

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Selacine Media Solutions (Private) Limited the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 company as at 31 December 2024, 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 Company'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 company or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company 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 Company.

1.4 Audit Scope (Auditor's Responsibility 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 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 company'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 company'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 company 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 company and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the company has complied with applicable written law, or other general or special directions issued by the governing body of the company;
- Whether the company has performed according to its powers, functions and duties; and
- Whether the resources 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. Non-Compliance with Sri Lanka Accounting Standards

Non - compliance with reference to the particular standard	Comments of the Management	Recommendation
(a). The investment balance in the statement of financial position as at 31 December 2024 had been overstated by that value and cash and cash equivalents had been understated by the same amount Due to the inclusion of 02 fixed deposit balances worth of Rs.8,000,000 with a maturity period between 01 and 03 months, which should be recognized under cash and cash equivalents, in investments in terms of the paragraph 07 of Sri Lanka Accounting Standard No. 07.	Instructions had been given to the accounting department to make corrections in the next year.	Cash and cash equivalents should be recognized according to the Accounting Standards.
(b). Although assets, liabilities and retained earnings balances should be restated retrospectively in the adjustment of prior errors in terms of the paragraph 42 of Sri Lanka Accounting Standard No. 08, no restatements had been made in the financial statements as at 31 December 2024 in respect of prior misstatements of Rs.2,502,000 during the year under review and sufficient disclosures had not been made in terms of the paragraph 49.	A detailed note will be presented with the financial statements in the next year, after restating the asset, liability and retained earnings balances in the adjustment of prior errors.	In adjustment of prior errors, retrospective restatement should be made in terms of the accounting standard.
(c). The deferred tax asset for the year under review amounting to Rs.2,359,152 had not been calculated and revealed in terms of the paragraph 77 and 81(e) of Sri Lanka Accounting Standard 12.	The financial reports for the year 2025 will be submitted with the relevant corrections.	Deferred tax asset should be calculated and disclosed in terms of the accounting standards.

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| <p>(d). Although the value after deducting trade discount given to customers in revenue recognition should be accounted for as revenue in terms of the paragraphs 46 and 51 of Sri Lanka Financial Reporting Standard No. 15, prices before deducting trade discounts of Rs.5,517,052 had been identified as revenue during the year under review and the gross profit out of that value had been overestimated by that amount.</p> | <p>Instructions had been given to the Accounting Division to submit the financial statements for 2025 with the relevant corrections.</p> | <p>Income should be identified and accounted for accurately in accordance with the standard.</p> |
| <p>(e). The value of the right of-use assets and lease liability of the building maintained by the company as at the end of the year under review had been understated by Rs.4,267,034 in terms of the Sri Lanka Financial Reporting Standard No. 16. Similarly, the loss for the year under review had been understated by Rs.6,618,120 due to the fact that the annual depreciation of this building has not been calculated in terms of the paragraphs 31 and 32 of the above standard. Similarly, the disclosures required to be made in the financial statements regarding the leased asset in terms of the paragraphs 53 and 54 of the standard had not been made.</p> | <p>Instructions had been given to use correct entries to record the accounts and that the documents related to those corrections would be submitted with the 2025 financial report.</p> | <p>The value of right-of-use assets and lease liabilities should be accounted for and disclosed in terms of the financial reporting standard.</p> |
| <p>(f). Although contingent liabilities should be disclosed in the financial statements in terms of the paragraphs 28 and 86 of Sri Lanka Accounting Standard No. 37, no disclosures had been made in the financial statements regarding 07 lawsuits filed against the company by suppliers and employees.</p> | <p>The Accounting Division had been instructed to submit the financial statements 2025 with the disclosures required in the financial statements regarding contingent liabilities.</p> | <p>Disclosures should be made in the financial statements regarding contingent liabilities in terms of the standard.</p> |

1.5.2.Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a). The bank interest income and bank interest income receivable for the</p>	<p>Instructions had been given to keep accounting records</p>	<p>Bank interest income and bank interest</p>

year under review had been understated by Rs.648,930 and Rs.627,777 respectively in the financial statements. accurate according to the calculations shown and the documents related to those corrections will be submitted with the 2025 financial report. income receivable should be accounted for correctly.

(b). The employee health insurance agreement that the company had entered into with a private insurance company had been expired on 31 August 2024 and a debt balance of Rs.3,183,405 had been arisen in the favour of that insurance company due to a incorrect journal entry made in September 2023. Due to the debtor balance had been deducted from the other creditor balance of Rs.1,729,824 in the year under review, Trade creditors had understated that amount and retained earnings had been overstated by that amount in the financial statements. Instructions had been given to the Accounts Division for corrections in the preparation of the 2025 financial statements. Journal entries should be entered accurately with formal approval.

