope (Auditor's responsibility 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 Audit Observations on preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standard

Non-compliance with reference to the Standard	Management comment	Recommendation
(a) According to the paragraph 81 A of the Sri Lanka Accounting Standard 01, statement of comprehensive income had not been prepared as shown the profit or loss after tax for the year as separated	Audit observation is correct. Action will be taken to present accurately in the financial statements for the year 2022.	Actions should be taken according to the provision of the standard.
(b) According to the paragraph 61 A of the Sri Lanka Accounting Standard 12, the value of differed tax recognized in connection with the items relating to the other comprehensive income should be shown under the other comprehensive income. However the differed tax amounting to Rs. 13,187,426 which had been recognized on the actuarial profit for the year under review amounting to Rs. 54,947,608 had not been shown under the other comprehensive income.	Audit observation is correct. Action will be taken to present accurately in the financial statements for the year 2022.	Actions should be taken according to the provision of the standard.

1.5.2 Accounting Deficiencies

Audit Observation	Management comment	Recommendation
(a) When calculating the differed tax, even though the amount of differed tax should be Rs.	Audit observation is correct. Action will be taken to present accurately in the	The correct rates of tax should be applied.

- 187,736,667 for the year 2021, after applying the tax rate of 28 per cent and after the adjustments made for unrecognized differed tax of Rs. 72,000 , it had been recognized as Rs. 219,110,112 in the financial statements. As a result, the net value of the final differed tax liability had been overestimated by Rs. 31,373,445.
- (b) Although the amortization of software for the year under review was Rs. 3,496,361, it had been shown in the financial statements as Rs. 4,382,527. As a result the profit for the year had been understated by Rs. 886,166.
- (c) According to the records of the default tax recovering unit of the Department of Inland Revenue and the accounts of the Corporation for paying tax , the total tax liability as at 31 December 2021 was Rs. 230,199,525 (without penalty). However it had been shown as Rs. 137,473,990 under the non- financial liabilities of the financial position statement and as a result, the amount of outstanding payable income tax had been understated by Rs. 92,725,535.
- (d) In connection with the land belonged to the Sri Lanka State Plantation Corporation with 0.3194 hectare in extent which had been obtained on lease base for conducting a broadcasting station, the payable lease rent according to the methodology approved by
- financial statements for the year 2022.
- Audit observation is correct. Amortization of software should be taken into account accurately in the financial statements for the year 2022.
- Audit observation is correct. Correct amounts should be shown.
- Audit observation is correct. Expenses should be taken into accounts correctly.

the Attorney General for the period from 1995 to 31 December 2017 amounting to Rs. 10,969,208 had not been taken into accounts.

1.5.3 Unreconciled control accounts or records

Item	Amount as per financial statements	Amount as per the subsidiary records	Difference	Management Comment	Recommendation
	Rs.	Rs.	Rs.		
(a) Deposit Receivable	9,707,462	9,287,782	419,680	Audit observation is correct	Balances shown in the financial statements should tally with the subsidiary records.
(b) Airtime debtors	291,123,491	289,389,368	1,734,123	Audit observation is correct. Action will be taken to present accurately in the financial statements.	Balances shown in the financial statements should tally with the subsidiary records.
(c) Airtime creditors	13,179,619	15,568,759	2,389,140	Audit observation is correct. Action will be taken to present accurately in the financial statements for the year 2022.	Balances shown in the financial statements should tally with the subsidiary records.

