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இலங்கை ஒலிபரப்புக் கூட்டுத்தாபனம்
Sri Lanka Broadcasting Corporation



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ஆண்டறிக்கை மற்றும் கணக்குக் கூற்று 2016
Annual Report & Statement of Accounts From 2016

Sri Lanka Broadcasting Corporation

Annual Report & Statement of Accounts

From 01st January to 31st December 2016

**Hon. Minister of Finance and Mass Media,
Ministry of Finance and Mass Media,
Colombo.**

Hon. Minister ,

In terms of Section 14(i) of the Finance Act No 38 of 1971, I present the Annual Report of the Corporation comprising of the following documents for the year ended 31 December 2016.

01. Administrative Report on the activities carried out by the Sri Lanka Broadcasting Corporation during the year from 01 January 2016 to 31 December 2016.
02. Statement of Accounts of the Corporation for the Accounting Year from 01 January 2016 to 31 December 2016.
03. Report of the Auditor General on the final accounts for the year ended on 31st December 2016.
04. Comments of the Corporation on the Report of the Auditor General for the year 2016.

Yours faithfully,

**Siddi M. Farook
Chairman,
Sri Lanka Broadcasting Corporation
Colombo-07**

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Sri Lanka Broadcasting Corporation

Vision

To be the leading Sri Lankan broadcaster

Mission

Guiding the broadcasting media in such manner to enhance knowledge, attitude and skills to brighten the lives of listeners by making a positive impact on the listener, while elevating their living condition to a higher plane by means of diverse spheres such as economy, society, culture, morality, education, entertainment, etc

Objectives

1. Functioning as the broadcaster maintaining the highest listenership for Sinhala, Tamil and English radio channels.
2. Acting as the premier Sri Lankan broadcaster that provides balanced information promptly with responsibility.
3. Producing and presenting high quality creative programmes for the advancement of indigenous culture.
4. Providing training required for creating a self-motivated staff replete with knowledge, attitude and skills.
5. Updating production and transmission technology appropriately to provide a clear broadcast output to local and overseas listeners.
6. Functioning as the pioneering institution to generate a meaningful broadcasting media culture.
7. Making a creative contribution as the national radio network to create awareness amongst people on state policies and the implementation of development programmes.
8. Maintaining sound financial control and human resources management.
9. Winning the competitive market through strategic measures.

Administrative Report - 2016



Administrative Report - 2016

Introduction

Sri Lanka Broadcasting Corporation was established by Ceylon Broadcasting Corporation Act No. 37 of 1966 and came into operation on 05 January 1967.

This Annual Report covers the 12 month period from 01 January to 31 December 2016.

During the period under review, the following members served as members of the Board of Directors.

Mr. Nanda Muruththettuwegama, Attorney at Law	-	Chairman
Mrs. S.A.C. Kulathilaka	-	Representative of the Treasury
Arundathi Renganathan	-	Dr (Mrs.) Corporation Board Member
Engineer, Mr. Kithsiri Samarasinghe	-	Chartered Corporation Board Member
Mr. W. Jayasiri	-	Corporation Board Member
Deepika Priyadarshani Pieris	-	Visharada Corporation Board Member

Administrative Report

Sri Lanka Broadcasting Corporation has rendered a great service towards the achievement of its objectives, continuing to be the pioneering media institution in the state electronic media sector in the year 2016 as well. A summary of the contributions made by each of the divisions of SLBC with relevance to airing meaningful programmes for expanding the horizons of its audiences in the spheres of knowledge, understanding and taste during the year 2016 is outlined below.

Sinhala National Service

The major responsibility vested with the Sinhala National Service is to be the pioneer of an ethical media tradition in a manner that preserves the identity of the National Radio. The Sinhala National Service has very successfully functioned in the year 2016 as well, as a state media institution, always upheld with confidence in the minds of the audience through airing qualitative programmes that enhance thinking patterns of the people and always based on the concept "Radio is a Public service".

Programmes like "Gewatta" and "Saara Sanvaada" have been aired with the objective of imparting and enhancing knowledge on agriculture and animal products and programmes like "Thirasara Diyawara" and "Mihithalaya" have been aired aiming to construct eco friendly mentalities in people.

'Subhaarathi' was one of the major programmes aired through the National service with the participation of experienced scholars and experts related to the fields of a timely importance and with the contribution of News Division as well. "Puwath Sirasthala. Prawruththi Pasubima and Puwath Atuwawa" were the programmes that were broadcast in the year 2016 to address the News requirement of the Public.

Buddhist, Hindu, Catholic, Christian and Islamic religious programmes were daily aired through the national service with a view towards the spiritual development of the people. In addition, Programmes have been produced to cover significant religious events. Two dhamma sermons have been daily aired this year as well with the special contribution of the Religious Division and the two programmes unique to the National service

'Ratawataa Awurudu' and "Ratawataa Naththal" have a long history and were broadcast in a dignified manner in the year 2016 as well.

The programmes like "Buddhist Drama", 'Short stories' and 'From the world History' are the productions

of the SLBC Drama Division.

National Service which considers it as a national responsibility to create a virtuous, disciplined and knowledgeable generation of children for the future through the use of proper media, lined up special programmes with the contribution of children to enhance the creativity in them, the lifeblood of the nation in the year 2016 as well.

The programmes, “ Sanhitha”, “ Liya Pehesaraniya”, ‘ Sandamini Aara’ ,Liya Piyasara” and “ Sandaliya Sewana” can be considered as the programmes for women, aired on the five week days with the objective of expanding the knowledge of the female audience .

Education Service

The education service of the SLBC is the broadcast implemented as a national responsibility with the objective of enhancing the education standards of the children of the nation and series of diverse programmes were broadcast in year 2016 as well with a view to achieving this objective. As it was done in the previous years, formal education programmes , informal education programmes ,Revision programmes for GEC (Ordinary level) and (Advanced level) examinations , and special programmes for the students sitting for the grade five scholarship examination were conducted this year as well. The awareness programmes on the GCE Ordinary level and Advanced level examinations were broadcast with the support of the Commissioner for Examinations in the year 2016 as well. A number of programmes have been broadcast with a view to creating better citizens while enhancing the knowledge and appreciation levels of the children.

Commercial Service

The commercial service of the Sri Lanka Broadcasting Corporation can be identified as the channel that implements programmes to cater the knowledge and appreciation values of the listener while accomplishing the commercial objectives. All the air times of the Commercial service have been planned focusing on the market situation in the year 2016 as well and arrangements have been made to broadcast all these programmes with the support of the Sales Division..

In the year 2016, the concerts such as ‘ Gayana Geyum’, “ Latha Pranama’ have been organized as a joint effort by the Sales Division and the Commercial service and a higher income has been generated through the issuance of tickets. In addition, these programmes have been revised and re-broadcast .The Programme ‘ Saara Prabhagira” has been aired as a series of interactional programmes with the participation of the academics related to topics of timely importance .Programmes like ‘Katha Sarith Saagare’ and “ Ewidda paya dahas wati” sponsored by DSI were the programmes formulated with the contribution of the accepted individuals and academic professionals .

The programme ‘ Handamama” was aired since more than 50 years as a programme exclusive for the commercial service and the sponsorship of different institutions has been extended for each of these programmes. The programme “ Suwa Arana” was a special programme which was aired in the year 2016 with the patronage of the Ministry of Health. The programme “ Lakmeduren Madhura gee” can be recognized as a programme aired in 2016 with the sponsorship of Lak medura, dedicated to the requests of the listeners.

The programme ‘ Janajaya Mawatha” was aired with the sponsorship of the People’s Leasing Company and the awareness raising on the programmes offered by them was done with the support of an officer of People’s Leasing regional office. The programme “Wananthare kathandare” is a documentary programme to enlighten people on the significant but unknown locations of the country.

City FM Service

City FM service of the SLBC which functions with the ambition of becoming the most productive and popular commercial radio channel defeating the challenges encountered in the complex social framework, is undoubtedly the pioneer in accomplishing the communication needs of the Sri Lankans with a national responsibility. Several significant programmes including the following have been aired by the City FM

service in the year 2016 with a view to strategically succeeding in the competitive market, providing the listeners with knowledge and information in an accurate and balanced manner with a national responsibility, formulating creative programmes for the enhancement of local culture through creating an audience with higher appreciation values.

- Somadasa Elvitigala Felicitation performance
- Live broadcast of the All night Religious blessing programme conducted to commemorate the Corporation Day
- Sponsorship programmes
 - “ Mulu ratama Eliyai- Dasa desama kalaeliyai- sponsored by CEB
 - Aluth awurudu geethaya (New Year Song) - sponsored by Kandy
 - Dialog Sithgath Geethaya – sponsored by Dialog Company
- Media coverage of the exhibition “ Wasa wisa nethi ratak’
- Airing the programme “ Lowa wataa awurudu’ for the new year and Organizing the ‘ Esidisi Bakmaha Ulela” in integration with the Ministry of Mass media
- Broadcasting a short programme for the Wesak festival on the prevention of Drugs, being the theme of the event
- Airing the musical programme “ Mihinthalaawai Daham Amaawai” based on the celebration of the Posen festival
- Media coverage for the public exhibition of the stone symbol of the Sri Pada and the Relic Casket containing the relics
- Live telecast of the funeral ceremony of Padma Sri Pandith Amaradewa and live updates of the day
- Introduction of new programmes “ City FM Yowun Puraya, ‘Studio six” Iridaa atai thiha, ‘Daga raga,” and the drama ‘ Parami”

Tamil National Service

Preserving the cultural identity of Tamil speaking people, the Tamil service contributed immensely in 2016 to keep them abreast with social, economic, political and educational developments while improving their artistic taste.

Special programmes were broadcast including Saraswathi Poojas and the Thaipongal Day, the most important cultural festivals and special variety entertainment programmes have also been created. Special religious programmes were aired with a focus on the Tamil community that follows Hinduism and different other faiths. The Bible programme “Yaawai Thirakadarshanam” and the Christian religious programme ‘ Deepam” can be named as special religious programmes broadcast in the year 2016. In addition, proceedings of the national ceremonies held to celebrate the wasak and poson festivals were also aired.. A special programme was also transmitted for the Haj festival.

Special programmes based on nationally, internationally and socially important days were broadcast during the year 2016 and national ceremonies held in connection with them were given wide coverage. Examples for these included ‘Rata Vata Avurudu- Sinhala and Hindu New Year programme’, Independence Day celebrations, May Day commemorations, National Drug Prevention Programme, International Children’s Day Programme and the Women’s Day Programme.

Thendral Service

Thendral is an entertainment based radio channel for Tamil listeners and its target audience is the Tamil speaking youths. Thendral Service broadcast special programmes throughout 2016 to mark events and days of national, religious and social significance. Accordingly, programmes specifically produced for Thaipongal Day and Saraswathi Pooja were broadcast and as in previous years, special events were organized at the SLBC premises to coincide with the important cultural festivals in the year 2016 as well.

Special programmes were aired for Sinhala Hindu New Year, Ramazan Day, Haj festival, Independence Day, International Women's Day and International Children's Day . During Nallur chariot festival, a number of programmes and situational reports highlighting its cultural significance were relayed.

A programme that became an instant hit with Tamil speaking listeners was 'Pattakk Patta' entertainment music programme. In the year 2016, the listeners were gifted with knowledge and fun filled programmes containing songs, dramas and comedy scenes.'

Similarly, during the Madhu and Thalawila festivals revered by Catholic devotees, several special programmes and situational reports were aired. Several other Christian and Catholic programmes sponsored by clients were also broadcast over Thendral Service.

Muslim Service

The Muslim Service of the Sri Lanka Broadcasting Corporation which has rendered a dedicated service of over 60 years to the Sri Lankan Muslim community is the only radio service upholding the Muslim cultural and Islamic religious backgrounds. This service is aired through the Tamil national service during its air time. This service is famous not only among the Sri Lanka Muslim community but also among the Muslim Community of South India. Most of the programmes aired through the Muslim service are aired through sponsorship contribution. Although the Muslim Service of the Sri Lanka Broadcasting Corporation is focused on a particular community, it has composed most of its programmes with a view to promoting co-existence and harmony among ethnic communities and corporation has been equally extended to muslim community and the entire Sri Lankans during the year 2016 too.

English Service

The objective of the English Service of the SLBC is to entertain the massive audience gathered around through its unique musical programmes that dominate most of its airtime. The SLBC has a vast collection of English songs including ancient songs of with a musical importance. As English listenership of the country is heavily inclined towards entertainment programmes, the channel has designed its programme to cater to this segment in the year 2016 as well.. In addition to the musical programmes, it also produced and aired programmes on various national ceremonies of different countries and specific events of different countries, programmes specially designed for various days with international importance, programmes to coincide with major national events like the May Day and the Independence Day in the year 2016. Special programmes on different festivals with a national and cultural importance have also been presented in the year 2016.

Rajarata Service

Rajarata Service is the first instance where the concept of regional service of the Sri Lanka Broadcasting Corporation was practically implemented. From the initiation, it continues its tradition of presenting meaningful and enjoyable programmes for its listeners. The activities put forward by the Rajarata service during year 2016 have made a massive contribution towards the development of the SLBC. The Rajarata service is famous for creating artists for the country. Several programmes have been produced during this year with the participation and contribution of the artists. The re-initiation of programmes like 'Nawa pada maala' and ' Saadu Janaraawa' can be recognized as special tasks attended to during the year 2016. In addition special educational programmes and several religious programmes were broadcast in integration with the schools and the temples of the area respectively. Programmes have been formulated to raise the awareness of people on health issues including the renal disease which is a specifically important health threat to the Rajarata region. Special programmes have been aired with relevance to the World Children's Day, environment, and artists and many other programmes have been broadcast on the Poson Poya celebrations which are significant to the Rajarata region. The Rajarata service conducted the pirith Chanting to commemorate the anniversary of SLBC which falls on the 05th of January and the following morning alms were given to the Maha Sangha.

