

Head 105 – Ministry of Mass Media

1. Financial Statements

1.1 Qualified Opinion

Head 105 - The audit of the financial statements of the Ministry of Mass Media for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the Ministry of Mass Media was issued to the Chief Accounting Officer on 14 May 2024 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 14 May 2024 in terms of Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Ministry of Mass Media as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer for the Financial Statements

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

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

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

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 summary 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.5 Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting deficiencies

- (a) Property plant and equipment

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
While purchases of machinery and equipment during the year were Rs.7, 790,850 as per SA-82 form, acquisition of capital assets as per financial performance statement had shown as Rs.5, 956,540, a difference was Rs.1, 834,310.	The fair value of acquisitions of financial assets is Rs.5,956,540 and that figure has been correctly shown in the statement of financial performance. Due to an error in uploading data to the new CIGAS web application to enter information for the SA-82 model, the purchase value of machinery during the year is shown as Rs.7, 790,850.	Correct values should be indicated.

- (b) Reconciliation Statement of Advance Account to Government Officers

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(I) Due from a deceased employee Rs.36,576 and the loan balance of Rs.198,502 due from a retired officer had not been recovered.	The respective surety and the National Insurance Trust Fund have been informed to recover the loan amount of the deceased employee. Actions are being taken to recover the loan amount of Rs.198,502 from the respective guarantors of the retired officer.	Action should be taken to recover the loan balances promptly.

- (II) In accordance with Section 23.10 of Chapter X11 of the Establishment Code the approval of the leave approving authority to apply for extension of leave shall not be extended unless the officer concerned has obtained the consent of the leave approving authority prior to departure from the island, an officer who had obtained foreign leave for 85 days with full pay and 80 days of no pay had been granted an extension of no pay foreign leave for 02 years. Thus in approving leave Rs. 232,105 was not concerned with the recovery of the loan balance and as per clause 16.5 the signed agreement was an incomplete agreement as stated in Annexure 10. Also, according to section 23.18 a report on the leave taken by the government officers outside the island had not been submitted to the Auditor General on a monthly basis.
- The officer has applied for leave as a general foreign leave and the request has been recommended by the head of the department and the official's foreign leave has been approved as there has been no disruption to duty. There the balance of distress loan checking has been neglected.
- Should be act as per the provisions of the Establishment Code.
- Noted for sending related information in future.

(c) Non -maintenance of Books and Registers

The following documents had not been maintained by the Ministry.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Register of Security as per Financial Regulation 891	The Register of Security is being prepared.	A Register of Security should be maintained for the officers to be security as per the Financial Regulations.
(ii) Register of Liability as per Financial Regulation 447(5).	Instructions have been given to the concerned departments to start and maintain the liability register.	A register of liabilities should be maintained so that the liabilities can be checked regularly as per the financial regulations.

2. Financial Review

2.1 Revenue Management

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) In the year under review, the estimated tax revenue to be derived from tele drama, film and commercial program was Rs. 300,000,000 and, the net income received by the ministry was Rs. 150,450,000 but, the income had been collected amounting 50 percent of less approximately.	Due to the financial crisis in the television channels, the tele dramas and films that were telecast by paying taxes the broadcasting had been minimized.	Action should be taken to increase income.
(b) In the year 2022, the revenue obtained through the tele drama, film and commercial program tax was Rs. 215,020,000 and in the year 2023 it was Rs. 150,450,000, the income had decreased by about 30 percent compared to the year 2022.	Due to the financial crisis in the television channels, the tele dramas and films that were telecast by on paying taxes the broadcasting had been minimized.	Work should be done to increase income.
(c) The arrears tax amount of Rs. 25,220,500 for tele drama, film and commercial program the action had not been taken to recover it.	Necessary arrangements are being made to take appropriate measures in discussion with the relevant institutions regarding the recovery of arrears.	Action should be taken to recover arrears.