1.5.4 Documentary Evidences not made available for Audit

Item	Amount	Evidence not made available	Management comment	Recommendation
(a) Lands	7,574,763	Deeds, documentary confirmations for the value, fixed assets register and physical verification reports.	Audit observation is correct.	Documents to confirm the ownership and existence of assets should be submitted.
(b) Building	431,223,877	Fixed assets register, confirmations for	Audit observation is correct.	Documents to confirm the ownership and

			the value and physical verification reports.		existence of assets should be submitted.
(c)	Investment in shares of the Lanka Puwath	1,000,000	Share certificates	Audit observation is correct	Relevant evidence should be submitted to confirm balances.
(d)	State Bank of India account	449,874	Balance confirmations	Audit observation is correct	Relevant evidence should be submitted to confirm balances.
(e)	Madras account - BOC	1,842,540	Balance confirmations	Audit observation is correct	Documents to confirm the ownership and existence of assets should be submitted.
(f)	Expenditure	110,104,761	Approved payment vouchers	These vouchers will be checked and submitted	Approved payment vouchers should be submitted to confirm expenses.

1.6 Payable and Receivable Accounts

1.6.1 receivables

Audit observation	Management comment	Recommendation
(a) The airtime debtors as at the end of the year under review was Rs. 291,123,491. Out of that a sum of Rs. 99,766,903 had been represented by public organizations and Rs.191,356,588 had been represented by private organizations whilst it was confirmed according to the financial statements of those institutes that, a sum of Rs. 30,961,343 had been represented by debtor balances of two public institutions.	Audit observation is correct.	Correct amounts should be shown in the financial statements.

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| (b) | Actions had not been taken to recover 7 receivable balances of other income amounting to Rs. 12,006,507 relating to a period of 2 to 10 years even in the year under review. | Audit observation is correct | is | Actions should be taken to recover the balances receivable. |
| (c) | The balance of Rs. 6,784,292 which had been brought forward over a period of 2 to 20 years had been included in the balance of sundry debtors amounting to Rs. 16,755,303 shown in the financial statements. However it had been failed to recover the said balance even in the year under review. | Audit observation is correct | is | Actions should be taken to recover the balances receivable. |

1.6.2 Accounts Payable

----- Audit observation -----	Management Comment -----	Recommendation -----
Total amount of Rs. 149,420,035 relating to the period from the year 1981 to the year 2016 had been included in the financial statements as at 31 December of the year under review as payable to the Telecommunication Regulatory Commission. The said amount had not been settled over a period of 40 years and according to the financial statements of the Telecommunication Regulatory Commission the said balance was Rs. 145,162,769.	Audit observation is correct.	Actions should be taken to find out the reasons for long standing payable balances and to correct them.

1.6.3 Advances

Audit observation	Management comment	Recommendation
(a) According to the F.R. 371 (2) (b) and 371 (5) amended by 9.1 of the Public Finance Circular No.01/2020 dated 28 August 2020, ad hoc imprests can be obtained only for staff grade officers up to maximum limit of Rs. 100,000. However advances of Rs. 5,850,889 had been issued in 21 instances exceeding the said limit.	These advances had been issued on the service requirement.	Actions should be taken according to the Financial Regulations.
(b) According to the section 04 of the staff notice No. S.L.B.C/3142 of the Sri Lanka Broadcasting Corporation, advances should not be issued before the settlement of the previous advance. However contrary to this requirement, a sum of Rs. 1,674,595 had been issued by the Corporation to 18 officers in 68 instances during the year under review.	Although these advances were issued on the requirement of nature of the duty on special approval, actions were taken to settle those advances properly.	Actions should be taken according to the written instructions of the Corporation.

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

Reference to Laws, Rules, Regulations etc.	Non compliance	Management Comment	Recommendation
(a) Financial Regulation 396 (d)(i) and (iii) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Actions had not been taken according to the Financial Regulations in connection with 37 cheques valued at Rs. 2,624,539 of which the validity period had been exceeded by 06	Actions were taken for the moment to cancel those cheques under Financial Regulations 396.	Actions should be taken as per the Financial Regulations.

months as at 31
December 2021.