Ruhunu Service

Ruhunu service is one of the major regional services of the SLBC. During year 2016, the structure of the programmes of Ruhunu Service included a host of regional radio programmes with a news, cultural, religious and educational value. Live broadcasts of the religious festivals conducted in the temples of the area, and special religious programmes for poya days were instrumental in raising the awareness of the people with pertinence to the events of religious importance. Live broadcasts were made to cover the Seenigama pageant and the Kataragama pageant which have a cultural significance. Rukmani Devi Gee Prasanga performance and the Premakeerthi De Alwis memorial Performance can be considered as two most important concerts conducted in the year 2016. The anniversary of the programme “Matara Maama” and the New year celebrations were the significant programmes conducted during the year under review. Finally, special programmes were lined up in memory of the individuals who departed from us in the year 2004 as a result of the Tsunami catastrophe which was a serious blow on the ordinary Sri Lankan lifestyle.

Wayamba Handa service

Wayamba Handa is the regional radio channel which gives coverage to the Wayamba area. In the year 2016 the Wayamba service has steered its activities with the objective of conveying significant events with regional and national importance with a touch of enlightenment and entertainment. Just like in the previous years, several special programmes were presented this year too on the significant dates and significant national festivals of the year. In addition, arrangements have been made to produce and broadcast programmes covering the very important areas like cardiac diseases, kidney diseases, drugs, Kurunegala disaster committee, environment week, No smoking Day, disposal of electronic garbage. Programmes were aired on significant personalities like Wijaya Kumarathunga, Ajantha Ranasinghe, H.R. Jothipala, Wijaya nandasiri, S.W.R.D. Bandaranayake and Sunil Dayananda Konara. In the year 2016, many other productive commitments like the programme on Advanced level achievers of the Maliya Deva Vidyalaya, the programme to introduce eloquent and famous songs (subhavitha Geetha) to the school children, the programme on the local dancing tradition were produced catering the school children and media coverage was given to the Maliyadeva Mela Exhibition organized by the Maliyadeva Old Students Association. In addition, programmes of songs and other programmes to evoke blessings and greetings were presented on behalf of the Wayamba Handa seventh anniversary.

Radio Dambana

Radio Dambana is the only radio channel in Sri Lanka that targets the indigenous community of Sri Lanka concentrated in Dambana area and is operated without any commercial interest. Considering the preservation of identity, beliefs, art forms and customs of the indigenous community as a national responsibility, Dambana Radio broadcast many programmes in year 2016 connected with and important to their lifestyle. The special programme “Wasa wisa nethi Govithena” was aired with a view to encouraging people to take up toxic free farming and highlighting the use of organic fertilizer in the farming of paddy and other crops. Special projects for raising awareness on fast spreading chronic kidney disease in the Mahaweli zones with the participation of the doctors attached to the Kandy hospital including the Nephrologist Dr. Thilak Abeysekera and with the resource contribution of resource persons and the programme was aired in collaboration with the Kidney Disease Unit, Girandurukotte and the awareness broadcast for fostering and sustaining the culture and language of the Vedhdha community, conducted with the resource contribution of certain individuals including Dambane Gunewardena can be identified as the community services rendered by Radio Dambana in the year 2016.

News Division

The News and Current Affairs Division of the SLBC aired several news reporting programmes in year 2016. The important programmes among these are the News Background, Ethulpetththa (Inside), and Puwath Atuwawa programmes in addition to the daily broadcast of subharathi programme. The contents of these news reporting programmes have been formulated with a view to familiarizing the development

programme of the country among the people prioritizing the enlightenment of the audience.

The News Division of SLBC rendered an invaluable service to the public by presenting 03 main daily news bulletins in tri languages and 12 main news bulletins in tri languages altogether and in addition, latest news headlines are broadcast hourly in all three languages through 'news in brief'.

Development Division

The development division attended to the function of providing media coverage to different events held from 01.01.2016 to 31.12.2016 with the participation of HE the president Hon. Maithreepala Sirisena. All the speeches made by HE the president in these events have been aired and arrangements have been made to conserve those speeches. Publicity announcements for these events were aired prior to the event and action was taken to broadcast the proceedings lively.

Similarly, measures were taken to provide media coverage to the tours to Germany, China and India made by the president, G. 7 summit of Japan, UN General Assembly and the speeches made and the situational reports were made on these foreign tours and the speeches made by the president in these events were broadcast lively.

Music Division

As in the previous years, the Music division of the SLBC has provided maximum contribution to present qualitative musical programmes through all the channels of the corporation and a substantial number of classical programmes, simple classical songs, creative programmes, criticism programmes have been presented. The special performance 'The Legend' which contains the pieces of Flute and Mandolin performances by the renowned musician V. Somapala Perera, is significant among the above mentioned programmes.

The publication of the first Sri Lankan Sinhalese Eastern music dictionary can be considered as a significant function undertaken in the year 2016 by the Music Division of SLBC. This is a great support to school children, undergraduates, school teachers, university lecturers and any other music fans of the country.

Another significant function attended to, in the year 2016 is the composition of the CD named 'Punchi punchi tharu wage' which was done parallel to the World Children's Day including 16 children's songs with the participation of the children who succeeded the particular test for selection.

Audio research Division

The year 2016 is a significant year for the Audio Research Division. The three officers of the Audio research division have been attached to some other divisions with effect from the year 2010 and two officers out of these three officers were re-attached to the Research Division in the year 2015. Accordingly there was the possibility to conduct several specific research projects in the year 2016. These research activities include the research conducted on the Audio quality of the radio channels using the questionnaire method, subjecting 30 programmes including the news broadcasts to a quantitative and qualitative evaluation, enlightening the channels on the significant events taking place in the local and international level. In addition, extending support to the university researchers and the school children in relation to the research conducted for academic purposes are the regular tasks undertaken by the Audio research division as public responsibilities of SLBC.

Central Performance Division

This Division makes a significant contribution towards the studio operations and recording activities of the SLBC. The duty of the Central performance division is to ensure facilitation including the appointment of active assistants to the coordinating studios, conservation studios and recording studios. In year 2016 as well, the central performance division has immensely contributed towards the upkeep of the standard of the programmes of the corporation through providing active assistants to suit the nature of the programmes produced. The major responsibility of this division is to maintain a reliable broadcast

without making any negative impacts on the audio quality experienced by the audience and during the year under review, this task has been accomplished without encountering any obstacle.

The division has contributed towards recording songs and programmes using modern facilities like the stereo technology and in the year 2016 further contribution has been made by the central performance division of SLBC rent out the Ananda Samarakoon Studio and the studio numbers 5 and 6 to external parties.

Training Institute

In the year 2016, the Training institute of SLBC has conducted several training programmes. A one day workshop to enhance the language use of the Sinhalese presenters, one day training workshop on planning radio programmes, one day training workshop on the production of radio programmes and a 03 day training workshop on the computer based recording and editing focused on the programme production assistants were conducted accordingly as the internal training activities of SLBC

In addition, the following training workshops have been conducted with a view to addressing the training requirements of the corporation.

1. Software Training for Management Assistants
2. Appreciation and evaluation of the media reporting done by the state media last year
3. Writing Skills workshop for the managements assistants
4. Training workshop for the new regional reporters
5. Training for English announcers
6. Training on updating web sites
7. Training for Secretaries (Administration)
8. Briefing on the corporate plan
9. Training workshop on the preliminary investigations
10. Training workshop for news presenters

Engineering Division

The projects implemented by the Engineering division of the SLBC during the year 2016 are listed below.

1. Implementation of the first stage of the project to update the FM transmission centre, Haputhale- Project value is 100 million rupees. The activities conducted under this include the following.,
 - Making arrangements to purchase 08 transmitters with 05 kw capacity.
 - Completion of the civil engineering activities of the transmission station
 - Purchasing Links, Processors, Distribution amp and other appliances required for the transmission station.
2. The project value of the First step of the project to update coordination studios (C1-C12) is twenty million.
3. Implementation of the project to update the production studios – The value of the project is twenty million rupees

Marketing Division

The marketing division of the SLBC is vested with the responsibility to convert the SLBC into a profit making institution. Arrangements have been made by the Marketing Division this year too just like in the other years to accomplish this significant responsibility entrusted to them to the maximum extent possible.

The marketing division has strived to make the maximum use of all the air times that can be marketed with the support of the Programmes division and a number of special promotional programmes have been organized in the year 2016 in addition to the sales income generated on daily basis. Renovation of a ward in the National Kidney Hospital and donation of refrigeration facilities for several hospitals for the purpose of storing drugs to commemorate the SLBC Day, can be identified as very special commitments made. Conducting the performance in appreciation of the veteran Somadasa Elvitigala and the Rasanjali performance, coordinating the Geethanjali Performance and the Musician V. Hemapala Perera Performance, Organizing and implementing the “Mihinthalaawai Daham Amaawai, Diyatha Uyana Poson Zone”, functioning as the official radio broadcaster of the pageant of the Temple of tooth, Kandy, official media coverage for the pageant of Saman Dewalaya, and coordinating the relations with the audience for the “Awaare Siripaa” programme are among the special projects accomplished during the year 2016.

Statement Of Accounts



Sri Lanka Broadcasting Corporation

Statement of financial position

(all amounts in Sri Lanka Rupees)

	Note	31 December	31 December
		2016	2015 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,231,178,033	2,460,462,705
Deferred tax Assets	8	1,277,887	(409,678)
Capital Working Progrees	10	187,825,197	254,571,510
Investment	11	1,000,000	1,000,000
		2,421,281,116	2,715,624,537
Current assets			
Inventories		25,907,733	27,028,803
Trade and other receivables	12	264,571,062	229,209,389
Goods in Transit		30,512,997	4,852,069
Cash and cash equivalents	13	320,286,094	260,851,451
		641,277,886	521,941,713
Total assets		3,062,559,003	3,237,566,250
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital		307,386,085	307,386,085
Revaluation reserves		14,421,999	14,421,999
Retained earnings	14	(74,682,767)	(126,541,868)
		247,125,317	195,266,216
Non-current liabilities			
Defined benefit obligations		241,582,628	239,321,738
Deferred Income(Japan Grant)		75,218,347	79,909,399
Government Grant		722,868,845	629,025,361
Grant Trinco		1,283,596,811	1,646,092,816
Deferred tax liabilities	8	70,970,003	75,733,399
		2,394,236,634	2,670,082,712
Current liabilities			
Trade and other payables	15	251,582,232	233,928,814
Non financial Liabilities	16	169,614,819	138,288,508
Total liabilities		421,197,051	372,217,322
Total equity and liabilities		3,062,559,003	3,237,566,250

The Director Finance certifies that the financial statements have been prepared in compliance with the requirements of the Sri Lanka Financial Reporting Standards, Finance Act. No: 38 of 1971 and Sri Lanka Broadcasting Corporation act no.37 of 1966

Mr.Lalith Hettige

Director Finance

Date

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were authorized by the Board of Directors on 19th July 2017.

Sudharshana Gunawardana

Chairman

Date:.....

Bord of Director

Date:.....

Sri Lanka Broadcasting Corporation
Statement of comprehensive income

(all amounts in Sri Lanka Rupees)

	Note	Year ended 31 December 2016	Year ended 31 December 2015
Sales	1	524,036,586	495,237,240
Cost of sales	2	488,435,383	465,369,159
Gross profit		35,601,203	29,868,081
Other operating income	3	430,651,446	467,193,029
Distribution costs	4	81,367,757	84,913,710
Other Operating Expenses	5	376,206,243	386,746,874
Administrative expenses	6	317,162,912	313,682,908
Operating profit		(308,484,262)	(288,282,380)
Finance costs	7	5,555,448	6,213,541
Profit/(Loss) before Govt. Grant		(314,039,711)	(294,495,921)
Govt. Grant	3.1	365,000,000	350,000,000
Profit/(Loss) after Govt. Grant		50,960,289	55,504,079
Differed Tax	8	6,450,961	8,776,009
Profit after tax		57,411,250	64,280,088
Total comprehensive income		57,411,250	64,280,088

Sri Lanka Broadcasting Corporation
Statement of changes in equity

(all amounts in Sri Lanka Rupees)

	Stated capital	capital reserve	Revaluation reserves	Retained earnings	Total
Balance at 1 January 2015	307,386,085	-	14,421,999	-	321,808,084
Comprehensive income					
Comprehensive income				64,280,088	64,280,088
Revenue Reserve				(190,821,956)	(190,821,956)
Balance at 31 December 2015	307,386,085	-	14,421,999	(126,541,868)	195,266,216
Comprehensive income					
Comprehensive income for the period				57,411,250	57,411,250
Revenue Reserve Adjustment				(5,552,149)	(5,552,149)
Balance at 31 December 2016	307,386,085	-	14,421,999	(74,682,767)	247,125,317

Cash Flow Statement for the year ended 31st December 2016

Description	2016		2015	
Cash flow from operating activities				
Net profit before interest and tax		50,960,289		62,274,288
Adjustment for				
Amortisation of government grant	(67,476,968)		(57,975,190)	
Amortisation of grant Trinco	(155,406,674)		(177,769,097)	
Depreciation	45,687,595		43,621,211	
Depreciation Trinco	158,236,740		182,364,130	
Provision for gratuity	21,300,257		23,335,178	
Provision for bad debts	5,743,906		3,775,144	
Gain/(Loss) on Exchange	265,004		176,576	
Lease Interest	176,345		1,045,145	
ESC	916,796	9,443,000	1,807,365	20,380,462
		60,403,290		82,654,750
Revenue Reserve Adjustment (Note 19)		867,406		5,947,058
Operating profit before working capital				
increase/ Decrease in inventories	1,121,071		4,833,817	
Increase/ Decrease in Trade & other receivables	(41,105,579)		(6,157,694)	
Increase/ Decrease in Goods in transit	(25,660,928)		442,436	
Increase/Decrease in Trade & other payables	22,362,706		(4,882,736)	
Increase/Decrease in Non financial Liabilities	30,409,515	(12,873,215)	(4,978,970)	(10,743,147)
Gratuity paid		(19,039,367)		(6,668,767.00)
Net cash from operating activities		29,358,114		71,189,894
Cash flow from investing activities				
Government Grant (Capital)	156,629,400		230,300,958	
Purchase of property, plant and equipment	(67,720,498)		(19,684,821)	
Capital work in progress	(53,946,740)		(112,958,823)	97,657,314
Net cash used in investing activities		34,962,163		
Cash flow from Financial activities				
Payment of lease rental	(4,885,634)		(9,092,168)	
Net cash used in Financial activities		(4,885,634)		(9,092,168)
Net Increase/ Decrease in cash and cash equivalents		59,434,642		159,755,040
Cash and cash equivalents at beginning of period		260,851,452		101,096,412
Cash and cash equivalents at end of period (note 13)		320,286,094		260,851,452

Sri Lanka Broadcasting Corporation

Notes to the financial statements

1 General information

1.1 Reporting Entity

Sri Lanka Broadcasting Corporation, a Corporation duly incorporated and established under the Sri Lanka Broadcasting Corporation Act No. 37 of 1966 having its registered office at Independence Square, Colombo 07 and principal place of business is situated at Independence Square, Colombo 07.

