

## **Telecommunication Regulatory Commission of Sri Lanka - 2021**

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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 Telecommunication Regulatory Commission of Sri Lanka 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 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 Commission 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**

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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**

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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 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 of the Commission.

#### **1.4 Audit Scope (Auditor's Responsibility for the Audit of 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 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 Commission;
- 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**  
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**1.5.1 Internal Control over the preparation of financial statements.**  
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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**  
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<b>Non Compliance with the reference to particular Standard</b> -----	<b>Management Comment</b> -----	<b>Recommendation</b> -----
(a) Although the cost of property, plant and equipment of the Commission amounting to Rs. 13,431,433,930 had been shown in the financial statements, its fair value had not been computed and presented in the financial statements according to the Sri	Agreed. The draft fixed assets revaluation policy has been reviewed by the Internal Audit Committee of the Telecommunication Regulatory Commission and Administration division has commenced preliminary actions to revalue the	Assets should be accounted as per the Standard.

Lanka Accounting Standards No. 16.

- (b) The fixed assets worth Rs. 42, 879,724 which were fully depreciated and further in use had not been revalued in terms of Paragraph 51 of the Sri Lanka Accounting Standards No. 16 and stated in the financial statements.

lands, buildings and telecommunication towers with the collaboration of Valuations Department as an initial step.

Agreed. It is informed that actions will be taken in this regard, once the concurrence of the National Audit Office for the draft fixed assets revaluation policy is received.

Assets should be revalued as per the Accounting Standard and included in financial statements.

### 1.5.3 Accounting Deficiencies

Audit Issue -----	Management Comment -----	Recommendation -----
(a) As 02 technical equipments worth Rs. 1,625,000 purchased in the year under review had been debited to the account of repair and maintenance of technical equipments, the net profit for the year and the value of property plant and equipments had been understated by the said amount.	Agreed. These expenses have not accurately been classified due to a delay in confirming whether they have been spent on fixed assets or on maintenance expenses by the relevant division (Network). It is informed that correct accounting practice will be followed in this regard and presented accurately in future.	Assets should be recorded correctly in financial statements.
(b) The Value Added Tax liability as at 31 December of the year under review had been understated by Rs. 40,424,129 in the financial statements.	It is an opening balance difference. Necessary actions will be taken to examine that difference.	Tax liability should be accurately recorded in financial statements.
(c) Accrued expenses relating to the year under review amounting Rs. 1,818,166 and a prepayment of Rs. 1,530,936 had not been accounted and an accrued expense of Rs. 6,010,058 relating to the preceding year had been recorded as an expense of the year under review.	Information on expenses to be paid to LS Telecom for the year 2020 had not been submitted to finance division by the frequency management division in order to settle them during that year or record as accruals. Therefore, the date of information received by the finance division to settle the	Expensed should be accurately accounted.

expenses has been considered as the base for accounting.

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| (d) | Even though according to the financial statements, there was a debtor balance of Rs. 162,004,339 due from 07 government institutions, it was confirmed that the creditor balance of one institution had been overstated by Rs. 4,257,266 and there were no such creditor balances in other 04 institutions according to the financial statements of those institutions. | Not agreed. Information on unsettled invoices of the institutions who confirmed the debtor balances is available in detail in our relevant correspondence files and reminders have also been sent to those institutions from time to time. | Debtor balances included in financial statements should be confirmed.               |
| (e) | As a sum of Rs. 252,000 received for a communication tower for the year 2019 and 2020 had been accounted as the income of the year under review, the profit had been overstated by that amount.   | Frequency Management division had not submitted the information to Finance division. Accordingly, based on the date of receipt of the information to the Finance division, it has been accounted.  | The income relevant to the year should be accurately recognized and accounted.      |
| (f) | Even though a sum of Rs. 3,324,250,000 charged from the mobile operators once in every few years as frequency upfront fees had been accounted as an income of the year under review, the basis of recognition of the income had not been disclosed in financial statements.   | Agreed. It is kindly informed that actions will be taken to present the nature of this revenue as a separate sub note under the note No. 3.4 of Revenue Recognition in future.   | The basis of recognition of income should be disclosed in the financial statements. |

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

Item	Amount	Evidence not made available	Management Comment	Recommendation
Debtors	Rs. 360,309,322	Balance Confirmations	Letters have been sent by registered post to all the debtors included in your selected sample requesting to	Debtor balances included in accounts should be confirmed.

confirm the balances prevailed as at 31 December 2021 and to send replies directly to your institution.