2.2 Expenditure Management

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) During the year under review, the allocation which was made for a recurrent expenditure heads of Rs. 4,490,000 had been transferred to 04 other recurrent expenditure heads by F.R 66, and it was observed that realistic estimates were not prepared to meet the requirements of the financial regulations.	Due to compliance with the circulars issued by the National Budget Department on Expenditure Control, utilization of recurrent and capital expenditure allocations reserved for the year 2023 was limited.	Estimates should be prepared accurately.
(b) From the 100 percent of the net allocation of Rs. 2,322,800 reserved for 02 expenditure heads and, net allocation of Rs. 405,410,000 reserved for 12 other expenditure heads, Rs. 373,083,146 had remained unutilized and, it was a percentage from 60 to 98 percent.	Due to compliance with the circulars issued by the National Budget Department on Expenditure Control, utilization of recurrent and capital expenditure allocations reserved for the year 2023 was limited.	Estimates should be prepared accurately.

2.3 Incurring of Liabilities and Commitments

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The values for the years 2020, 2021 and 2022 had also been included under the Accumulated Commitments and Liabilities Report (SA 92) generated by the new CIGAS web application due to the fact that further adjustments to liabilities and commitments were not reported to the Treasury.	Instructions have been given to the relevant officers to update and submit the relevant reports in the future.	The further adjustments to be made on commitments and liabilities should be reported to the treasury and the balances of previous years should be settled.

2.4 Certifications to be made by the Chief Accounting Officer / Accounting Officer

According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Chief Accounting Officer should have given assurances regarding the following matter, but had not done so.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The Chief Accounting Officer should ensure that an effective internal control system is developed and maintained for the financial control of the Ministry and should have reviewed the effectiveness of that system from time to time and submitted a copy of it to the Auditor General, but statements that such reviews were conducted had not submitted to the audit.	The Chief Accounting Officer's review of the effective internal control system for financial control will be conducted in the next financial year and will be submitted to the Auditor General.	According to the provisions of Section 38 of the National Audit Act No. 19 of 2018 should be acted.

2.5 Non-Compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions of laws, rules and regulations observed during sample audit test checks are analyzed below.

Audit Observation	Reference to Laws, Rules and Regulations	Amount Rs.	Non-Compliance	Comment of the Chief Accounting Officer	Recommendation
(a)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka	3,595,875	In contrary to the financial regulation, the public performance Board collected Rs. 3,595,875 had been banked by delaying from 02 days to 17 days.	It is advised to bank the money on the same day as much as possible.	Money collected should be banked immediately as per the financial regulations.
	(i) F.R . 187				

(ii) F.R. 880	-	About 15 officer had not been put securities in accordance with the Security Ordinance of Public Officers.	Arrangements are being made to collect the securities	Security should be put in accordance with the Security Ordinance of Public Officers.
(b) Paragraph 05 of Fiscal Policy Circular No. 01/2015 dated 20 July 2015	-	Considering the changes in the prevailing economic conditions, the fees charged for the services should be revised from time to time considering the expenses for providing those services, but it had not done.	The tax reforms are proposed to be implemented from the year 2025.	Fees should be revised from time to time as per circular provisions.
(C) In Public Finance Circular 01/2020 dated 28th August 2020.				
(i) F.R 371(5) paragraph amended by section 9 of part 1	824,922	Although, the staff officer receiving the Sub-Impress was supposed to be settle the Sub-Impress within 10 days after the completion of those task, an aggregating amount Rs.824,922 worth 19 advances had been settled with delay ranging from 22days to 112 days.	Instructions were given to the staff officers to settle the advance within 10 days of completion of work.	Sub-Impress obtained should be settled in accordance with the Circular instructions.
(ii) F.R 756(6) paragraph amended by section 11.1 of Part I	-	The Stock Verification report of the year under review had not submitted to the Auditor General before 31 st March of the next financial year.	The Stock Verification for the year 2023 is currently being done and the report will be provided immediately after completion.	According to the circular instruction should be acted.
(d) Paragraph 02 (vii) of Public Administration Circular No. 05/2016 dated 09 March 2016.	260,000	If an officer who obtained transport allowance takes leave for a period of more than 30 days with pay or no pay, the said officer shall not be paid transport or fuel allowance for that period, but an officer who	The amount will be recovered in 12 installments from January 2024 to December	According to the circular instruction should be acted.

		had taken 35 days of foreign leave with pay was paid transport and fuel allowance.	2024. 04 installments have been collected so far.
(e)	Public Enterprises Circular No. 95 dated 04 June 1994	1,326,000 For the committee members of the Public performance Board for the survey of films, DVDs and short stories for issuing a license without obtaining the approval of the Treasury Rs.1,326,000 had been paid as allowances.	Payments have been duly approved by the Department of Management Services from 31 March 2023. According to the circular instruction should be acted.