1.2 Principal Activities and Nature of Operations

During the year, the principal activity of the Corporation is sale of airtime.

1.3 Date of Authorization for Issue

Financial Statements of Sri Lanka Broadcasting Corporation for the year ended 31st December 2016 was presented for approval on 19th July 2017.

1.4 Number of employees

The number of permanent employees at the end of the year was 851

And the number of Contract staff at the end of the year was 70

(31.12.2015 – 925)

2 .Basis of preparation and adoption of Sri Lanka Financial Reporting Standards ('SLFRS')

The Corporation prepares its financial statements in accordance with the Sri Lanka Accounting Standards ("SLFRS") issued by the Institute of Chartered Accountants of Sri Lanka and Sri Lanka Accounting and Auditing Standards Act No. 19 of 1995.

The institute of Chartered Accountants of Sri Lanka issued a new volume of Sri Lanka Accounting Standards (" SLFRS") and to require enterprises to apply these standards effective for years beginning on or after 1 January 2012.

3. 1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1.1 Basis of preparation

The financial statements of Sri Lanka Broadcasting Corporation have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS). The financial statements have been prepared under the historical cost and other specific measurements which are explained in the succeeding notes.

No adjustments have been made for inflationary factors affecting the financial statements.

The preparation of financial statements in conformity with SLFRS require the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the corporation's accounting policies. The areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. The reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the report of amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

3.1.2 Going Concern

The directors have made an assessment of the Corporation's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

3.1.3 Post Balance Sheet Events

All material events occurring after the balance sheet date have been considered and where necessary adjustments have been made to /or disclosed in the financial statements.

3.1.4 Comparative Information

The Accounting policies ,which have been consistently applied by the Corporation ,are unless otherwise stated ,consistent with those used in the previous years. Previous year's figures and phases have been rearranged to confirm to the presentation.

3.1.5 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Corporation is measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Sri Lankan Rupees, which is the Corporation's functional and presentation currency.

(b) Foreign Currency Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

3.2 Other Significant Accounting Policies

3.2.1 Assets and Bases of Their Valuation

Assets classified as current assets in the Balance Sheet are cash and those which are expected to be realized in cash, during the normal operating cycle of the Corporation's business, or within one year from the Balance Sheet date, whichever is shorter. Assets other than current assets are those which the Corporation intends to hold beyond a period of one year from the Balance Sheet date.

3.2.1.1 Property, plant and equipment

Land and buildings comprise mainly head office, regional and transmission station. All the property, plant and equipment are stated at historical cost. The cost of PPE is the cost of purchase with any incidental expenses incurred in bringing the assets to its working conditions, for its intended use. Expenditure incurred for the purpose of acquiring, extending or improving assets of permanent nature has been treated as capital expenditure. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably.

3.2.1.2 Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant and Equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognized as an expense when incurred.

3.2.1.3 Depreciation

Land is not depreciated. Provisions for depreciation for other assets are calculated by using a straight-line method on the cost / revalued amounts of all fixed assets. The principal annual rates used for this purpose

are:

Buildings	2.5%
Plant and machinery	7.5%
Audio Frequency Equipment	7.5%
Furniture and fixture & Equipment	10%
Transmitter	7.5%
Motor vehicles	25%
Musical Instruments	10%
Computer Equipment	50%
Record Tapes	33.33%
Loose Tools	50%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

3.2.2 Capital Work-in-Progress

Capital work-in-progress represents the accumulated cost of materials and other costs directly related to the construction of an asset. Capital work-in-progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

3.2.3 Financial Assets

3.2.3.1. Classification

3.2.3.2 Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Corporation's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position. (Notes 3.8 and 3.9).

3.2.5.4. Recognition and measurement

Financial assets carried at fair value through profit or loss is initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated

using the effective interest method is recognized in the income statement as part of other income.

3.2.5.5 Impairment of financial assets

(a) Assets carried at amortized cost

The Corporation assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Corporation may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

3.2.5.6 Trade receivables

Trade receivables are carried at anticipated realizable value. A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income within distribution cost. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivable. Subsequent recoveries of amounts previously written-off are credited against distribution cost in the income statement.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

3.2.6 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a purchase price basis. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

3.2.7 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

3.2.8 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.2.9 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

a) Current Taxation

Current tax liabilities arise to the Corporation in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto. These liabilities are provided for in the Financial Statements applying the said provisions which the management believes reflect actual liability. There can be instances where the stand taken by the Corporation on transaction is contested by the Revenue Authority. Any additional costs on account of these issues are accounted for as a tax expense at the point of liability is confirmed on the Corporation.

Current tax assets and liabilities for the current year and prior periods are measured at the amounts expected to be recovered from or paid to Revenue Authority. Tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date. The provision for current tax is based on the elements of income and expenditure as reported in the Financial Statements.

b) Deferred Tax

Deferred tax is recognized using the Balance Sheet method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is not recognized for the temporary differences arising in the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investment subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by reporting date. Deferred tax assets and liabilities are offset if there is a legal enforceable right to set off current tax liabilities and assets, and they relate to income taxes levied by the same tax authorities on the same taxable entity.

A deferred tax asset is recognized only to the extent that it is probable that future profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduce to the extent that is no longer probable that the related tax benefit will be realized.

3.2.10 Employee benefits

3.2.10.1 Retirement Benefit Obligations

a) Defined Benefit Plan – Retirement Gratuity Provision

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in the financial statements in respect of defined benefit plan is the present value of the defined obligation at the reporting date. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows.

Using interest rates that are determined in currency in which the benefits will be paid and that have term to maturity approximating to the terms of the related liability.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with SLAS 16 (Revised 2006) on retirement benefit costs. However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded. The key assumption by the actuary includes the followings,

01. Rate of Interest of 11%
02. Rate of Salary increment of 5%
03. Retirement age of all employees 60 Years

b) Defined Contribution Plans – “Employees Provident Fund” & “Employees Trust Fund”

All employees who are eligible for “Employees Provident fund” contribution and “Employees Trust Fund” contribution are covered by relevant contribution funds in line with respective statutes and regulations. Employer’s contribution to the defined contribution plans are recognized as an expense in the Income Statement when incurred.

3.2.11 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the corporation will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

Amortization Rates are given below,

Buildings	2.5%
Plant and machinery	7.5%
Audio Frequency Equipment	7.5%
Furniture and fixture & Equipment	10%
Transmitter	7.5%
Motor vehicles	25%
Computer Equipment	50%

3.2.12 Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3.2.13 Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the corporation or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that can not be measured reliably. The corporation does not recognize a contingent liability but discloses its existence in the Financial Statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the corporation. The corporation does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3.2.14 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.2.15 Finance Lease Obligations

Property, plant and equipment on finance leases which effectively transfers to the corporation substantially all the risks and benefits incidental to Ownership of the leased items are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payment at inception of the, less accumulated depreciation

The total interest payable is accounted as interest in suspense. The corresponding credit is recorded lease as an amount payable to lesser. The installments paid are used to reduce the liability.

The Interest charge of the year is transferred from the interest suspense account to the Income Statement.

3.2.16 Income Statement

3.2.16.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for service supplied, stated net of discounts and value added taxes. The corporation recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the corporation's activities, as described below the Corporation bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of Air time

Revenue comprises the sale of air time. Revenue from the sale of air time is recognized when advertisement are aired .

(b) Interest income

Interest income is recognized as the interest accrued on the time basis (taking into account the effective yield on the asset) unless collectability is in doubt.

c) Net Gains and Losses on Disposals of Property, Plant & Equipment

Net gains and losses on disposal of an item on Property, Plant & Equipment are determined by comparing the net sales proceeds with the carrying amount of Property, Plant & Equipment and are recognized in the Income Statement.

d) Other Income

All other incomes are recognized on an accrual basis.

3.2.17.1 Expenditure Recognition

a) Operating Expenses

Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running in the

business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit / (loss) for the year. Provisions have also been made for bad and doubtful debts, all known liabilities and depreciation on Property, Plant & Equipment.

b) Finance Expenses

Interest expenses are recognized on an accrual basis. Borrowing costs are recognized as an expense in the period in which they are incurred.

3.2.18 Comparatives

Where necessary, comparative figures have been adjusted to conform with change in presentation in the current year.

4 Critical accounting estimates and judgment

judgments, estimates, and assumptions that affects the application of accounting policies and reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcome that require material adjustments to the carrying amounts of assets or liabilities effected in future periods.

The judgments, estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments, estimates and assumptions about the carrying amount of assets, liabilities and contingent liabilities that are not readily identified from other sources.

The judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments, estimates and assumptions made by the management in application of SLASs that could have a significant effect on the Financial Statements.

(a) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The corporation determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the corporation considers the interest rates of corporate bonds. Other key assumptions for pension obligations are based in part on current market conditions.

(b) Income taxes

The corporation is subject to income taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5 Financial Risks Management

5.1 Financial risks factors

The corporation's activities expose it to a variety of financial risks: market risk (including currency risk,

fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Corporation's overall risk management program focuses to minimize potential adverse effects on the Corporation's financial performance.

Risk management is carried out by a Finance department under the policies approved by the board of directors.

a) Market Risks

(i) Foreign exchange risk

The Corporation imports required equipment internationally and it is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollars. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, corporation enter in to agreement with local agents.

(ii) Price risk

The group is exposed to commodity price risk . Corporation minimizes the risk by entering agreement with the main suppliers.

iii) Credit risks

Credit risk is exposing mainly from trade receivables and corporation is responsible for managing and analyzing the credit risk for each of their new clients before delivering the service.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customer's receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilization of credit limits is regularly monitored.

iv) Liquidity risks

Cash flow forecasting is performed by the corporation and reviewed regularly to ensure the corporation's liquidity requirement. Such forecasting takes into consideration the corporation's debt financing plans, covenant compliance. Surplus cash held by the corporation over and above balance required for working capital management are transferred to the time deposit to earn interest income with appropriate maturities to meet the obligation.

6 Related party transactions

Name of the Relationship	Designation	Nature of the Transaction
Mr. Sudharshana Gunawardana	Chairman	No
Mr. W.Jayasiri	Board Member	Artist
Mr. Dhanushka Ramanayaka	Board Member	No
Mr.Siddik M. Faruk	Board Member	No
Mr. M.J.R.David	Board Member	No

Note 1
Revenue

Description	2016	2015 Adjusted	Adjustment	2015 approved
Sale of Air Time Asia Service	11,891,588	10,495,376	32,648	10,462,728
Sale of Air Time T.W.R.	87,816,670	86,026,727		86,026,727
Sale of Air Time Local Service	413,116,481	387,970,032	2,123,196	385,846,836
Production Charges - Local Service	4,986,309	4,668,083		4,668,083
Obituary Notices	4,096,908	3,992,713		3,992,713
Sale of Air Time FEBA	2,128,630	2,084,309		2,084,309
	524,036,586	495,237,240	2,155,844	493,081,396

Note - 2
Cost of Sales

Description	2016	2015
Salaries, Wages & Allowances	313,401,377	298,565,304
Employee Provident Fund	32,696,029	31,311,333
Employee Trust Fund	6,253,413	6,277,520
Traveling and Subsistence	729,201	742,040
Programme Expenditure	3,555,709	7,894,294
Relief Staff	6,213,542	10,147,325
Vehicle hiring Charges	3,975,371	4,044,015
Maintenance cost	4,742,199	3,970,502
Linking Charges	6,111,988	6,632,652
Electricity	110,756,554	95,784,174
	488,435,383	465,369,159

Note - 3
Other Operating Income

Description	2016	2015 Adjusted	Adjustment	2015 approved
Interest on Loans	4,209,640	3,207,498		3,207,498
Miscellaneous Income (Other)	51,290,473	61,524,497	2,337,892	59,186,605
Fines from Advertising Agents for Returned Cheques	469,884	21,062		21,062
House Rent	111,863	160,390		160,390
Income from Circuit Bunglow	435,000	0		
Special Recording	546,683	181,479		181,479
Licensing of Importers, Dealers	7,890,389	7,336,343		7,336,343
Sale of Cassettes	1,852,360	4,721,083		4,721,083
Fine Account	1,900	1,171,160		1,171,160
Income from Circuit Bungalow-Ambewella	172,596	80,053		80,053
Sales of Publication	55,545	341,360		341,360
Revenue Trincomalee Project	140,731,469	152,703,817		152,703,817
Sub Total	207,767,804	231,448,742	2,337,892	229,110,850
Amortisation of government grant	67,476,968	57,975,190		57,975,190
Amortisation grant Trinco	155,406,674	177,769,097		177,769,097
Sub Total	222,883,642	235,744,287	-	235,744,287
Grand Total	430,651,446	467,193,029	2,337,892	464,855,137

Note - 3.1**Government Grant**

Description	2016	2,015.00
Govt. Grant for Licence Fees	365,000,000	350,000,000.00
	365,000,000	350,000,000.00

3.1) Rs.365 million received from the government as grant in lieu of radio license.