## 1.6 Accounts Receivable and Payable

### 1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
(a) The total receivable balance for electricity bill charges due from operators using the Kokavil tower as at 31 December of the year under review was Rs. 93,612,539 and it had been included a balance due from 03 government institutions amounting to Rs. 92,656,990.	The monthly invoice for the electricity consumption of 03 government institutions is issued monthly and payments are being made for the first period and actions have not yet been taken to make the total payment up to the recent month. Actions are being taken to recover that money up to the present.	Actions should be taken to recover the dues.
(b) Actions had not been taken to settle the aggregate balance of Rs. 2,178,047 overcharged from licensees which was included in debtors balance even during the year under review.	Actions will be taken to analyze these balances and settle in future.	Debtor balances should be corrected.
(c) The Telecommunication levy income of Rs. 6,358,657 which was due from a private institution relating to the period from the year 2014 to 2017 and Telecommunication levy surcharges due from 02 institutions amounting Rs. 5,083,244 relevant to past 03 years had been failed to recover even by the date of 06 June 2022.	Actions are being taken by the Legal division to recover the telecommunication levy of Rs. 6,358,657 which is due from Lanka Cable Satellite Network Ltd. (LCSN).	Every possible step should be taken to recover the dues.
(d) Although a private building obtained by the Commission on rent basis had been handed over in the year 2015, the key money paid for	As the original document file of the respective building had been submitted to the Commission to Investigate Allegations of Bribery	Every possible step should be taken to recover the dues.

that building amounting Rs. 1,350,000 had not been recovered.

or Corruption, there were no possibility to take actions in this regard until that investigation was completed. Since the FCID has informed that they have decided not to take actions further in that regard on 17 May 2022, necessary actions are being taken to recover that key money.

(e) Value Added Tax and Nations Building Tax relevant to the Cess fee paid relating to the period from the year 2011 to 2016 amounting to Rs. 3,411,488 and Cess fee of Rs. 254,135 relevant to the years of 2011 and 2012 was to be recovered from 02 private institutions.

Lanka Broadband Network Ltd has paid relevant cess fees for the period from the year 2011 to 2016 and the Finance division by their tax invoice dated 09 July 2019, has informed LBN Company that a sum of Rs. 3,411,488 has to be paid as the NBT and VAT relevant to Cess fees and necessary legal actions are done by the Legal division.

Every possible step should be taken to recover the dues.

**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) Establishment Code of the Democratic Socialist Republic of Sri Lanka Chapter xxiv - Paragraph 4.5	Actions had not been taken in terms of the provisions stipulated in the Establishment Code regarding the vehicle loan balances of Rs. 395,835 and distress loan balances	Those officers and guarantors have again been informed on 25 April 2022 to settle the loan installments. A new circular has been issued on providing distress and	Actions should be taken in accordance with the provisions of the Establishment Code.

		of Rs. 755,878 existed as at 31 December 2021 which was unable to recover from 04 officers since 2011.	vehicle loans.	
(b)	Public Enterprise Circular No. PED/12 of 02 June 2003			
(i)	Section 9.12	The approval of the Department of Public Enterprises and the General Treasury had not been taken for the Medical insurance scheme of the Commission. A sum of Rs. 46,759,745 had been paid as insurance premiums for the year under review and the insurance company had reimbursed Rs. 27,262,649 to officers of the Commission.	The employees of the Commission have been provided the Medical insurance scheme by the Commission since 1998 as per the powers vested under the Section 22 (c) (1) of the Sri Lanka Telecommunications (Amendment) Act, No. 27 of 1996. Provisions are scheduled to be included in the annual budget and obtained the approval of the Commission.	Actions should be taken as per the circular.
(ii)	Section 9.14.2	The concurrence of the Secretary to the Treasury had not been obtained for the Schemes of Recruitment through the Department of Public Enterprises and actions had been taken according to a Scheme of Recruitments approved by the Commission.	The Commission has been vested with the powers under the Section 22 (c) (2) of the Sri Lanka Telecommunications (Amendment) Act, No. 27 of 1996 to prepare the relevant rules for the administration of the staff of the Commission.	Actions should be taken as per the circular.
(c)	Paragraph 1 of the Management Services Circular No.	A sum of Rs. 141,825,830 had been paid to the staff during the year under review as incentives, bonus, house rent	Payments have been made in terms of the powers vested in the Commission under the Section 22 (c) (1) (b) of	Actions should be taken as per the circular.