2.6 Informal Transactions

The following observations are made.

	Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a)	There is no provision in the Establishment Code for an officer working on a contract basis to be appointed in another institution on a covering of duty basis and the director of the National Development Media Center working on a contract basis had been appointed as the Director (Media) of the State Statutory Business Restructuring Unit on the basis of covering of duty with the consent of the Ministry Secretary. For that period, the Ministry had paid Rs.917,310 as allowances.	Appointment of officers is usually done in the situation where the available recruitment is limited. Accordingly, approval has been given for the concerned director to covering duties in the National Development Media Center without interrupting with his duties.	Should be acted comply with the provisions of the Establishment Code.
(b)	According to the progress report presented by the National Development Media Center, physical and financial progress was not observed in the activities of the year 2023. Although, the center was established with the aim of communicating the progress of government policies and development projects to the people, the purpose of establishing the center was not fulfilled.	Despite failing to show physical and financial progress due to the non-allocation of public funds for the programs in the current plan, the National Development Media Center officials continue to convey the progress of public policy and development projects accurately and efficiently using new media under the minimum facilities available to the people who were carrying out the mission.	The roles should be planned and implemented so that the objectives of establishing the center can be fulfilled.

3. Operating Review

3.1 Planning

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
According to Public Finance Circular No. 02/2020 dated 28 th August 2020, all government ministries must prepare the annual action plan for the implementation of the approved budget estimates, and the annual action plan for the coming year must be prepared before 15 December of the transition year and approval should be taken by submitting to the Chief Accounting Officer. Must be approved. The Ministry had not done so and submitted the action plan to the Auditor General on 18 January 2023.	The submission of the action plan was delayed as additional time was required to redefine the activities of the project due to the limitation of foreign aid for the project to digitalized terrestrial television broadcasting in Sri Lanka. In the future, I will work to present the action plan within the specified period.	As per the provisions of the circular, the action plan should be submitted and approved on the due date.

3.2 Non-performance of Function

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The 26 activities included in the action plan of the Ministry were not implemented.	It was pointed out that new project proposals were not implemented due to non-calling of proposals, non-provision of funds, economic crisis, inability to contact sponsors, etc.	Action Plan should be prepared considering the practical conditions.

3.3 Not achieving of Expected Output Level

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Although not in the 2023 action plan, the 26 activities were in progress and 06 activities in the establishment and administration sector had financial performance	Reasons for the lack of physical performance were also not presented, such as the delay in the initiation of media policy preparation work, the fact that it	All activities should be included in the action plan and the physical performance should be achieved

ranging from 25 percent to 99 percent, but physical performance had not available. was done without government financial allocations. accordingly.

- (b) Although the action plan should be prepared to cover all the sectors of the ministry, the activities of the Public performance Board had not included in the action plan of the year under review. According to the instructions received from the Secretary, from the year 2025, the action plan of the institution will be added to the action plan of the Ministry. The action plan should be prepared to cover all the sectors of the ministry.
- (c) The project to digitalize the terrestrial television broadcasting in Sri Lanka was started in 2014 but was not implemented, so it was updated again in 2021 according to a cabinet decision, and it was approved to be implemented with the technology. Through that, 16 broadcasting stations scattered all over the country are to be established, but by 31st May 2024, even one broadcasting station has not been established. Since the JICA has temporarily stopped the release of funds, it has not been possible to sign the agreement and start the project after that. Steps should be taken to start the project immediately.