Note 04**Distribution Cost**

Description	2016	2015 Adjusted	Adjustment	2015 Approved
Business promotion expenditure	4,312,221	1,313,059		1,313,059
Commission on Sale of Air Time (Local)	58,729,448	55,605,185		55,605,185
Commission on Sale of Air Time (Foreign)	805,014	733,480		733,480
Provision for bad and doubtful debts	5,743,906	3,629,927	(145,217)	3,775,144
Programme Exp.(Cricket & Artist)	11,777,168	23,632,059	11,249,290	12,382,769
	81,367,757	84,913,710	11,104,073	73,809,637

Note 5.**Other Operating Cost**

Description	2016	2015 Adjusted	Adjustment	2015 approved
Contribution to Outside Broadcasting Organisations	788,302	714,622		714,622
News Service & News Summaries	954,240	1,121,260		1,121,260
Advertising and Publicity	910,724	727,186		727,186
Electricity and Power	5,332,455	13,367,556	340,119	13,027,437
Postage & Telephones	14,183,473	12,826,646		12,826,646
Printing & Stationery	3,835,166	3,445,171		3,445,171
Motor Vehicle running expenses	13,123,058	15,468,658		15,468,658
Repairs & Maintenance of Broadcasting equipment	10,869,464	406,319		406,319
Repairs and Maintenance of Musical Instruments	140,000	0		
Repairs and Maintenance of Furniture fix & fittings	3,957,408	2,780,420		2,780,420
Repairs and Maintenance of Building & Garden	9,158,706	4,740,838		4,740,838
Depreciation	45,687,595	43,621,211		43,621,211
Depreciation Trinco	158,236,740	182,364,130		182,364,130
Trinco Expenses	85,722,520	88,143,179		88,143,179
Taxation (ESC)	916,796	1,627,119	(180,246)	1,807,365
NBT Expenses	9,477,157	0		
Vehicle hiring Charges	3,152,698	284,140		284,140
Stamp Duty	46,550	108,421		108,421
Radio frequency Charges	9,713,193	15,000,000	-	15,000,000
	376,206,243	386,746,874	159,873	386,587,001

Note 06**Administrative Cost**

Description	2016	2015 Adjusted	Adjustment	2015 approved
Allowances - Chairman & Members of the Corp	977,000	800,000		800,000
Salaries, Wages & Allowances	177,644,083	185,115,252		185,115,252
Employee Provident Fund	23,370,923	24,130,194		24,130,194
Employee Trust Fund	4,965,963	4,810,786		4,810,786
Overtime to Staff	21,287,568	21,818,873		21,818,873
Relief Staff	11,556,015	14,754,425		14,754,425
Emoluments to Contract Staff	37,881,678	17,520,166		17,520,166
Staff training Charges (Local)	25,500	0		
Traveling and Subsistence-(Foreign & Local)	2,848,980	1,806,463		1,806,463
Holiday pay	1,960,928	2,624,761		2,624,761
Gratuity	21,300,257	23,335,178		23,335,178
Entertainment by Chairman	472,773	392,416		392,416
Entertainment by Director General	104,740	100,380		100,380
Welfare	1,737,466	1,035,829		1,035,829
Medical Service	191,023	189,686		189,686
General Charges	964,946	1,901,027		1,901,027
Private security Service	538,050			
Rent Rate & Taxes	6,078,588	7,544,056		7,544,056
Insurance	443,912	2,311,495		2,311,495
Audit fees	550,000	600,000		600,000
Legal Fees	1,108,418	1,551,475		1,551,475
Publications & Periodicals	692,063	477,845		477,845
Penalty for gratuity,court cases & other etc	462,037	862,602		862,602
	317,162,912	313,682,908	-	313,682,908

6.1) The Corporation had incurred Rs.823,262.3 in respect of Broadcasting Obituary notice of relatives staff members for the year 2016.these notice were Broadcast in accordance with the approved scheme in force. This was the practice adopted by the corporation every year.

Pending Legal Cases- 2016 There are two cases pending at Supreme Court. The status of one case is as follows - it is an appeal filed by the Corporation to set aside a judgment of the D.C Case No: 23089/MR- regarding awarding of Rs.10,000,000/- with legal interest for the plaintiff of the D.C Case.One case in pending at court of Appeal. filed by Corporation to set asid a judgment of the M.C Case No : 64296/-

Two cases are pending at High Court . Five cases are pending at District Count and Status of two Cases is follows -one case demands 8 million + interest and the other demands Rs.5,917,275+ interest and 10% commission from US\$ 26775.Three cases are pending at magistrate Count, and two cases at Labour Department Arbitration.

Note 07**Finance Cost**

Description	2016	2015 Adjusted	Adjustment	2015 Approved
Bank Charges	461,014	480,945		480,945
OD Interest	4,600,117	4,461,314		4,461,314
Gain/(Loss) on Exchange	265,004	176,576		176,576
Credit Card Commission	52,969	49,562		49,562
Lease Interest	176,345	1,045,145		1,045,145
	5,555,448	6,213,541	-	6,213,541

Note 08**8 (i) Income Tax**

	2016	2015
Net profit/ loss as per accounts	(314,039,711)	(287,725,712)
Add		
Disallowable expenses		
Depreciation	45,687,595	43,621,211
Depreciation Trinco	158,236,740	182,364,130
Provision for bad debts	5,743,906	3,629,927
Provision for Gratuity	21,300,257	23,335,178
Entertainment	577,513	492,796
Economic Service Charges	916,796	1,627,119
	232,462,806	255,070,361
Less		
Allowable expenses		
Capital Allowance	182,631,352	132,192,315
Lease Rental	4,885,634	9,092,168
Gratuity payment	19,039,367	6,668,767
	206,556,353	147,953,250
Taxable profit /(loss)	(288,133,257)	(180,608,601)
Tax losses brought forward	(3,105,900,013)	(2,925,291,412)
Total tax losses carried forward	(3,394,033,271)	(3,105,900,013)
Provision for Income Tax		

The corporation is liable for income tax at the rate of 28% on profit derived from the income. A provision has been made in these financial statements on account of income taxes in view of adjusted taxable profits of the corporation.

- ii. Deferred Taxation compute & consider the recognition of deferred taxation as per LKAS 12

Differed Tax Assets & Liabilities

	2016	2015
Financial Position		
Differed Tax Liabilities	70,970,003	75,733,399
Differed Tax Assets	(1,277,887)	409,678
Net Differed Tax Assets	69,692,116	76,143,077
Statement of comprehensive income		
Differed Tax Liabilities	4,763,396	10,130,792
Differed Tax Assets	1,687,565	(1,354,783)
Net Differed Income Tax Income/(Expenses)	6,450,961	8,776,009

Property, Plant & Equipment S.L.B.C

Gross Carrying Account		Balance as at 01.01.2016	Additions/ Transfers	Disposals/ Transfers	Balance as at 31.12.2016	Provision for Depreciation 01.01.2016	Charge for the Period	Previous year adjustment	Provision for Depreciation 31.12.2016	NBW As at 31.12.2016
At Cost	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	
Land	7,764,234	-	-	-	7,764,234	-	-	-	-	7,764,234
Building	168,923,977	4,705,920	-	-	173,629,897	119,530,139	3,845,534	-	123,375,673	50,254,224
Plant & Machinery	594,772,760	47,001,466	-	-	641,774,226	482,088,168	6,552,600	(22,396)	488,618,372	153,155,855
Musical Instruments	7,241,190	0	-	-	7,241,190	6,753,870	68,092	-	6,821,962	419,228
Motor Vehicles	42,770,829	-	-	-	42,770,829	64,194,333	2,609,885	6,074,886	72,879,104	3,836,592
Assets on finance leases - Motor Vehicles	33,744,857	-	-	-	33,744,857	0	-	-	-	-
Furniture, Fixtures & Records & Tapes	132,199,390	1,586,806	-	-	133,786,196	111,538,295	3,919,132	(1,013)	115,456,415	18,329,781
Audio Frequency Transmitters	24,924,749	0	-	-	24,924,749	24,780,117	108,703	-	24,888,820	35,929
Computer equipment	881,100,296	4,233,223	-	-	885,333,519	735,228,332	8,977,449	-	744,205,781	141,127,738
Library Books	1,413,748,369	96,083,657	-	-	1,509,832,026	977,880,528	17,782,708	-	995,663,236	514,168,790
Loose Tools	36,661,492	7,047,970	-	-	43,709,462	33,885,681	1,808,975	(18,150)	35,676,506	8,032,956
	462,342	10,752	-	-	451,590	-	-	-	-	451,590
	107,675	38,708	-	-	146,384	103,570	14,516	-	118,086	28,298
	3,344,422,161	160,687,000	0	0	3,505,309,170	2,555,983,033	45,687,594	6,033,327	2,607,703,954	897,605,216

Property, Plant & Equipment Trinco

Gross Carrying Account		Balance as at 01.01.2016	Additions/ Trinco assets	Disposals/ Transfers	Balance as at 31.12.2016	Provision for Depreciation 01.01.2016	Charge for the Period	Previous year adjustment	Provision for Depreciation 31.12.2016	NBW As at 31.12.2016
At Cost	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	
Plant & Machinery	178,758,308	89,000	-	-	178,847,308	60,969,527	13,407,986	7,342,036	67,035,477	111,811,831
Motor Vehicles	4,344,000	-	-	-	4,344,000	4,344,000	-	-	4,344,000	-
Furniture, Fixtures & Office Equipment	2,839,794	-	-	-	2,839,794	968,575	212,985	116,638	1,064,923	1,774,871
Generators	7,782,753	-	-	-	7,782,753	3,539,310	778,275	426,207	3,891,378	3,891,375
Audio Frequency Transmitters	206,429,150	-	-	-	206,429,150	70,405,921	15,482,186	8,478,239	77,409,868	129,019,282
Computer equipment	53,354,383	-	-	-	53,354,383	17,314,100	4,001,578	2,069,330	19,246,348	34,108,035
Loose Tools	1,485,042,006	17,903,608	-	-	1,502,945,613	500,671,483	112,065,803	60,076,385	552,660,901	950,284,712
Equipment	52,624,075	-	-	-	52,624,075	61,488,629	347,435	8,864,554	52,624,075	-
	4,632,471	-	-	-	4,632,471	1,580,008	11,940,492	190,267	1,737,176	2,895,295
	159,206,556	-	-	-	159,206,556	53,885,237	158,236,740	6,406,589	59,419,140	99,787,416
	2,155,013,496	17,992,608	-	-	2,173,006,103	775,166,790	158,236,740	93,970,245	839,433,285	1,333,572,818

Intangible Asset Trinco

Description	Balance as at 01.01.2016 Rs.	Additions/ Trinco assets Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2016 Rs.	Provision for Depreciation 01.01.2016 Rs.	Charge for the Period Rs.	Disposal/Transfer	Provision for Depreciation 31.12.2016 Rs.	NBW As at 31.12.2016
Computer Software Trinco project	12,124,157			12,124,157	9,093,118	3,031,039		12,124,157	-

Note 10

Capital Working Progress

Depreciation	2016	2015
Capital Working Progress	187,825,197	254,571,510
	187,825,197	254,571,510

Note 11

The Corporation Invested Rs. One Million in Lanka Puwath Ltd.

Investment

Depreciation	2016	2015
Investment in Lanka Puwath Ltd.	1,000,000	1,000,000

Note 12**Trade and other receivables**

Description	2016	2015 Adjusted	Adjustment	2015 approved
Debtors Airtime	219,103,192	183,906,920	(1,681,530)	185,588,450
Less: Impairment of financial assets	(109,557,306)	(103,813,400)	145,217	(103,958,617)
Loans to staff	7,116,214	7,014,067		7,014,067
Other advances to staff	8,044,798	8,052,588		8,052,588
Staff Debtors E.P.F.	306,530	316,917		316,917
Payments in advance	1,071,399	22,008		22,008
Advance payment to Suppliers	8,000,713	8,253,223		8,253,223
Sundry Debtors	22,751,513	21,550,080	(577,650)	22,127,730
Dishonoured Cheques	4,061,217	3,306,373		3,306,373
P.M.G.current a/c - Obituary notices	7,997,854	7,997,854		7,997,854
Branch Account with Lakhanda	12,807,862	12,807,862		12,807,862
G.S.T.Control Account	237,267	237,267		237,267
Receivable Income (other)	39,577,344	36,737,676	5,482,104	31,255,572
With Holding Tax (Income)	33,499,303	32,876,217		32,876,217
Death Donation	-	195,700		195,700
P.M.G. Current A/c Radio Licence fees	195,700	221,965		221,965
Suspense A/c	-	281,110		281,110
Other deposits	9,357,462	9,244,962		9,244,962
	264,571,062	229,209,389	3,368,141	225,841,248

Note 13.**Cash and Cash Equivalents**

Description	2016	2015
Bank of Ceylon - Matara	48,457	7,726
People's Bank International Division	190,426	233,087
Bank of Ceylon - Torrington -Main account.	21,118,762	17,020,694
State Bank of India	402,609	377,104
Bank of Ceylon - Anuradhapura	(18,590)	12,510
Bank of Ceylon - Kandy	(290,954)	153,815
Nations' Trust bank	16,392,792	11,597,272
Bank of Ceylon - Torrington -Radio Licences	8,527,932	6,737,471
Bank of Ceylon - Torrington - F M Project	27,088	1,429,088
Cash Imprest	88,577	132,760
Bank of Ceylon - Torrington-Cassette Sales	13,188,431	5,895,640
Bank of Ceylon - Madras	1,164,445	1,093,081
Cash book Trincomalee project	47,321,241	18,255,485
Bank of Ceylon -Jaffna Branch	-	191,505
Bank of Ceylon - Savings	92,621	88,986
Fixed deposits	58,499,697	90,666,817
Sanasuma	60,053	322,147
Margin A/c (people's Bank)	153,472,508	106,636,263
Total	320,286,094	260,851,451