39 of 26 May 2009	allowance, and allowance for leave not availed without obtaining the recommendation of the Salaries and Cadres Commission and the approval of the Department of Management Services.	the Sri Lanka Telecommunications (Amendment) Act, and based on the concurrence given by the letters issued by the Attorney General.	
(d) Letter No. NSCC/3/ABC/24 dated 01 June 2007 of the National Salaries and Cadres Commission	A sum of Rs. 8,620,000 had been over paid in the year under review since the non-staff grade officers had been paid Rs. 6,000 each exceeding the approved monthly transport allowance of Rs. 2,000.	This allowance has been paid in terms of the powers vested in the Commission under the Section 22 (c) (1) (b) of the Sri Lanka Telecommunications (Amendment) Act, and based on the concurrence given by the letters issued by the Attorney General.	Actions should be taken in accordance with the instructions given by the National Salaries and Cadres Commission.

**2. Financial Review**  
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**2.1 Financial Result**  
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The operating result of the year under review amounted to a surplus of Rs. 32,296,276,914 and the corresponding surplus in the preceding year amounted to Rs. 28,028,050,762. Therefore, an improvement amounting to Rs. 4,268,226,152 of the financial result was observed. The reasons for the improvement are increase in the license fee income by Rs. 5,125,078,613 and sundry income by Rs. 382,823,667 in the year under review with compared to the preceding year.

**2.2 Trend Analysis of major Income and Expenditure items**  
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The income and expenditure of the Commission showed significant variations compared to the preceding year. Details are given below.

Description -----	As at 31.12.2021 ----- Rs.	As at 31.12.2020 ----- Rs.	Difference (Decrease/ Increase) ----- Rs.	Difference as a percentage -----
License fee income	17,162,602,169	12,036,758,914	5,125,843,255	42.58

Telecommunications levy income	11,050,897,082	10,826,164,612	224,732,470	2.08
Telecommunications Development Charges	3,620,901,150	4,292,953,440	(672,052,290)	(15.65)
Mobile Short Messages Services Levy	399,954,804	418,650,656	(18,695,852)	(4.47)
Cellular Tower Levy	1,466,166,667	1,426,333,334	39,833,333	2.79
<b>Total Income</b>	<b>33,700,521,871</b>	<b>29,000,860,956</b>	<b>4,699,660,916</b>	<b>16.21</b>
Total Expenditure	1,404,244,957	972,810,193	431,434,764	44.35
<b>Profit before tax of the year</b>	<b>32,296,276,915</b>	<b>28,028,050,763</b>	<b>4,268,226,152</b>	<b>15.23</b>

- (a) Receiving the Frequency Upfront Fees of Rs. 3,324,250,000 in the year 2021 charged from the mobile operators once in every few years and increase of sundry income by Rs. 382,823,667 or 78 per cent with compared to the preceding year had mainly affected for the increase in License fee income by 43 per cent in the year 2021 with compared to the year 2020.
- (b) Out of the total expenditure of Rs. 749,999,265 of the Commission, Rs. 660,795,995 or 88 per cent had been spent on Administration & Establishment expenses and Rs. 429,324,123 or 65 per cent of that had been included staff salaries and allowances. However, Rs. 50,060,177 or only 7 per cent of the total expenditure had been spent on telecommunication regulatory matters, which related to the main purpose of the establishment of the Commission.