(c). Since the value added tax payable in the audited financial statements for the year 2023 was Rs.24,619,076 and the opening balance of that account in the year under review was Rs.23,178,009, a variance of Rs.1,441,067 had been observed in the opening balance of that account. Similarly, A variance of Rs.2,838,860 was observed in the opening balance of that account since the opening balance of that account for the year under review was Rs.163,946,240 even though the retained earnings as at the end of year the 2023 was Rs.161,107,380. Accordingly, the management failed to provide reasons for the total variance of Rs.4,279,927. The Accounting Division had been instructed to investigate the opening balance discrepancy and maintain a control system through the Tally System Provider to ensure that the error does not recur in due course. The reasons for the variances in the opening balances should be investigated and corrections should be made.

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| <p>(d). The debtor balance during the period under review had been overstated by Rs.2,283,344 and the loss had been understated by that amount since only an impairment loss amounting Rs.185,136 had been allocated for the value of Rs.2,468,480 due from the Sri Lanka Tourism Board since year 2007.</p> | <p>The outstanding amount has not been recovered due to the lack of documents related to the recovery of the loan at present.</p> | <p>Measures should be taken to recover the outstanding amount due from the relevant institution or to increase provisions for impairment losses.</p> |
| <p>(e). The creditor balance shown in the financial statements as at 31 December 2024 included a negative net value of Rs.935,822 and these balances had been carrying forward for more than 3 years. No measures had been taken during the period under review to identify and settle these balances.</p> | <p>Action will be taken to rectify the total of minus values in 2025.</p> | <p>Minus values included in the credit balance should be identified and reconciled in the accounts.</p> |
| <p>(f). In terms of Section 3(1) of the Economic Services Fees Act, No. 13 of 2006, the economic service fees paid by a person can be offset against the income tax payable by that person for the relevant quarter of the relevant assessment year. However, an amount of Rs.3,599,744, which had not been received for almost 11 years, had been included in the Statement of Financial Position under Trade and Other Receivables as economic service fees receivable in a context where income taxes had not been paid since the institution had been established in 1982.</p> | <p>No reply was given.</p> | <p>action should be taken in accordance with the Act.</p> |

1.5.3 Documentary Evidences not made available for Audit

Item	Amount Rs.	Unprovided Audit Evidence	Comments of the Management	Recommendation
(a). Other trade creditors	34,049,519	Detailed Schedules	Files regarding other trade credit balances will be sought and submitted a report on these balances to the upcoming management audit meeting and consultation on the actions to be taken regarding those balance will be sought and that the Accounts Division has been informed to take further action based on the recommendations received in this regard.	Detailed schedules should be provided to the audit for detailed examination of other trade creditor balances.
(b). Write-off of bad debts	4,104,013	debtor's files	Only 7 out of the 27 uncollectible debtor collections' files that could be found have been referred.	The debtor's files should be submitted to the audit to verify the written-off bad debts.
(c). Income	2,477,827	Invoices	The income received for printing identity cards had been recognize as an income totalling of Rs.2,959,077 through 15 journal entries made during the year under review.	Invoices related to journal entries should be provided for audit.

(d). Journal entries	Source documents	No source document had been maintained regarding the journal voucher prepared for the journal entries recorded during the accounting year, and the accounting division had been instructed to forward the journal entry vouchers for formal approval and maintain the relevant source documents.	Journal entries should be formally approved and relevant source documents should be maintained.
(e). Write-off of creditor balances	1,214,541 Creditors' files and relevant balance confirmations.	The accounts division had been instructed to correct these errors and maintain files related to such write-offs in due course.	Write-offs should be made according to a formal procedure in terms of the provisions of the circular and the files and details should be made available for audit.

1.6 Accounts Receivable and payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
(a). No measures had not been taken to recover the E-Mansala control account and fines, surcharges of Rs.367,917 Rs.194,068 respectively totalling Rs.561,985 which includes trade and other receivables carried forward for more than 05 years, during the period under review.	Information on this amount, which includes trade and other receivables prevailing for many years, will be referred to the Board of Directors, and necessary instructions will be obtained and further action will be taken.	Action should be taken to recover these balances included in trade and other receivables.
(b) The trade receivables balance as at the end of the period under review was Rs.291,971,139 of which Rs.198,174,298 or 68 percent of the total receivables balance	Letters were sent to public institutions and political parties through the Ministry Secretary to recover the said debt and the clients were also visited to recover the debt but it has not been possible to find the files to verify the unidentified debtor balances at present.	The institution should take adequate measures to recover the outstanding debtor balance

consisted of debtors with an outstanding balance of more than 5 years. These debtors included 23 public institutions and one political party with an outstanding balance of more than Rs. 1 million. The outstanding balance included in the total outstanding balance was Rs.223,474,984 or 77 percent of the total outstanding balance and the institution had not taken adequate measures to recover those balances. Further, the total outstanding balance as at 31 December 2024 included an unidentified outstanding balance of Rs.6,611,743 dating back to 2006 and actions had not been taken to recover that balance during the year under review.

and recover the said balance.