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| (b) | Public Enterprises Circular No.PED 01/2015 dated 25 May 2015. | To an officer who entitled to an official vehicle can obtain the said official vehicle or a monthly transport allowance of Rs. 50,000 and the monthly fuel allowance entitled to the said post. However a sum of Rs. 173,453 had been paid to the former Chairman as the monthly transport allowance and the fuel allowance for three months of the year under review even though a motor vehicle had been allocated for the Chairman. | Agreed with the audit observation. | Actions should be taken according to the instructions of the circular. |
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1.8 Financial Management

----- Audit observation -----	----- Management comment -----	----- Recommendation -----
Direct credit transfers amounting to Rs. 3,304,086 and direct credit transfers relating to sale of cassettes amounting to Rs. 5,623,574 and direct debit amounting to Rs. 2,946,840 which had been done to the main current account of the Corporation since August 2020 to November 2021 had not been settled even up to the end of the year under review.	Audit observation is correct. Actions will be taken to rectify direct credits of the main account and the account which is being used for sale of cassettes by the end of August 2022.	Direct credits should be recognized and enter into ledgers.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a profit (before tax) of Rs. 9,286,276 and the corresponding deficit for the preceding year was Rs.2,306,987. Accordingly, an increase of Rs. 11,593,263 was observed in the financial result. Increase of air time sales income by Rs. 85,675,755 and decrease of administration expenses by Rs. 45,875,198 mainly affected to this increase.

2.2 Trend Analysis of major Income and Expenditure items

The sales income for the year under review had increased by Rs. 85,675,755 compared to the previous year and administration, distribution and other operating expenses had decreased by Rs. 45,774,799. Accordingly, the profit after tax for the year under review had increased by Rs. 23,023,942. Although the government grant granted had decreased by 21.6 viz Rs. 95,000,000, the operating loss had been further reported as Rs. 331,610,120 (without government grant). Therefore it was observed that there was an uncertainty of going concern of the Corporation without having financial assistance of the Treasury or any other financial assistance of the government.

2.3 Ratio Analysis

- (a) Although a slight difference was observed in the current ratio and the quick ratio compared with the previous year, balance of local debtors of Rs. 53,733,604 and the balance of foreign debtors of Rs. 66,520,620 which had been brought forward since 2 years to 47 years had been included in the debtor balance under the current assets.
- (b) When comparing with the previous year the operating profit ratio had increased from 80.5 to 52.57 and increase of sales income and decrease of administration expenses and other operating expenses had affected to this increase. Nevertheless a sum of Rs. 345,000,000 had to be obtained from the treasury as provisions for operating and other expenditure due to the operating loss occurred.

3. Operational Review

3.1 Identified losses

Audit Observation	Management comment	Recommendation
Instead of the monthly salary of Rs.93,020 entitled since June 2021, a monthly salary of Rs. 120,020 had been obtained by the Director General of the Corporation without having a proper approval. Further a sum of	Audit observation is correct. Actions were taken to carry out an independent investigation in this regard.	Actions should be taken to recover overpayment.

Rs. 603,900 had been paid as salaries and salary arrears during the year under review.

3.2 Management Inefficiencies

Audit observation	Management comment	Recommendation
According to a request made by the Ministry of Mass Media, a sum of Rs. 1,000,000 had been invested by the Corporation in the year 1993 for purchasing of share capital. However any income of dividends had not been received since the year 1993 to the year 2021.	Agreed with the audit observation.	Actions should be taken to check the situation of investments and to get benefits.

3.3 Procurement Management

Audit observation	Management comment	Recommendation
Three pianos in studio 6 and studio 10 of the Corporation had been repaired without following the Government Procurement Guideline 2006 and this activity had not been included in the procurement plan prepared for the year 2020. A sum of Rs. 460,000 had been paid for the repair of the piano in studio No. 06 and the two pianos in studio No.10 had been taken outside from the Corporation for the repair. However even though the said pianos had been brought back to the corporation premises on 21 May 2021, payment requests had not been presented even up to 16 August 2022. The methodology followed by the Corporation before for repairing of pianos in order to safeguard the historical value and the trust is carry out the repair within the Corporation premises. Nevertheless these three pianos had been brought out of the Corporation on the direct intervention of the Chairman of the Corporation. Further any special numbers or marks had not been mentioned for identification purpose	Agreed with the audit observation. It is observed that the said job was not done with the awareness of the engineering division.	Government procurement guideline should be followed and actions should be taken to ensure safety of the public property.

when the pianos were taken in to the inventory. Therefore no evidence had been owned by the Corporation to get confirmed that the same 3 pianos which had been brought out from the Corporation had been received back correctly to the Corporation.