### 3. Operational Review

#### 3.1 Management Inefficiencies

	<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	Even though a sum of Rs. 345,502 had been paid to the National Housing Development Authority in the years of 1999 and 2010 for the acquisition of ownership of 6.21 perches of land where the Hanthana	The payments relevant to the Hanthana Frequency Monitoring Center have been completed and the District Manager of the National Housing Development	Actions should be taken to ensure the ownership of the assets.

Frequency Monitoring Station was located, its ownership had not been acquired 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 were located by the end of the year under review.

Authority at Kandy has informed that the approval of the Board of Directors needs to be obtained to provide the freehold deed. A reminder has also been sent notifying to expedite the respective task. Necessary arrangements are being made to take over the Head office and Kokavil Multipurpose Center as a special grant.

(b) A contract for renovation and rehabilitation of the buildings of the Kadirana Frequency Monitoring Station with a value exclusive VAT of Rs. 139,882,281 had been awarded to a private institution on 31 January 2019. As the approval of the Commission was not granted to pay for the variations of Rs. 59,374,600 requested by the contractor which had not been included in the Bill of Quantity, constructions had been halted from 21 July 2020. Even though based on the Cabinet decision No. 21/306/094 dated 14 December 2021, the contractor had been paid on 28 February 2022 for variations amounting Rs. 24,360,085 which was not included in the Bill of Quantity, this project which was planned to be completed within 270 days from 13 February 2019, had not been completed even by the date of 02 June 2022.

Observation is correct. The recommendations for the variations submitted by the contractor were given by the project consultants. Actions were taken to carry out an investigation by an independent committee appointed by the Commission and to obtain their recommendations for the variations. Payments have been made based on those recommendations and as per the approval of the Commission.

Actions should be taken to complete the projects as expected.

(c) According to the comparison made between the information of mobile operators and the data available with the Antenna Structure Management System (ASMS) of the Commission, the number of towers not approved

Comparison is made between the number of towers established by the mobile operators and the data generated by the Antenna Structure Management System

Administration of towers should be properly done by making comparison.

by the Commission was 941 and the Commission had not identified 2,778 towers.

(ASMS) of the Commission and the expected progress was not able to achieve due to some reasons such as covid 19.

(d) No service agreements had been signed with 06 operators located at the Madukanda tower which was operated since 2011 and lease agreements had not been entered with 03 government institutions used the Kokavil tower even by the end of the year under review.

Administration division is taking necessary further actions based on the instructions of the legal division to enter into agreements with all the operators using the Transmission tower at Madukanda and 03 government institutions.

Written agreements should be entered into with the operators in order to create a legal obligation between two parties.

### 3.2 Operational Inefficiencies

#### Audit Issue

An unidentified balance of Rs. 31,586,543 prevailed as at 28 February 2022 in the Current Account no. 119-1-001-4-3693169 in People's Bank had not been recognized and made necessary adjustments.

#### Management Comment

Agreed. Although the customers have been provided guidance notes relevant to direct deposits in three languages, some customers are unable to follow them, and this balance of Rs. 31,586,543 has been decreased to Rs. 11,068,986 by the date of 30 June 2022.

#### Recommendation

Current Accounts should be properly maintained.

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

#### Audit Issue

(a) The agreement which was entered into on 28 July 2014 with the contractor for the construction of the Telecommunication Media Center at the IT Park, Hambantota, had been terminated by the Commission on 10 August 2016 and the contractor had made a complaint to the Dispute Arbitration Board against that decision and for an estimated

#### Management Comment

The construction has been halted as per the decision made by the Commission of the Telecommunications Regulatory Commission of Sri Lanka and the Legal Division is making arrangements to resolve the existing legal issues in order to commence the further works.

#### Recommendation

The construction projects initiated should be implemented without any financial loss to the organization.

compensation of Rs. 736,276,907. The physical progress of the project as at the date of termination of the contract was 33 per cent and the expense of Rs. 684 million incurred thereon had been fruitless.