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
<p>The company's trade payables balance was Rs.245,128,156 of which Rs.62,522,964 or 25.5 percent of the total payables balance had been carried forward for more than 5 years. Further, within this payables balance which had been carried forward for more than five years, the aggregate value of 20 balances exceeding Rs.1,000,000 was Rs.53,770,873 and actions had not been taken to settle those payables balances during the period under review.</p>	<p>Actions will be taken to verify and settle those outstanding debts.</p>	<p>Action should be taken to settle creditor balances.</p>

1.6.3 Advances

Audit Observation	Comments of the Management	Recommendation
<p>02 buildings in the Rajagiriya area were acquired on a lease basis for a period of 02 years in the year 2016 and 01 year for the purpose of conducting express printing activities without calling for bids. For this purpose, a total advance amount of Rs.1,200,000 had been paid on 02 occasions. Out of these, one building had not been brought to a usable level and one lease agreement had been signed. However, this building had only been occupied for a period of 10 months and actions had not been taken to recover the advance payment made even by the end of the year under review.</p>	<p>It was identified that the rent paid for the building in Rajagiriya in 2016 could not be recovered and the Board of Directors was informed in this regard, advice was obtained and actions were taken accordingly.</p>	<p>When providing services, the procurement guidelines should be followed and actions should be taken to recover the advance payment made.</p>

1.7 Non-compliance with laws, rules, regulations and management decisions, etc.

Reference to Non-compliance laws, rules, regulations, etc.		Comments of the Management	Recommendation
(a)Public Enterprises Circular No. 01/2021 dated 16 November 2021	<p>Although the financial statements and draft annual report should be submitted to the Auditor General within 60 days of the end of the accounting year, the company had submitted the financial statements and draft annual report for the year under review for audit on 17 October 2025.</p>	<p>The draft annual report was submitted to the audit on 17 October 2025.</p>	<p>According to the circular, the financial statements and draft annual report should be submitted to the Auditor General within 60 days of the end of the accounting year.</p>

(b)Sub-sections 40(1) and 40(2)(1) of the National Audit Act, No. 19 of 2018	Although the Board of Directors of the institution should appoint a suitable internal auditor for its internal audit activities, steps had not been taken to approve the position of internal auditor of the institution up to the date of this report.	The position of Internal Auditor has been included in the proposed staffing and once it is approved, the relevant actions will be taken to appoint an Internal Auditor.	The process of approving the staff should be expedited and a suitable internal auditor should be appointed in accordance with the Audit Act.
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1.8 Non-compliance with tax regulations

Audit Observation	Comments of the Management	Recommendation
<p>In accordance with Sections 17 and 18 of the Social Security Contribution Tax Act No. 25 of 2022, although the Company had disclosed a value of Rs.4,741,209 as Social Security Contribution Tax in the financial statements for the third and fourth quarters of the year under review, the Social Security Tax had not been calculated on an invoice value of Rs.13,435,044 for those quarters..Further, the relevant tax amounts had not been paid by the end of the year under review and the penalty payable by the company on the outstanding tax amount in terms of Section 18 of the above Act remained at Rs.568,945.</p>	<p>A letter has been sent to the Inland Revenue Department regarding the payment of social security taxes through the Ministry of Finance and the Line Ministry.</p>	<p>Social Security taxes should be calculated accurately in accordance with the Tax Act. Taxes should be paid within the prescribed period. Parties liable for penalties due to non-payment of taxes within the prescribed period should be identified.</p>

2. Financial Review

2.1 Financial Results

The operating result for the year under review amounted to a deficit of Rs.28,970,838 while the corresponding deficit in the preceding year amounted to Rs.23,476,445. Accordingly, an increase amounting to Rs.5,494,393 of the financial result was observed. The reasons for the increase are mainly due to the increase in direct expenses of Rs.110,250,647 i.e. 60 per cent, compared to the previous years during the year under review.