Note 14.**Retained Earnings**

Description	2016	2015
Opening Balance	(126,541,868)	(248,365,120)
Revenue Reserve before 2015		54,341,212
Revenue Reserve adjustment	(53,537,552)	
Comprehensive Income	57,411,250	64,280,088
Revenue Reserve	47,985,402	3,201,952
Total	(74,682,767)	(126,541,868)

Note 15.**Trade and other payables**

Description	2016	2015 Adjusted	adjustment	2015 approved
Creditors sale of airtime	5,240,852	3,589,651	(14,457,750)	18,047,401
Miscellaneous deposits refundable	4,680,695	3,007,475	(6,786,579)	9,794,054
Accrued Expenses	226,657,021	203,005,647	(5,852,641)	208,858,288
E.P.F.	3,513,074	3,584,749		3,584,749
Sundry Creditors	6,712,813	14,789,451		14,789,451
Sundry Creditors	-	0	(10,000)	10,000
ME's Security Deposit	576,347	630,472		630,472
Sanasuma-Tsunami	60,053	322,147		322,147
Radio Deutsche welle	-	0	(16,932,095)	16,932,095
Traning Course for O.P.- Kothmale academy	590,283			
Lease account	-	4,709,287		4,709,287
Creditors Control A/c	3,438,710	114,400		114,400
Rajarata Circuit Bunglow	112,384	175,536		175,536
	251,582,232	233,928,814	(44,039,066)	277,967,880

Note 16.**Non financial Liabilities**

Description	2016	2015 Adjusted	Adjustment	2015 approved
N S L	15,007,806	15,007,806		15,007,806
Save the nation fund	(12,418)	(12,418)		(12,418)
Payee Tax	149,526	145,961	(1,700)	147,661
VAT Contrall a/c	46,477,679	20,478,861		20,478,861
ESC	53,501,578	52,996,091	(180,246)	53,176,337
NBT	53,794,953	48,976,562		48,976,562
National Defence Fund	2,835	2,835		2,835
provision for income Tax	692,759	692,759		692,759
Stamp duty payable to Inland Re	100	50		50
	169,614,819	138,288,508	(181,946)	138,470,454

Note 17.**Finance Leases**

	2016	2015
Finance Leases (Motor Vehicles)	4,709,288	13,977,801
Add during the year adjustment		
	4,709,288	13,977,801
Lease Rental	(4,709,288)	(9,092,168)
	-	4,885,633
Less		
Lease Interest suspense A/C		(176,345)
	-	4,709,288
Currant Liability	-	4,709,288
Non Currant Liability	-	-

Report of the Auditor General





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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No. }

MED/A//SLBC/1/16/463

ඔබේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date }

31 July 2018

The Chairman,
Sri Lanka Broadcasting Corporation.

Report of the Auditor General on the Financial Statements of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2016 in terms of Section 14 (2)(c) of the Finance Act, No.38 of 1971.

The audit of financial statements of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 27 of the Sri Lanka Broadcasting Corporation Act No.37 of 1966 and Section 13(1) of the Finance Act No.38 of 1971. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act was issued to the Chairman of the Corporation on 29 June 2018.

1.2 Management's Responsibility for Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.



1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub Sections (3) and (4) of Section 13 of the Finance Act No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.



2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Broadcasting Corporation as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following non-compliances were observed in audit.

(a) Sri Lanka Accounting Standard 02

- (i) Even though only the Methods of First In First Out (FIFO) Method and the Weighted Average Cost Method had been recommended to value the final stocks in terms of Paragraph 25 of the Standard, the Method of Last In First Out (LIFO) Method had been used for the valuation of the stocks of Compact Discs Cassettes and Magazines as at 31 December of the year under review.
- (ii) The Method that Stocks being valued had not been disclosed in the financial statements of the Corporation despite the Method that the Stocks being valued followed for the valuation of the Stocks should be disclosed under Accounting Policies in the financial statements in terms of Paragraph 36 of the Standard.

(b) Sri Lanka Accounting Standard 7

Even though Investments could be stated under cash and cash equivalents only in the instance where the period of maturity of the Investments is less than 3 months from the date of which the Investments being acquired in terms of Paragraph 07 of the Standard, Fixed Deposits valued at Rs.58,499,697 with a maturity period of more than



3 months had been stated as cash and cash equivalent items in the financial statements as at 31 December 2016.

(c) Sri Lanka Accounting Standard 16

Even though a property should be identified as an asset if future benefits flow to the Institution by a property and the cost of that property could be trustworthy calculated and even though a Motor Car of which the reserved value being a sum of Rs.2,200,000 received from the Ministry of Mass Media continued to being used by the Corporation from the year 2014, it had not been identified in a Fixed Asset and had not been brought to account.

(d) Sri Lanka Accounting Standard 17

Even though the minimal lease payments of the Institution relating to Operational Lease should be separately disclosed as less than an year, from 01 year to 05 years and more than 05 years in terms of Paragraph 35 of the Standard, the relevant disclosures had not been made in the financial statements in the year under review.

(e) Sri Lanka Accounting Standard 21

The foreign debtors of the year under review had been understated by a sum of Rs.49,,553 in the financial statements on converting on the exchange rate existed as at the end of the year of which the debtors were formed instead of converting the foreign debtors of the Corporation from the year 2007 to 31 December of the year under review amounting to USD43,947.59 and amounting to Indian Rupees 3,346, on the exchange rate existed as at the last date of the year under review and stating as a sum of Rs.6,590,729 in the financial statements in terms of Paragraph 23(a) of the Standard.



2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Even though the rent income for the final 5 months of the year 2016 in terms of the rent agreement of the “Niwahana” Holiday Resort in Nuwara Eliya amounted to Rs.1,450,000, the rent income of the year under review and the rent income receivable had been understated by a sum of Rs.1,015,000 on bringing to account that income as a sum of Rs.435,000.
- (b) The Investment Interest Income for the year ended 31 December 2016 and the interest income receivable as at that date had been understated by a sum of Rs.813,346 due to not calculating and accounting the receivable interest income relating to 5 Fixed Deposits.
- (c) Even though the Economic Service charges had been a sum of Rs.3,200,569 as per the revised rates for the year under review, the Economic Service charges as at 31 December 2016 had been understated by a sum of Rs.2,283,773 due to stating that fee as a sum of Rs.916,796.
- (d) The Economic Service charges value amounting to Rs.4,694,559 receivable as at 31 December of the year under review had not been stated in Final Accounts due to not taking action in terms of the amended Economic Service Charges Act.
- (e) The Credit Balance amounting to Rs.5,218,793 existed as at 31 December 2016 had been transferred to the Retained Earnings Account in the year 2016 without examining and settling due to not settling the balances of the Current Accounts of the Regional Offices maintained for the transactions of the sale of air time between the Head Office and the Regional Offices.



- (f) The Credit Balance amounting to Rs.128,321 remained as at the end of the year under review in the Current Accounts of the Head Office had been stated by adding the air time sales to the creditors without comparing the Current Accounts for regional services maintained in the Accounts of the Head office with the Current Accounts with the Head Office maintained in each Regional Services.
- (g) The balance stated in the Machine and Equipment Account as at 31 December of the year under review had been overstated by that amount on not taking action to set-off the Machines and Equipment from the Account even up to the year 2016 despite the Machine named “Power Logger” of which the cost being valued at Rs.425,000 being used for survey activities had been misplaced.
- (h) Action had not been taken either to make provisions available in the Accounts for the Appeal cases made to the Supreme Court, Appeal Court and the High Court against 3 verdicts of lawsuits of which a total sum of Rs.11,863,898 being ordered to be paid as sums of Rs.10,000,000, Rs.1,783,587 and Rs.80,311 relating to the plaintiff party or to disclose by notes in the financial statements as at 31 December of the year under review.
- (i) A sum of Rs.19,997,092, the Capital Profit obtained by the Institution on selling the portion of land on crediting the total amount received by not calculating the capital profit, loss received by selling a land of 4 acres, 35.4 perches in extent for a sum of Rs.20,000,000 in the year 2005 of which the cost being a sum of Rs.2,908 from the land located in Seeduwa, belonging to the Corporation had been waived from the Accounts and the value of the Building Account had been understated by a sum of Rs.20,000,000 and a sum of Rs.5,500,000 in the provision for depreciation on Buildings Account and a sum of Rs. 500,000 of the Building Depreciation had been understated.



2.2.3 Unexplained Differences

The following observations are made.

- (a) Unidentified balances totalling Rs.49,951,991 had been included in to the Schedules to equal that difference on, the difference being a sum of Rs.44,332,958 according to the Schedule given to audit despite the balance had been a sum of Rs.94,284,949 according to the financial statements relating to five Items of Accounts.
- (b) Unreconciled balances amounting to Rs.3,733,969 was observed between the Balance stated in the Creditors Schedules furnished along with the financial statements of the year under review with the Creditors Control Accounts of the Accounts Division.

2.2.4 Lack of Evidence for Audit

The following items shown in the financial statements could not be satisfactorily vouched or accepted due to non- submission of evidence for audit indicated against each Item.

Item of Account	Value	Evidence not made Available
-----	-----	-----
	Rs.	
(a) Lands	7,764,234	Register of Fixed Assets Reports of Boards of Survey
(b) Buildings	168,923,977	Reports of Boards of Survey. Register of Fixed Assets. Documents on the Assets received as donations from foreign countries.



(c) Debtors. (Obituaries)	7,997,854	Detailed Schedules.
(d) Payments for Work In Progress. (New Building of the Head Office)	181,000,000	Invoices, Expected Work Plan, Cost Estimates, Work Done Reports.
(e) Trade and other Receivable Balances remaining in Accounts over a period of 10 years. (Lakhanda Branch Account)	12,807,802	Details of Documents and Schedules that state the manner that the Value had been made.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) It was observed that balances amounting to Rs.141,315,701 of the balance totalling Rs.147,825,904 payable to the Telecommunication Regulatory Commission as at 31 December of the year under review remained without being settled from a period over 35 years from the year 1981 to the year 2015.
- (b) There were loan balances amounting to Rs.59,614,083 which were older than 10 years out of the foreign debtors loan totalling Rs.65,705,259 in the year under review. Sufficient action had not been taken either to recover or write-off those balances.
- (c) Action had not been taken up to date to settle the audit fees totalling Rs.1,110,540 relating to the years 2011 and 2012.



- (d) Older creditors balances amounting to Rs.12,609,674 that should be identified and should be settled in the year 2016 had been credited to Revenue Reserves.
- (e) The credit balance of the Creditors Control Account in the year 2016 had been a sum of Rs.1,376,083 and, according to the Detailed Schedule that balance was Rs.5,112,530. That difference had been equated by transferring to the Creditors Control Account from Revenue Reserves instead of rectifying by inquiring the reasons for this difference amounting to Rs.3,736,447.
- (f) Even though a sum of Rs.1,569,930 remained receivable from the Independent Television Network as at the end of the year under review according to the Final Accounts of the Sri Lanka Broadcasting Corporation, any amount whatsoever had not been payable to the Sri Lanka Broadcasting Corporation according to the Final Account of the Institution. Moreover, even though it had been stated that the amount payable to the Sri Lanka Broadcasting Corporation had been a sum of Rs.26,685 according to the Accounts of the Sri Lanka Rupavahini Corporation, a balance receivable from the Sri Lanka Rupavahini Corporation had not been stated according to the Accounts of the Sri Lanka Broadcasting Corporation.
- (g) Letters of Confirmation of Balances had been sent to 148 trade debtors of whom the total value being a sum of Rs.222,503,345 as at 31 December of the year under review and, four debtors of whom valued at Rs.1,402,024 out of it had been confirmed that they did not have been balances to be paid to the Corporation.
- (h) The balance totalling Rs.503,075 relating to a financial fraud occurred before 21 years ago and in the year 2007 had been indicated in a Suspense Account in the preceding year and had been transferred to the Miscellaneous Debtors Account without taking action to settle even in the year under review.

2.4 Non- compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non- compliance with laws, rules, regulations and management decisions were observed in audit.



Reference to Laws, Rules and Regulations

(a) Act No.13 of 2006 and Economic Service Fees Amendment Act No.07 of 2017 dated 17 May 2017.

Non- compliance

- ❖ Even though the economic services charges sub- ration on the turn- over under the tax from 01 April 2016 had been 0.5 per cent, although Tax Reports had been prepared and had been furnished by the Corporation for the Estimate Year 2016/17 under the old sub- ratio of 0.25 per cent. As such, the tax liability in the Tax Reports had been understated by a sum of Rs.1,438,537.

- ❖ Even though the fees for the relevant quarter should be paid in monthly installments on self- estimate basis on or before 20th of the forthcoming month as at the end of each quarter, it had not been so done. The total economic service charges payable with fines up to 31 December 2016 according to the Tax Estimate Reports furnished by the Department of Inland Revenue amounted to Rs.54,301,192.



(b) Paragraph No.A12 of Sri Lanka Auditing Standard 705. A notification for observations had not been made by the Corporation in verification of stocks relating to the Compact Discs, Cassettes and Magazines totalling Rs.3,536,443 which had been carried out as at 31 December 2016.

(c) Public Enterprises Circular No.PED/12 of 02 June 2003. Section 4.2.2 Even though the Corporate Plan, Budget and the Performance should be timely inquired, examined on the manner that the actual performance differs from the planned performance and the Corporate Plan and the Budget should be revised accordingly, action had not been taken accordingly.

Section 7.4.5

Even though the physical existence of every fixed asset should be verified by appointing Committees annually by the Corporation, vehicles had not been physically verified in the year under review.

Section 5.1.3 and Public Finance

Circular No.01/2014 of 17

February 2014.

Paragraph 5.

Even though updated copies of the Corporate Plan approved by the Board of Directors should be furnished to the Line Ministry, the Department of Public Enterprises, the Treasury and to the Auditor General 15 days before the commencement of the Financial Year, a



Corporate Plan had not been furnished for the years 2016- 2018.