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| (b) | The Cabinet approval had been granted on 24 August 2016 for the renovation of the building of the Commission spending Rs. 502 million and the agreement had been entered into on 30 December 2014 with the University of Moratuwa for providing consultancy services. Although 70 per cent of the total consultancy fee or Rs. 10,057,910 had been paid to the University by 31 December 2021 as per the agreement, the project had not been commenced even by August 2022. | The Commission has entered into agreements with the Consultancy Unit of the University on 30 December 2014 for service provisioning of the project of renovation of the building. The observation relating to the payments is correct. | The projects should be implemented without any financial loss to the organization. |
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### 3.4 Defects in Contract Administration

Audit Issue	Management Comment	Recommendation
(a) Lotus Tower Project ----- As per the Cabinet Decision No.10/2473/401/031 dated 27 October 2010, the contract for the construction of the Lotus Tower was awarded to 02 Chinese companies and the Commission had entered into a contract agreement worth US\$ 104.3 million with these companies on 03 January 2012. Even though this contract was scheduled to be completed in 912 days from 12 November 2012 according to the agreement, the Commission had granted its approval to extend the		

contract period up to 31 October 2017. According to the loan agreement which was entered into on 17 September 2012 with EXIM Bank by the Commission regarding this project, it had been agreed to provide only 85 per cent of the contract value or US\$ 88.655 million and the loan was to be completed utilizing by 18 August 2016. As the construction contract was not completed within the scheduled timeframe, only US\$ 67.260 million or 76 per cent of the loan amount had been granted.

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| (i)  | Since the insurance charges, commitment fees and management fees need to be paid for the total loan amount, US\$ 2.9 million had been paid as insurance charges, commitment fees and management fees equivalent to the loan amount not utilized.  | Although commitment fees, management fees and insurance charges have to be paid according to the agreement entered into with the Exim Bank, instructions of the Attorney General have been sought in order to recover the fees paid for unused loan portion out of the agreed loan amount. | The contract activities should be managed without any financial loss to the organization. |
| (ii) | According to the financial feasibility report of the project, it had been planned to commence the operations of the project from the year 2015 and to earn an annual income of Rs. 1,685 million for the first 5 years and then earn an annual income of Rs. 1,918 million for the second 05 years. However, the expected annual income had been lost due to delays in project activities. When calculating the anticipated income as per the financial feasibility report, the loss of income as at 31 December 2021 was Rs. 11,557 million. | As the project was unable to be completed within the scheduled timeframe, income could not be earned as per the feasibility report. Arrangements have been made by now to establish a public corporation and commence the income generating activities.                                    | Actions should be taken to earn targeted revenue as expected.                             |

(iii)	Although it was planned to pay the loan installments from the project income as per the initial plans, due to the non completion of the construction works of the project, Rs. 9,900 million had been paid out of the funds of the Commission as loan installments and interest by 31 December 2021.	Constructions of the project have been completed and arrangements have been made to set up a public corporation and commence the income generating activities.	The contract activities should be handled without any financial loss to the organization.
(iv)	Even though the Lotus Tower was officially opened on 16 September 2019 spending an expense of Rs. 11.3 million, business operations had not been commenced even by the month of August 2022.	It has been taken over by the Commission and necessary initial actions are being taken to set up a public corporation and commence the income generating activities.	Prompt actions should be taken to commence business operations and earn income.
(v)	An aggregate amount of Rs. 56 million spent on activities of commercialization of Lotus Tower as insurance premium and allowances for the contract staff in the year under review and the preceding year as per the decisions of the Commission had been stated in the financial statements as accounts receivable to be reimbursed from the Colombo Lotus Tower management Company (Private) Limited which was established for the commercialization of Lotus Tower.	As per the decisions of the Commission, it has been stated as accounts receivable in the financial statements based on reimbursement basis.	Actions should be taken to recover the expenses incurred after the establishment of the Company.
(b)	<p>Payments of consultancy fees for the Lotus Tower project</p> <p>-----</p> <p>According to the agreement signed with the University of Moratuwa based on the Cabinet Decision No. 10/2473/401/031 dated 27 October 2010 to obtain consultancy services for the construction of the Lotus Tower, it had been agreed to pay 1.5 per cent of the contract sum or Rs. 198.7 million as consultancy fee, and out of that, Rs. 150 million had been paid to the University</p>	<p>It had been failed to complete the construction within the agreement period of the Lotus Tower Project and to hand it over to the Commission.</p> <p>Further, the responsibility of the project owner is to keep the Project Engineer (University of Moratuwa)</p>	The contract activities should be conducted without any financial loss to the organization.

of Moratuwa.