3.4 Resources released to other organization

Audit Observation	Management Comment	Recommendation
<p>(a) The Corporation had failed to recover a sum of Rs. 520,995 which should be recovered from an officer who had released from the service of the Corporation but had been attached in the service of the Corporation currently.</p>	<p>Audit observation is correct.</p>	<p>Actions should be taken to recover the money.</p>
<p>(b) Actions had not been taken to recover a sum of Rs. 2,757,890 which should be recovered from officers who had been released to the other institutes from the service of the Corporation during the period from the year 2009 to the year 2015 even up to August 2022. A sum of Rs. 1,899,146 receivable from officers who had been released to other institutes and had reported back to the service of the Corporation and Rs. 118,983 receivable from the officer who retired in the year 2021 had been included in the said amount.</p>	<p>Letters were sent to request such recoveries to relevant institutes.</p>	<p>Actions should be taken to recover the money.</p>

3.5 Human Resources Management

Audit Observation	Management comment	Recommendation
<p>According to the approved cadre of the Corporation, there were 271 vacancies in 41 posts and surplus of 60, 57 and 67 officers in 34 posts in the tertiary level, secondary level and primary level respectively.</p>	<p>Old systems of grading are applied for old employees of the Corporation at the moment. There are variations of the combination of approved</p>	<p>Recruitments should be done for posts according to the approved cadre.</p>

cadre in secondary, tertiary and primary levels because of old grading was done based on the above old recruitments before implementing the new recruitments on the provisions of the approved cadre dated 07.06.2019 and before the circular No. 2/2016 of the Department of Management Services was implemented.

However old grading were suspended after the circular No. 2/2016 of the Department of Management Services was implemented. Because the old grading which should be applied for employees recruited on 25.04.2016 were suspended variations of employees as mentioned above will not be occurred in future grading.

4. Accountability and good governess

4.1 Annual Report

Audit Observation

According to the paragraph 6.5.3 of the Public Enterprises Guideline Manual for the Good Governess issued by the Public Enterprises Circular No.PED/12 dated 02 June 2003; annual reports should be tabled within 150 days after close of the each financial year. However annual reports for the years 2019 and 2020 had not been tabled up to 29 June 2022 and the annual report

Management comment

Agreed with the audit query. The annual report for the year 2019 was referred to the Ministry of Mass Media. However the annual report for the year 2020 is being printed still.

Recommendation

Actions should be taken to table annual reports without delay.

for the year 2021 had not been presented to audit even up to August 2022.

4.2 Annual Action Plan

Audit observation	Management comment	Recommendation
<p>(a) Progress of 19 projects of engineering division, 2 projects of administration division, 2 activities of Welanda Sevaya, 1 activity of English Sevaya, 1 activity of Sinhala Swadeshiya Sevaya, 1 activity of Rajarata Sevaya and 3 activities of Kandurata Sewaya had not been included in the progress review report. Therefore the progress of the said activities compared with the action plan for the year under review could not be checked.</p>	<p>Agreed with the Audit query.</p>	<p>In order to check the progress of activities included in the action plan, progress of such activities should be shown in the progress report.</p>
<p>(b) Three activities planned by the audio research unit for the year under review had not been implemented and 19 projects relating to music section, development section, central operation section, Ruhunu Sevaya, Wayamba Sevaya and sports section which had not been included in to the action plan had been implemented.</p>	<p>Agreed with the audit query. Implementing of these projects is difficult due to the situation prevailed in the Country.</p>	<p>Actions should be taken to prepare the action plan correctly and to follow the plan in action.</p>