(d) Public Finance Circular

No.02/2015 of 10 July 2015

Paragraph I

Even though action should be taken to identify the dilapidated vehicles that could not be used and they should be disposed of, two motor vehicles of which costing Rs.1,300,000 which had been dilapidated and had been disposed and a motor vehicle of which the cost could not be identified had not been disposed in terms of the Circulars.

(e) Decision of the Cabinet of Ministers of අමත/05/ විවිධ (026) of 16 June 2005.

Even though the approval of the Cabinet of Ministers should be obtained by furnishing a Memorandum with functions scheduled to be entrusted with, the period of contract, emoluments and a Performance Evaluation Report of the prior period of contract in an instance where the period of contract is extended along with the Bio Data Form of the holder of the name in the application for the appointment of the Consultants, monthly allowances amounting to Rs.1,920,000 had been paid in the year under review for 04 Consultants recruited without such an approval of the Cabinet of Ministers in the years 2014 and 2015.



- (f) Treasury Circular No.842 of 19
December 1978.
Third Schedule

Paragraph 2.11

A computerized Register of Fixed Assets had been maintained instead of the Register of Fixed Assets and details relating to various important items such as lands, buildings, motor vehicles, generators, transmitters had not been included into it.

- (g) Treasury Circular
No.IAI/2002/02 of 28
November 2002.

Even though a separate Register of Fixed Assets should be maintained for computer, software and accessories, a Register of Fixed Assets had not been maintained relating thereto.

- (h) Economic Service Charges Act
No.07 of 2017 dated 17 May
2017.

The fee relating to the relevant quarter should be paid in monthly installments on self- estimate basis on or before the 20th of the forthcoming month as at the end of each quarter. However, even though provisions should be made available for fines payable for the year 2016 on not making payments of monthly installments for any other quarter whatsoever of the year excluding September, the Fine Account Balance payable as at 31 December 2016 had been understated by a sum of Rs.236,386 due to not taking



action accordingly.

- (i) Public Finance Circular
No.05/2016 of 31 March 2016.

A Board of Survey had not been carried out relating to the following assets according to the financial statements as at 31 December 2016.

Rs.

(i) Fixed Assets of	2,173,006,103
the	
Trincomalee	
(Deutschewell)	
Relay Station	
(ii) Closing Stocks	22,371,290

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result for the year under review had resulted in a profit of Rs.57,411,250 as compared with the corresponding profit of Rs.64,280,088 for the preceding year, thus indicating a deterioration of Rs.6,868,838 in the financial result in the year under review as compared with the preceding year. Even though Government Grants for revenue expenditure had been increased by a sum of Rs.15,000,000, the decrease of other operating income by a sum of Rs.36,541,883 or by 7.8 per cent had been the main reason for the above deterioration.

In analyzing financial results of the year under review and of 04 preceding years, a net loss had been occurred from the year 2012 to the year 2014 and, a net profit had been occurred in the year 2015 and in the year under review. The contribution in the year 2015 amounting to Rs.827,054,364 had been decreased to a sum of Rs.812,449,234 in



the year 2016 after considering personnel emoluments, taxes paid to the government and depreciation for non- current assets.

3.2 Analytical Financial Review

The important rate analysis is given below.

Rates	2014	2015	2016
<u>Liquidity</u>			
(i) Current	0.85:1	1.4:1	1.5:1
(ii) Instant	0.77:1	1.32:1	1.46:1
<u>Profitability</u>			
(i) Gross Profit	28.28	6.03	6.79
(ii) Net Profit/ (Loss)	(10.42)	12.98	10.96

(a) An increase in the current ratio and instant rate had indicated according to the Accounts of the year under review as compared with the preceding year and as such, it indicates that current assets remain sufficiently to settle current liabilities. However, it is observed that the accurate position is not disclosed by the ratio calculated on the information stated in the Accounts, as per the following matters.

(i) Not having a capacity and a liquidity of recovering loans by including local debtors balances amounting to Rs.52,046,735 which are older than 02 years to 41 years and foreign debtors balances amounting to Rs.61,855,400 in the debtors including in the Current Assets.

(ii) Not indicating the actual value of the foreign debtors in the financial statements on not identifying the foreign exchange variance advantage of the foreign debtors as at the end of the year under review as a sum of Rs.6,590,729, as per the Accounting Standards.



- (b) The gross profit rate of the year under review had been increased from 6.03 per cent to 6.79 per cent as compared with the preceding year and, even though the increase of the total air time income by 5.82 per cent as compared with the preceding year had been affected in this connection, it was observed that a conclusion on the accuracy of the gross profit ratio could not be made on erroneously calculating the sales expenditure in the year under review.
- (c) The net loss ratio prior to the revenue provisions of the year under review had been increased from 59.47 per cent to 59.93 per cent as compared with the preceding year and, the net loss ratio after the revenue provisions had been decreased from 12.98 per cent to 10.96 per cent. The increase of administrative expenditure and the decrease in other operating income as compared with the preceding year had been the main reason in this connection.
- (d) The Capital Contribution amounting to Rs.109,710,154 received from the Government in the year under review had been transferred to the Account opened as per the request made by the Bank to deposit a value equal to the value as security in a Bank Account which does not receive an interest in opening Letters of Credit and an amount of over Rs.100 million had been deposited without any profit whatsoever throughout the year and the balance in that Account as at the last date of the year under review had been a sum of Rs.153 million.

3.3 Legal Cases initiated against or by the Corporation

The following observations are made.

- (a) Even though lawsuits had been filed against Peoples' Trust Credit Investment Company Limited for recovering a sum of Rs.150,000 receivable for the programmes broadcasted by the Corporation, the case had been put off by the Court for over a period of 02 years on not being able to carry out the lawsuit on the claimant leaving his place of residence.



- (b) Even though lawsuits had been filed for recovering a sum of Rs.471,715 receivable for the programmes broadcasted in the Corporation by the Lanka Cement Company, the case had been put off by the Court for over a period of 02 years on not taking action by the Corporation to furnish the details on an asset of the Company as per the Order made by the Court to furnish the assets of the claimant to obtain a writ from the Court.
- (c) Even though 02 lawsuits had been filed in the Colombo District Court and in the Provincial High Court for recovering sums of Rs.4,716,813 and Rs.7,551,750 due to the frauds committed in 02 instances by a Sales Executive Officer, the above 02 lawsuits had been put off without hearing for over a period of 02 years on the claimant leaving his place of residence.
- (d) An Appeal had been made to the Provincial High Court in Colombo against the Order made to pay the contribution money amounting to Rs.80,311 and the Surcharge from the verdict of the lawsuit filed in the Colombo Magistrate Court against not making payments of the provident money to a female employee in the Girandurukotte Community Radio Network and, a sum of Rs.245,000 that is, thrice of the compensation which remained payable, had been paid only for the court charges for this lawsuit.

4. **Operating Review**

4.1 **Performance**

The objectives of the Corporation as per the Sri Lanka Broadcasting Corporation Act, No.37 of 1966 are given below.

- (i) Acting as the Institution which maintain radio channels with the maximum number of listeners for Sinhala, Tamil and English languages.
- (ii) Acting as the leader who provide balanced information expeditiously, with responsibility, in the field of Media in Sri Lanka.



- (iii) Producing and presenting advanced and creative radio programmes for the well-being of the indigenous culture.
- (iv) Providing necessary training to generate a self-motivated staff fulfilled with knowledge, attitudes and competencies.
- (v) Providing a clear hearing condition to local and foreign listeners by properly updating the production and broadcasting technology.
- (vi) Acting as the pioneering Institution for generating a quality radio media tradition, in compliance with a Code of Ethics.
- (vii) Providing creative contribution for raising the awareness of the public relating to the implementation of public policies and development programmes as the National Radio Network.
- (viii) Maintaining good financial control and human resources management.
- (ix) Strategically conquering the competitive market.

The following observations are made relating to the performance of the Institution.

- (a) Even though identifying the unnecessary expenses of the Corporation by introducing a method of calculating the cost based on the activities and making profitable by minimizing those expenses had been a strategy of the Finance Division as per the Corporate Plan, the expenditure of all the regional services of the Corporation of, Rajarata Service, Ruhunu Service and Kandurata Service in the year 2016 had been improved by 53.8 per cent, 16 per cent and 72.2 per cent respectively as compared with the year 2012 and, the loss had also been increased by 0.2 per cent, 45 per cent and 148 per cent respectively. As such, it had not been able to implement the strategies of controlling the above expenses of the Finance Division. It had been confirmed that the relevant parties responsible had been failed in this connection.



- (b) Even though it had been planned by the Corporate Plan in the year 2014 by the Institution to improve the position of the income of these services by 50 per cent by implementing the sales strategies of the regional services in consolidation with those of the Head Office continuously, it had been failed to operate the strategies planned for the achievement of those objectives successfully.
- (c) A Capital Expenditure amounting to Rs.307,691,512 had been incurred with the 05 years from the year 2012 to the year 2016 for updating the transmission systems necessary for raising the regional serviced and communal radio service to high standard and to produce and present creative programmes with high standards by updating the entire system of studio equipment and accessories that are currently established in the system in a manner that complies with the modern technology, for the well- being of the financial position of the Institution. However, it was observed that the Institution had failed to achieve the above intended objectives by improving the loss prior to the Government Contribution in the year 2016 by 61.7 per cent as compared with the year 2012.
- (d) Even though the air time sales income had been fluctuated in analyzing the Final Accounts of the Institution in five preceding years, a clear improvement had not been made. A deterioration of 8.31 per cent indicated in the sales in the year 2016 as compared with the year 2012. The cost of sale had been increased by 35.83 per cent in this period, and, the gross profit had been deteriorated by 83.22 per cent.
- (e) Even though strategies had been formulated to improve the air time sales of the Corporation by preparing and implementing a method for the production of programmes that can face the challenges of the competitive market with the knowledge and information obtained in connecting with the competitive market by the staff of the Sales Division and by identifying the market strategies necessary for conquering the competitive market by deploying them for the sales activities of the Corporation, the air time sales income had been decreased ranging from 5.6 per cent to 13.4 per cent in the 5 preceding years as compared with the year 2012.



2.4 Management Activities

The following observations are made.

- (a) Even though the land, 2.5036 hectares in extent, located in Colombo, being used by the Sri Lanka Broadcasting Corporation of which the land and building values being sums of Rs.3,002,691 and Rs.1,884,632 respectively is being enjoyed from the year 1949, the Institution had failed to legally acquire that land up to date.
- (b) An agreement had been entered into with the Divisional Secretariat, Thimbirigasyaya to lease a land for a period of 30 years from the year 2012 on the basis of making an annual lease rent payment amounting to Rs.127,400,000 from 23 February 2012 for the construction of a building for commercial purposes. That objective had not been achieved up to 31 December 2016 and, even though a sum of Rs.1000 million had to be paid as taxes and fines as at 31 December 2016, it had not been disclosed in the financial statements.
- (c) The land, 159 acres, 03 roods and 22 perches in extent located in Diyagama had been acquired in the year 1959 for the construction of a Transmission Station. Even though the land should be utilized only for that purpose as per the conditions of the Agreement, the transmission activities had been defaulted from the year 2006 and the sum of Rs.47,000,000 obtained by selling 2 blocks of lands, 10 acres in extent and 19 acres, 02 roods and 23.2 perches in extent to sums of Rs.22,000,000 and Rs.25,000,000 respectively in the years 2002 and 2009 contrary to the conditions of acquiring the land had been taken under income. Even though action had been taken by the Corporation for the development of the remaining part of this land on buildings belonging to the Corporation still being remained in that part of the land, this land had been vested to the Mahinda Rajapakse Sports Development Foundation in the year 2009 without an agreement with the Corporation, without giving any compensation whatsoever.



- (d) The building of the Transmission Station and all the machines and equipment had been handed over to the Head Office of the Sri Lanka Broadcasting Corporation in the year 1993 after the completion of the project initiated with the assistance of the Japan Broadcasting Corporation (NHK) in the year 1989. Even though that land and building had been estimated for a sum of Rs.960,000,000 as per the Estimate Report dated 29 July 2011 any asset whatsoever had been brought to account and any file whatsoever relating to the project had not been furnished to audit.
- (e) Registers had not been maintained in a manner that the cost of the assets that had either been purchased or sold or had been disposed of use from the year 1974, could be classified and differences between the balance of the Fixed Assets and the assets that physically exist due to not writing off the assets that had either been disposed of use or that had been sold, from Accounts and sufficient action had not been taken by the parties responsible up to date for rectifying this condition.
- (f) Even though the lessor had been removed from the “Niwahana” Holiday Resort by filing a lawsuit against the lessor due to not making lease rent payments of the “Niwahana” Holiday Resort, Nuwara Eliya belonging to the Corporation due to not paying lease rent as per the Agreement, legal action had not been taken by the Corporation to recover the lease rent amounting to Rs.5,106,500 recoverable as per the Agreement and the legal expenses amounting to Rs.2,151,206 spent from the year 2010 for reclaiming the ownership of the property from the year 2005 to February 2014, even up to 31 December 2017.
- (g) The land in which the “Niwahana” Holiday Resort in Nuwara Eliya is located had been leased to an external party for maintaining a Holiday Resort for s monthly lease rent amounting to Rs.290,000 for a period of three years from 01 June 2015 without extending its period despite the lease rent period of that land had been scheduled to expire on October 2015 and, it was observed that the outstanding lease rent as at December of the year under review amounted to Rs.725,000.



- (h) Even though the Cash and Bank Balances including Fixed Deposits amounting to Rs.90,666,817 and Rs.58,499,697 respectively, amounted to Rs.260,851,451 and Rs.320,286,094 respectively, belonged to the Corporation as at 01 January and 31 December of the year under review, it had to pay an Overdraft Interest amounting to Rs.4,600,116 due to maintaining a bank Overdraft of over a sum of Rs.30,000,000 throughout the year.
- (i) A surcharge amounting to Rs.17,987,509 had to be paid on arrears of tax relating to the period from 2004/2005 Estimate Year to 2014/2015 on not paying tax properly as per the Economic Service Charges Act, No.13 of 2006.