The total payment made to the University of Moratuwa as consultancy fee as at 31 December 2021 was Rs. 332.9 million and that amount was consisted of Rs. 72 million paid due to the extension of the consultancy service agreement up to 31 October 2017 based on the Commission Decision No. 2k15.219.13 (ii) dated 26 November 2015, and Rs. 59.8 million paid after the expiration of the agreement and Rs. 51.1 million paid due to none handing over the Lotus Tower to the Commission after its opening. Accordingly, Rs. 134.2 million had been paid exceeding the agreement value.

continuously active in order to fulfill the activities of the contract until the project is completed and handed over to the Telecommunications Regulatory Commission of Sri Lanka in accordance with the Cabinet approved agreements. Accordingly, the time given to the Project Engineer to perform his function has been extended from time to time in accordance with the project completion targets given by the project contractor. As the construction of the project has been completed by now, no further consultancy fees have to be paid to the University of Moratuwa monthly.

- (c) The Cabinet approval had not been obtained for the project of construction of the new building of the Commission with the estimated value of Rs. 209 million and as per the agreement entered into on 10 June 2019 with the University of Moratuwa, a sum of Rs. 7,318,256 had been paid to the University of Moratuwa as consultancy service fee for the construction by 31 December 2021. The contract had not been completed and handed over by the date of 15 February 2020 according to the agreement and the contract period had not even been extended.

Observation is correct.

Actions should be taken to complete the contact within the agreement period.



### 3.5 Human Resources Management

Audit Issue	Management Comment	Recommendation
(a) The number of vacancies of the Commission as at the end of the year under review was 79 and it had been included 31 vacancies for the posts of Additional/Deputy Director General, Director and Deputy/Assistant Director. Other than taking actions to fill the vacancies in permanent cadre, 07 officers and 11 officers had been recruited by 31 December 2021 on secondment and contract basis respectively. Further, 02 officers had been employed on permanent basis for the post of Assistant Accountant which was not included in the approved cadre and a sum of Rs. 1,815,699 had been paid as their salaries, house rent allowances, incentives, and transport allowances during the year under review.	Actions are being taken to amend the Schemes of Recruitments discussing with the Sri Lanka Institute of Development Administration who had entered into agreements with the Commission to provide consultancy services for amending the Schemes of Recruitments, changing the organizational structure, preparation of new cadre. It has been unable to finalize the preparation of Schemes of Recruitments up to now due to the reasons such as covid 19 pandemic situation, unable to hold discussions with Sri Lanka Institute of Development Administration as planned, and conducting discussions broadly regarding the qualifications for recruitments, and duties to be assigned for the posts in technical nature as the cadre of the Commission consists more posts in technical nature.	Actions should be taken to fill the vacancies of the posts in the approved cadre.
(b) An agreement worth Rs. 2,992,330 had been entered into on 20 October 2020 with the Sri Lanka Institute of Development Administration in order to obtain consultancy services for amending the Schemes of Recruitments of the Commission, changing the organizational structure, new cadre, and performance appraisal. Even though the	As the discussions could not be held with Sri Lanka Institute of Development Administration due to covid 19 pandemic situation and broad discussions was held regarding the recruitments for the posts in technical nature, this task was unable	Actions should be taken to complete the task as per the agreement and earn benefits to the Commission.

agreement period had been extended and the said task had not been completed even by the end of the year under review, a sum of Rs. 1,496,166 had been paid for that task by that day. Conditions on charging delay charges had not been included in the agreement and a performance bond had not been obtained too.

to be completed. As a result of this, it was observed that there was no any possibility to charge late fees.