2.2 Trend analysis of major income and expenditure items

Item	2024 Rs.	2023 Rs.	Difference Rs.	Percentage difference (per cent)
Revenue	339,635,598	233,328,718	106,306,880	46
Direct costs	294,303,535	184,052,888	110,250,647	60
Other Income	7,762,060	5,450,155	2,311,905	42
Administration Expenses	61,315,652	69,328,528	(8,012,876)	(11)
Selling and distribution Expenses	14,447,873	7,129,350	7,318,523	103
Financial Expenses	5,400,886	468,905	4,931,981	1052

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The company's main objective was to support the development projects of the public sector and to support the meaningful use of government funds by creating profitable and quality creations. However, the company had only played an intermediary role in getting the majority of orders received from government institutions for media, advertising and production work carried out by other production and advertising agencies, and had only received a commission for it. It was observed that the company has to incur higher costs for the relevant government institution by providing the relevant services to the relevant institution by adding a profit margin to it. In this case, the costs of the public	The company's vision is to become the leading advertising agency in Sri Lanka and that the company's work is creative production and advertising. Normally, advertising agencies charge an agency commission of 15 percent and that the agency's expenses, such as salaries and administrative expenses, are covered from that 15 percent commission. It has been informed that the company will fulfill the client's needs by providing the hard product to the printing house.	It should not deviate from the company's objectives and the purpose of supporting the meaningful use of public funds.

institutions that receive services from the company increase and accordingly, it was observed that the purpose of assisting in the profitable and meaningful use of public funds is deviated from.

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| <p>(b) It was observed that since the VAT and social security taxes are calculated on the supplier prices and the commission amount when invoicing government institutions by the Salazine company, the public institutions are repeatedly paying taxes on the same value. Since government ministries and departments are not registered for VAT, those taxes become an expense for those ministries. Accordingly, during the year under review, the Ministry of Labor and Foreign Employment conducted 03 event management programs through the company Salecine, for which the Ministry incurred an expenditure of Rs.64,325,446. If the services had been procured directly from the suppliers, the expenditure incurred by the Ministry would have been only Rs.45,744,000, but the Ministry of Labor and Foreign Employment incurred an additional expenditure of Rs.18,581,446. The total value added tax and social security tax included here is Rs. 11,141,946.</p> | <p>Answers have not been given.</p> | <p>Invoicing should be done in a way that avoids double taxation.</p> |
| <p>(c) Although the company had planned to hold workshops for employee skill development and provide training opportunities to employees in each year according to the corporate plan for the years 2022-2026, those plans had not been implemented until the end of 2024.</p> | <p>Employee skill development and creation of talented new professionals. It has been informed that the training programs planned for the years 2022-2026 could not be carried out and in 2024, the previous General Manager conducted a program to develop employee knowledge on file management at no cost to the employees.</p> | <p>Planned tasks should be implemented as scheduled.</p> |

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Although the 2022-2026 Corporate Plan had planned to achieve an annual sales revenue of Rs. 860 million, Rs. 903 million and Rs. 945 million in the years 2022, 2023 and 2024 respectively, only Rs. 323 million, Rs. 233 million and Rs. 344 million could be achieved in those years respectively. Also, according to the 2024 Action Plan, Rs. 160 million and Rs. 35 million were planned for product and social and digital marketing revenue sources respectively, the actual revenue generated was Rs.14.2 million and Rs.1.69 million respectively. Also, its physical progress had been 11 percent and 01 percent.</p>	<p>It has been informed that due to the economic recession in the country in 2022 and the limitation of media advertising activities under the expenditure heading of the state budget, there were problems in achieving the targeted sales revenue. With the decline in sales revenue in 2022, it was very difficult to achieve a 5% growth in revenue from the previous year in 2023. In 2024, attention was focused on event management and digital marketing was carried out at a small level in 2024.</p>	<p>Management should make arrangements to achieve the goals of the annual action plan.</p>
<p>(b) According to the company's corporate plan, none of the strategies established to achieve the sales targets for the years 2022, 2023 and 2024 and increase the company's sales had been implemented during those periods and the company's management had not paid attention to achieving the established strategies and targets. Accordingly, although strategies were established to recruit two sales executives each from the year 2022, provide customer service training for those executives for the next 05 years from the year 2022, establish 02 new branches each year across the island from the year 2022 and carry out promotional programs in government institutions, they had not been implemented by the end of the year 2024.</p>	<p>It has been informed that due to the lack of an approved staff, it was not possible to recruit sales officers, training programs were not implemented after 2021, the company's poor financial condition was the primary factor in this, branches were not established, and the sales division has now started carrying out promotional programs.</p>	<p>The company's management should focus on achieving established strategies and goals.</p>

3.3 Procurement Management

Audit Observation	Comments of the Management	Recommendation
<p>According to the corporate plan for the years 2022-2026, the company had planned to purchase a drone camera, a black and white printer, 02 Apple computers, a new production-level printer for printing visiting cards and certificates in 2022, and to construct a sound recording studio and a studio for showcasing designs to clients. Although it had also planned to purchase an ENG camera in 2023 and to upgrade the second editing studio to 4K technology for advertising and documentary program creation in 2024, purchases or updates mentioned in the plan had not been made until 2024.</p>	<p>It has been reported that this work has not been completed and needs to be updated.</p>	<p>Achievable tasks should be established and performed as planned to achieve the company's objectives.</p>