4.3 Operating Activities

The following observations are made.

- (a) Even though a land, 30 acres in extent belonging to the areas of the Nuwara Eliya and Welimada Divisional Secretariat Offices had been allocated by the Government in the year 1984 for the construction of the Ambewela Broadcasting Station, action had not been taken to legally acquire that land by a lease agreement and, that land had not been utilized for the proposed function even up to 31 December 2017. Action had been taken by the relevant Divisional Secretariat to lease a portion of that land to a private Institution called “Vidulanka” despite action had been taken to enter into the lease agreement for the portion of land of 6 acres in extent belonging to the area of the Nuwara Eliya Divisional Secretariat Office. Moreover, the Corporation had failed to obtain the tax right for the remaining 24 acres in extent of land belonging to the Welimada Divisional Secretariat and, only the two Holiday Resorts in the land had been maintained by the Corporation.
- (b) The land, 1.503 hectares in extent, located in Kalatuwawa which had been purchased for a sum of Rs.50,000 in the year 1990 for the construction of an FM Transmission Station had not been utilized for the proposed function up to date. Even though a Tower of 19.77 perches in extent out of it had been constructed and



had been enjoyed by the Lanka Bell Limited from the year 2011 and that Institution had been agreed to pay a sum of Rs.15,000 monthly in this connection, it had not been able to charge the ground rent income receivable to the Institution from the year 2011 on not being able to enter into a legal lease agreement up to date.

- (c) A Unit to furnish complaints on audio condition of the broadcasts had not been established in the Corporation and, documentation of the complaints received from the listeners to the Corporation had not been carried out by any Division whatsoever of the Corporation. Even though action should be taken to take suitable action by referring the complaints to the Audio Research Division, the Corporation had failed to take timely steps on the Corporation not being acquired with such a procedure.

4.4 Idle/ Underutilized Assets

Even though a total sum of Rs.3,400,000 had been spent in several instances from the year 2008 for the purchase of software and accessories for the automation of the broadcasting services, the Corporation had failed to operate that software in a manner that facilities receivable from that service could be obtained, even by 31 December 2017. Moreover, the conditions of the software being used for Accounting remain in the same condition. As such, it was observed that many functions of which a large amount of money had been spent to obtain that software, had not been automated up to date.

4.5 Identified Loses

The following observations are made.

- (a) One thousand and twenty- seven portions, 10 perches each in extent out of the land in Seeduwa, 125 acres in extent belonging to the Sri Lanka Broadcasting Corporation had been distributed among the public by the Katana Divisional Secretariat within the period between 2000- 2001 without an agreement with the Sri Lanka Broadcasting Corporation. Even though the ownership of the land remained with the Corporation



even up to the date of audit, sufficient action had not been taken to recover compensation.

- (b) The Power Logger Survey Equipment valued at Rs.425,000 which was under the use of the Power Station Division, which was under the custody of the Security Services Division had been misplaced on a date from 19 October 2016 to 27 October 2016 and, any action whatsoever had not been taken to recover from the parties responsible.

4.6 Procurement and Contract Process

It was observed that the values stated in the Report of the Radio Wave Strength Wave Examination carried out afterwards had been the values lower than the lowest values mentioned in the expected specifications on awarding the contract not considering the specifications in measuring the Field Strength of the Transmitter and the Antenna System in awarding the contract of purchasing and installing 10KW 07 Transmitters and an Antenna System valued at Rs.104,720,555 for the modification of the Karaghatenna Broadcasting Station, belonging to the Institution. Moreover, it was revealed that at least at least the minimal values that should be attained in the regional level had been achieve only in 09 instances out of 182 instances where the examinations had been carried out.

4.7 Personnel Administration

The following observations are made.

- (a) Even though 851 employees had been deployed in service as at 31 December 2016 in the Corporation, Schemes of Recruitment and Promotions had not been prepared and had not been furnished to the Secretary to the Ministry.
- (b) According to the information furnished, the permanent staff and the surplus staff of the Corporation as at 31 December of the year under review had been 851 and 187 respectively.



- (c) It was observed that 04 Key Staff- Grade Posts of the Corporation being remained vacant from a period between 03 years to 09 years could directly affect towards the performance of the Corporation.
- (d) A fuel allowance totalling Rs.260,000 had been paid from 01 April 2016 up to date, a sum of Rs.10,000 each, in addition to the monthly allowance amounting to Rs.35,000 entitled as per the Appointment Letter, to the Officer appointed on assignment basis to monitor Folk Singing Research and Musical Programmes.
- (e) Even though the Officer who had been acting as the Director general of the Corporation had been released from 19 January 2015, that Officer had not been appointed into the post of Deputy Director General, the post that he had been acting previously, in terms of Section 19(3)(b) of Sri Lanka Broadcasting Corporation Act. Even though he had been appointed as a Consultant of the Corporation from 19 October 2015 on the approval of the Board of Directors without the approval of the Cabinet of Ministers, instead, he had been informed that he will not be accepting that post. However, a sum of Rs.1,076,918 had been paid in the year under review for Official Residences, Official Vehicles, fuel;, salaries, Employee Provident Funds and for telephone allowances despite there was an ability to make that Officer contribute to the performance of that Institution by assigning him other duties from the date of his release, without doing so and despite another Director General had been appointed.

4.8 Utilization of Vehicles

The following observations are made.

- (a) Even though a Motor Vehicle in running condition provided by the Board of Investment of Sri Lanka had been revaluated for a sum of Rs.2,300,000 in the year 2010, action had not been taken up to date to clearly acquire its ownership to the Corporation.



(b) Even though a Motor Vehicle provided from the Mahaweli Authority of Sri Lanka which had been disposed of running from a period of over 10 years and which remains being parked in the Ekala Transmission Station premises had been revaluated for a sum of Rs.150,000 in the year 2010 and had been brought to account, it remained being defaulted even without being able to dispose on not taking action to clearly acquire its ownership to the Corporation.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the financial statements, Drafts and the Annual Report should be furnished to the Auditor General within 60 days after the closure of the Year of Accounts in terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the financial statements had been furnished to the Auditor General on 04 August 2017.

5.2 Corporate Plan

The Corporate Plan for 2016- 2018 had not been prepared in terms of Section 5.1.2 of the Public Enterprises Circular No.PED/12 of 02 June 2003 and Section (1) of the Paragraph of the Public Finance Circular No.01/2014.

5.3 Action Plan

Ten activities under 3 Sections including the Action Plan had not been implemented in the year under review and 4 activities belonging to 2 Sections had not been sufficiently executed even by the end of the year.

5.4 Internal Audit

Even though 04 posts of Permanent Audit Assistant remained in the Internal Audit Unit as per the Approved Cadre, only two Audit Assistants had been deployed in service as at 31 December 2016.



5.5 Procurement Plan

Even though the Master Procurement Plan should be prepared by the procurement entity as per Section (a) of Paragraph 4.2.1 of the Government Procurement Guidelines 2006 and even though the procurement activities expected at least for a period of three years should be enlisted in the Master Procurement Plan in terms of Section (b) of that Paragraph, the Procurement Plan had been prepared only for the year 2016 by the Corporation.

4.8 Tabling of Annual Reports

The Annual Report for the year 2014 had not been tabled in the Parliament even by 31 December 2017.

5.7 Unresolved Audit Paragraphs

- (a) The construction activities of the Antenna Tower in Puthur had been handed over to the National Handicraft Board on 16 July 2011 not considering the financial and technical competency and deviating from the Procurement Guidelines. A sum of Rs.9,126,933 had been paid to the National Handicraft Board as Advances for the initiation of the construction activities and the contract had been abandoned without carrying out construction activities. A loss amounting to Rs.4,778,892 had been incurred to the Corporation on repaying only a sum of Rs.4,348,041 out of the paid Advance, to the Corporation.
- (b) A sum of Rs.23,119,683 had been spent for importing 2 Antenna Towers with 60meters and 100meters in height respectively in the year 1996 and, a sum of Rs.2,568,000 had been paid as Advances to a private Institution for the installation of those Towers. Those Towers had not been installed even by the end of the year under review on the places that they should be installed not being decided and, it was observed that those equipment remained being stacked unsecured in the Ekala premises.



- (c) Action had not been taken to properly obtain the ownership of two houses (Anuradhapura and Kandy) purchased for a sum of Rs.860,000 by the Corporation, by obtaining the Certificates of Transfer for those houses.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Corporation from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls

Observations

(a) Accounting

- (i) Not updating the Method of Accounting of the Corporation.
- (ii) Errors remaining in calculating the Cost of Sales.
- (iii) Assets, liabilities, income, expenditure omission from Accounts being observed.

(b) Control of Assets

- (i) Not taking action to obtain legal deeds for the lands purchased by the Corporation.
- (ii) The Corporation, not being able to safeguard the lands being enjoyed, belonging to the Corporation and a large amount of lands not being utilized.
- (iii) The lands not being enjoyed but, belonging to the Corporation being illegally acquired by external parties.



- (iv) Lands and Buildings not being physically verified.
- (v) Losses being incurred to the Corporation on weaknesses in the administration of Assets.
- (vi) Some assets not being removed from books despite they being removed and being sold.
- (c) Accounts Receivable and Payable
- (i) Loan balances older than 41 years remaining not being recovered.
- (ii) Not taking action to identify and compare the Debtors' Control Accounts and Schedules.
- (iii) Not taking action to identify and compare the Creditors' Control Accounts and Schedules.
- (iv) Unpaid Accrued expenses remaining between 02 years and 10 years and not taking action to analyze the expenses and to write-off them from books.
- (v) Not settling the tax liabilities on the due date as per the Standards and tax Acts.
- (d) Control of Stocks
- Not computing the physical stocks for the closing stock stated in the financial statements.
- (e) Control of Vehicles
- (i) Not taking action to dispose dilapidated motor vehicles and the motor vehicles that are not in a



usable condition.

(ii) Not carrying out a physical verification on Motor Vehicles.

(f) Personnel Administration

(i) Not existing an approved Scheme of Recruitment.

(ii) Consultants recruited non-compliance with laws, rules and regulations being deployed in service over a period of several years by extending their service period.

(iii) A surplus of employees being remained due to recruitment for the posts not being approved.

(g) Control of Procurements

(i) Not preparing a Detailed Procurement Plan.

(ii) Deficiencies remaining in the contract of the modification of a Broadcasting Station.

W.P.C Wikramarathne
Auditor General (Acting)

Comments of the Corporation on Auditor General's Report



Report of the Auditor General in Terms of Section 14(2)(c) of Finance Act no. 38 of 1971 on the Financial Statements of the Sri Lanka Broadcasting Corporation for the Year Ended 31 December 2016

With reference to your 14(2)(c) draft report bearing reference MED/A/SLBC/1/16/463 dated 14 February 2018, your attention is drawn to the following:

I agree with matters mentioned in paragraphs 1:2 and 1.3.

2.2 Comments on Financial Statements

2.2.1 Reference to Sri Lanka Accounting Standards (LKAS) and Sri Lanka Financial Reporting Standards (SLFRS)

a) Sri Lanka Accounting Standard 02, para 25 Overall stock is calculated using the First in First out (FiFo) method which has been consistently adopted by the Corporation. According to the balance sheet the stock in 2016 is 25.91 million while 10 million out of this stock comprises of diesel in stock. This stock has been valued at purchase price. It is not possible to agree with the comment that the stock has been overvalued.

This has been disclosed under 3.2.6 of the 2016 financial statements.

b) Sri Lanka Accounting Standard 07, para 07 Depending on the financial situation of the Corporation, a part of the revenue received is deposited in a fixed deposit account. However this money is withdrawn at short notice as and when the need arises, therefore, it should not be considered as an investment.

c) Sri Lanka Accounting Standard 16, para 07 This vehicle has not been transferred to the SLBC up to now. Action has been taken to transfer the same to the Presidential Secretariat.

d) Sri Lanka Accounting Standard 17

(i) Para 33

Lands mentioned under this para have not been taken over under lease agreements. The current status of these lands is given below:

Name of the land

Remarks

Head Office This lease request had been made with the intention of obtaining the services of a third party investor to construct a building in the Head Office. However this process has not been executed. However lease amounts have been computed yearly. The amount stated in the audit has been computed as the lease amount.

The Ministry of Mass Media has submitted a Cabinet Paper in this regard and according to the Cabinet decision respective parties have been informed that they are to transfer the said land to the Corporation without levying the lease amount. Relevant action is currently under way.

Nuwara Eliya This land is located in Ambewela and belongs to the Nuwara Eliya Divisional Secretariat. Although this land had been leased to the Corporation, a Cabinet decision was taken to give this land to Win Power. Hence the land was surveyed again. Accordingly the Divisional

Secretary will have to assess the lease amount payable for the land that will be given to the Corporation.

Kuchchaveli This lease amount cannot be afforded by the Corporation given its current financial status. Plans have been formulated to inform the Land Commissioner in this regard via the Secretary to the Ministry in order to make arrangements with respect to the lease amount.

Hunnasgiriya It has been decided to discuss the matter in order to take future action.

(ii) Para 56 A lease agreement is not active up to now. Hence it has not been entered into accounts.

Sri Lanka Accounting Standard 21, para 23(a) Amounts recoverable from foreign debtors since 2007 have been depicted in the accounts of the respective year computed in terms of the exchange rate prevalent each year. There is uncertainty concerning the recovery of some of these amounts overdue. Converting these amounts in terms of present day exchange rate would result in depicting an unrealized gain in accounts. Taxes will have to be paid for these gains unrealized. Hence only the amounts pertaining to the current year have been computed in terms of current rates.

2.2.2 Limitations in the Scope of the Audit

a) Sri Lanka Audit Standard 501, para A1 Cassettes, magazines and fuel stocks of 2016 had been surveyed physically before entering them in accounts. At the time of the opening of the new building, the stores had to be demolished and stocks moved to a temporary location. Hence it was difficult to carry out the physical verification.

b) Sri Lanka Audit Standard 705, para A12 When the cassettes magazines and fuel stock of 2016 was surveyed, it had not been informed to the Auditor General. When the stock was surveyed in 2017 the Auditor General was informed.