3.4 Procurement

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) According to the Public Finance Circular No. 02/2020 dated 28 August 2020, all accounting officers shall prepare the annual procurement plan for the implementation of recurring and capital programs in the coming year according to the subjects and tasks assigned to their institution before 10th December of the current year in the prescribed	I accept that it is not possible to prepare the Ministry's procurement plan before 10 December 2022. But it has prepared on 31 January 2023. A copy of the same has been submitted on 15 May 2023 due to failure to forward a copy to the Auditor General at that time.	Arrangements should be made to approve the procurement plan for the coming year within the prescribed periods.

format with the approval of the Chief Accounting Officer and submitted to the Procurement Commission, Auditor General and Public Finance Department although, the procurement plan for the year 2023 had been submitted for audit on 15 May 2023.

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| (b) | According to paragraph 4.2 of the Government Procurement Guidelines Code, the main procurement plan that should be prepared listing the expected procurement activities for a period of at least 03 years had not prepared. | In the coming years, information will be gathered from all departments of the Ministry and the procurement plan for 3 years will be prepared. | The main procurement plan should be prepared in accordance with the code of procurement guidelines |
| (c) | In the revised procurement plan, the renovation of cinema halls of the Public performance Board had not included in the performance of the procurement plan. | Agreed.

Efforts will be made to include all procurement functions while preparing the performance of the procurement plan in future. | According to the Procurement guidelines should be acted. |

3.5 Uneconomic Transaction.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
According to the observation given by the mechanical engineer regarding the repair of a vehicle that the Ministry does not have the right to, water seepage into the vehicle's fuel and running until the fuel tank runs out of fuel has led to this repair, so Rs. 1,687,250 had spent on the repair without paying attention to identifying the responsible persons.	This vehicle was brought to this ministry when the Minister of Electricity was appointed as the Minister of Mass Media during the cabinet reshuffle. During the cabinet reshuffle again, this car was handed over to the next minister. Because the repair occurred during the vehicle exchange, it was not possible to identify who was responsible for the damage.	Action should be taken to identify the responsible parties.

3.6 Management Inefficiencies.

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Since the existing cinema in the building where the Public performance Board was constructed by the Ministry of Education was not made operational till 23 January 2024, a fee of Rs.25, 000 should be paid by the concerned persons to a small cinema for showing one film and from 01January 2023 to 31August 2023 The institute had lost an income of Rs. 3,650,000 as it had observed about 146 local and foreign films.	As of now (2024.01.23) the screen has been installed and about 95% of the work has been completed. The concerned agency has been informed to restore the malfunctioning parts of the projector. Since the provision for this was not allocated in the budget of the year 2024, the treasury has been requested to provide provision for this purpose. As soon as the provision is made, the work can be completed and then the films can be previewed.	Necessary action should be taken to collect the income.
(b) The DCP machine purchased in the year 2015 is not in working condition, so it has not been checked in relation to its existence and technology and a warranty certificate has not been obtained that it works properly.	DCP Quality reports have been obtained about the existence and technology of the machine and accordingly, it has been confirmed from the concerned institution that the relevant parts are functioning properly by installing them. In the future, efforts will be made to obtain a warranty in this regard.	Machines should be maintained in proper condition.
(c) As per the progress of the Public performance Board as on 31 July 2023, the total capital and recurrent expenditure is Rs. 5,351,544 and the total income was Rs.3,572,875. Accordingly, as the expenditure increased by Rs.1, 778,669 compared to the income, there was a decline in the progress of the institution.	Due to the economic conditions of the country in that year, the production of films, dramas and shows was at a low level, and the income is also remained at a low level. Hence, there has been a decrease in the financial progress of the institution.	Action should be taken to increase the income.

4. Good Governance

4.1 Citizen/Client Charter

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
According to the Public Administration Circular No. 02/2018 dated 24 January 2018 , in the human resources plan prepared in relation to the year 2023 , the performance evaluation agreements related to paragraph 6.1 of the circular were not signed and the mechanism for evaluating the result of the training had not prepared.	According to Circular No. 02/2018 , Performance Appraisal Agreements have been prepared for the year 2024 under the Client Charter.	Should be act as per the circular instruction.

4.2 Internal Audit

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The internal audit plan approved by the Board of Management for the year 2023 had been not submitted for audit.	Approval of the Internal Audit Plan from the Management Committee was delayed as a Chief Internal Auditor has been appointed on an acting basis from May 2023. The audit plan approved by the Board of Management for the year 2024 has now been submitted for audit.	The internal audit plan should be submitted to the audit.