2.2.3 Accounting Deficiencies

- a) Rent income of 2016 and the rent income receivable has been computed correctly and entered into accounts of 2017.
- b) There has been a error in entering this into accounts. Action has been taken to rectify this in the accounts of 2017.
- c) Rectified in the accounts of 2017.
- d) It was in 2017 that the Department of Inland Revenue informed the Corporation that Economic Service Charge of the second quarter of 2016 was increased to 0.5% from 0.25. By that time, the payments had been made and reports prepared as per the Economic Service Charge Act. ESC payable in 2017 has been correctly stated in the accounts.
- e) Although there is a fine similar to (d) above, the accounts have not been adjusted since action has been taken to get it removed.
- f) When financial accounts as at 31 December 2016 were prepared, the Trincomalee broadcast center had been considered as a separate project. Hence the income received from it has been entered into accounts under other income.
- g) Expenditure pertaining to the sale of air-time is computed by considering the direct expenditure borne for the production of programmes, salaries and allowances paid to staff directly involved in the channels, electricity charges for the transmission stations and other direct costs related to air-time. The Audit has pointed out that air-time sales commissions should be directly included in income earned from air-time.

This matter can be reconsidered and a decision can be made on whether it needs to be rectified in ensuing years. It is not possible to agree that sales cost has been understated by 50% as pointed out by the audit. This has not made any influence on the final financial outcome.

- h) It is agreed that the method shown in the paragraph to adjust ESC to the accounts is correct. Since the Corporation had continued to sustain losses this was debited from the profit and loss account.
 - i) The current accounts in which the sale of air-time occurring between the Head office and Regional Offices is recorded, has been subjected to scrutiny from January 2016 to date. The current accounts of all Regional Offices were examined from January to December, 2016. In instances where advertisements given by the Head Office to be broadcast had been broadcast but revenue had not been entered into the account, action was taken to enter the revenue into the account. Two main oversights were identified through these examinations. Firstly the Regional Offices have failed to enter revenue into accounts and secondly relevant entries had not been made in the current account of the Regional Office once the revenue was entered into accounts. Therefore, the values not entered into the revenue account before 2016 has been entered into the accounts of the respective year while further checks were carried out in 2017 to rectify the transactions which had not been adjusted to the current account. Accordingly in the final accounts of 2016, entries have been made accurately having examined the transactions that occurred in year 2016. Balances as at 31-12-2015 have been adjusted to the previous years.
 - j) When the regional office current accounts were reconciled in 2016, a sum of Rs. 128,321/- received from the Ruhunu Sewaya should have been entered into the current account of the Kandy Regional Office. But this had not been done. The Ruhunu Sewaya had credited this amount to the Kandurata current account. In order to rectify the double entry, it had been transferred to creditors. As pointed out by the audit, it would have been more meaningful if the amount had been adjusted to debtors.
 - k) An investigation in this regard is under way.
- l) Once the credit are identified clearly, necessary adjustments can be made in accounts. This matter is still a court case pending a decision.
- m) This cannot be entered into the suspense account as it is not uncertain. This balance is certain and is an amount that is receivable by the Corporation hence it has been entered into the creditor's account.
- n) The Corporation had taken this land on a 30 year lease through a letter in 1979. The building had been purchased from Mark Board for a sum of Rs. 250,000/-. Up to now, the Corporation has continued to occupy them both. Action is being taken through the Divisional Secretary to obtain this land on lease basis in future.
- o) The account was adjusted in 2017 and buildings account has been rectified.
- p) Cumulative depreciation and depreciation adjustment has been rectified as per the correct value of the building in 2017.
- q) In 2017, the accounts pertaining to this transaction were adjusted, capital gains were computed from the assets disposal account and the matter was disclosed in the financial statements.
- r) Even by 2016, the Trincomalee transmission project was considered as a separate project. Hence the income receivable from this project has been entered into accounts under other income. From 2017 onwards, the Trincomalee project was included into the other regional offices account. Hence this income has been added to the income from the sale of air-time.

2.2.4 Control Account not Reconciled

- | | | |
|---|---|--|
| a) Foreign debtors
b) Cheques dishonoured
c) Employee loans
d) Deposits receivable
e) Miscellaneous employee advances | } | All air-time debtors prior to 2007 who cannot be confirmed from individual balance lists of the control accounts not reconciled cannot be recovered hence have been submitted to the Treasury so that they can be written off with Board approval. Other balances which cannot be considered individual balances and cannot be confirmed through documentation evidence also have been submitted to the Treasury after obtaining Board approval to write them off. |
|---|---|--|

2.2.5 Accounts Receivable and Payable

- a) It is informed that there is a difference between the schedules and the control accounts. In year 2017 action was taken to make adjustments for Rs. 2.4 million out of this amount.
- b) There are unsettled old balances.
- c) Treasury approval has been sought to write off old balances up to year 2007.
- d) Action has been taken to pay the audit fees in installments.
- e) Approval has been received from the Board of Directors and the Treasury for the adjustments made in creditors of 2012 and 2016.
- f) Basic documents required to identify the difference between the control account of the creditors and the individual balance lists in the year under review could not be found. No claims were made by creditors. Hence these adjustments were made but the matter was looked into and rectifications made in 2017.
- g) This amount is payable to the Corporation in place of leasing the transmission tower of the Corporation.
- h) Although the letters sent by 04 debtors claim that there is not payable balance, the accounts of the Corporation confirm that there are payable amounts which must be recovered from them.

2.2.6 Lack of Evident for Audit

- | | |
|--|--|
| a) Land | Details pertaining to land have been submitted to audit. |
| b) Buildings | The Civil Engineering Division of the Corporation has already been assigned with the responsibility of compiling a detailed report on the buildings currently in use by the Corporation for transmission stations, regional services and other purposes. |
| c) Debtors | Payments for death notifications are collected through regional sub post offices. Files are not available to find details pertaining to these balances which have remained for over ten years. This matter was looked into and written off in 2017 after obtaining Board approval. |
| f) Fixed assets of the Trincomalee (Deutsche Welle) re-transmission center | Board of Survey report on fixed assets will be submitted in future. |
| g) Payments for work in progress (Head Office new building) | All these works were carried out by the Urban Development Authority. Although the Corporation requested the reports verbally and in writing on a number of occasions, they have not been sent to the Corporation yet. |
| h) Trade and other receivable balances remaining in accounts for over 10 years | The Lak Handa Radio was earlier operated from the SLBC premises under the administration of the SLBC. Later this was |

taken over by the ITN. These amounts have been entered into accounts as amounts payable for the facilities provided to them while they were at SLBC premises but there are no agreements or other records to confirm it.

i) Final Stock

Stocks could not be surveyed as the stores which were adjacent to the new building had to be demolished at the end of 2016.

2.2.7 Non Compliance to Laws, Rules and Regulations

a) Finance Act no. 38 of 1971

Section 13(6)

Audit observations are correct.

Section 14(1)

Annual report of 2015 has been prepared and is currently being translated. Report of the Auditor General in terms of Section 14(2)(c) of the Finance Act no. 38 of 1971 which has to be included in the Annual Report mandatorily, was received by the Corporation on 30 September 2017. As soon as the 2016 audit reports of the Corporation pertaining to these matters are received, the annual report will be drafted and submitted to audit.

b) Act no. 13 of 2006 and Economic Service Charge Act no. 07 of 2017 dated 17 May 2017

This gazette was received late hence taxes had been computed as per the earlier rate. As a result, the liabilities had been understated but this has been rectified by now.

c) FR 371(2)(c)

These advances have been settled by now.

d) Public Enterprise Circular PED12 of 02 June 2003
Section 4.2.2.

Although overall performance has not been dealt with directly in the corporate plan, the programmes put into action have been monitored.

Section 7.4.5.

Vehicles have been physically inspected and reports have been prepared.

Section 5.1.3

Corporate plan for 2016-2018 has not been prepared but the corporate plan for 2018-2020 has been prepared.

e) Public Finance Circular 02/2015 of 10 July 2015
Para I

Tenders were called for this vehicle but no bids were received. It is expected to make arrangements to dispose of the remaining vehicles.

f) Cabinet decision අම/05/විවිධ (026) of 16 June 2005

This appointment was made on the basis of service requirement of the Corporation subject to the recommendation of Section Heads and approval of the Board.

g) Section 08 of the Public Administration Circular 09/07 of 11 May 2007

This officer had to be re-appointed on the basis of service requirement. Payments as directed by the Board of the Corporation are made to this officer.

h) Treasury Circular 842 of 19 December 1978

Boards of survey are appointed by the finance division of the Corporation. Parallel to the board of survey reports compiled by them the fixed assets register is prepared.

i) Treasury Circular AIA/2002/02 dated 28 November 2002.

The fixed assets register is maintained since 2011. A separate register is maintained for lands. Details pertaining to all lands belonging to the Corporation are included in it. Notes on lands occupied by the Corporation are incorporated into accounts. Vehicles belonging to the Corporation were entered into the fixed assets register in 2017. It is expected to identify the assets that date prior to 2011 and prepare revaluation registers and to update the fixed assets register.

The IT section has been informed that a register of computer equipment and software must be maintained.

3. Financial Review

3.1 Financial outcomes

- a) Observations made by the audit are correct.
- b) Observations made by the audit are correct.

3.2 Critical Financial Review

- a) Ratio analysis presented by the audit is correct.

3.3 Management of Working Capital

a)

i. Arrangements have been made to remove from accounts the loan balances in current assets which cannot be identified as individual names.

ii. Under foreign loans Rs. 35.3 million is receivable from 1974 to 1999 while another 23.8 million is receivable from 2000 to 2005. These have not been realized up to now. When such unrealized loans are computed under current exchange rates and depicted in accounts it becomes an unrealized income. The taxes have to be paid hence computation has not been made based on the current value.

- b) Gross profit is computed in final accounts to compute profit over sales and arrive at certain decisions after calculating percentages.
- c) Ration analysis is correct.
- d) Capital provisions made by the Treasury for a specific task cannot be invested to gain profit.

3.4 Legal Action by or against the Corporation

- a) Audit observations are accurate.
- b) Audit observations are accurate.
- c) Audit observations are accurate.
- d) Audit observations are accurate.

4. Operations Review

4.1 Performance

- a) Objectives of the Corporation mentioned by the audit are correct.
- b) Although action was taken to identify unnecessary expenses of the Corporation and to curb them expenses such as salaries cannot be curbed and as a result the expenditure has continued to rise.
- c) Although it has been possible to adopt certain methods and increase the income of regional offices to some extent, the losses are made as a result of high expenditure.
- d) Expenses pertaining to the installation of transmission systems to improve the hearing quality of broadcasts and updating of systems are essential expenses that must be made. Even if it resulted in losses to the Corporation these compulsory expenses had to be made.
- e) Audit observations are correct.
- f) Action is being taken with commitment by the sales staff of the Corporation to sell air-time in the competitive market with the objective of overcoming market challenges.

4.2 Management Deficiencies

- a) Action is being taken in collaboration with the respective government bodies to take over these lands. The file has been submitted to audit and audit observations on the value of the building are correct.
- b) Rights to the land had been requested in order to construct a commercial building within the Head Office premises and the lease amounts had been computed to lease the land for the said purpose. However that project was not implemented. Respective institutions have been informed continuously that lease payments cannot be made. A cabinet paper was submitted in this regard and approval has been received to get this land transferred to the Corporation without paying lease rent. Necessary action is being taken in this regard.
- c) When the land was transferred to the RDA, the Corporation had a transfer title. When money was received from the Ministry of Education, it was done as per this transfer title. However when transfer was made to the Mahinda Rajapaksa Stadium, it was based on Schedule II of the title.
- d) Audit observations are correct.
- e) Relevant Sections have been informed to prepare fixed assets registers on buildings, plant and equipment, musical instruments, furniture, recording devices, sound wave machines, transmitters and computers. The land register has been prepared and submitted to audit.
- e) The legal division is to file a case in this regard.

4.3 Operational Inefficiencies

- a) Out of the 30 acre land transferred to the Corporation to run the Ambewela Central Transmission facility, the area with the buildings of the Corporation which are already used as tourist bungalows and the access road to these buildings had been requested by the Corporation. Necessary action in this regard is under way.
- b) Arrangements are being made to sign agreements with Lanka Bell.

4.4 Transactions of a Contentious Nature

- a) The holiday resort in Nuwara Eliya is run by the Corporation. This had been leased to a third party as per a Board decision but action has been taken to take over the property again.

4.5 Underutilized/ Non-performing Assets

The software purchased to automate the radio stations is being used successfully by 03 stations. Arrangements are made to introduce a new software for accounting.

4.6 Deficiencies Identified

- a) This balance remains because tax computation was done under the previous rate since the ESC gazette was published late. This has been rectified by now.
- b) Renovations were carried out by the UDA which used to be under the purview of the Ministry of Defense. UDA no longer comes under the Ministry of Defense. Hence the work progresses slowly. As a result the money remained in the account for a long period of time. Capital grants cannot be invested in savings accounts or other accounts.
- c) Money which is not for investing cannot be used for investments and set off the interest against the overdraft interest in the manner stated by the Audit.
- d) These plots of land have been distributed without informing the SLBC. All relevant parties have been informed that the assessed value of the land will have to be paid to SLBC and that it must be recovered. Requests for assessment have been made with respect to lands distributed by the Katana Divisional Secretary in the 2000-2001 period as mentioned by the audit.
- e) An investigation is currently under way in this regard. Future action will be taken as per the report.

4.7 Non-economical Transactions

On 19-01-2015 the then Director General Mr. T.D.K.A. Jayantha was released from the post but the salary and other allowances were paid to him until his retirement.

4.8 Deficiencies in Contract Management

Work on the Karagahatenna transmission center commenced after a feasibility study was carried out. Tenders were called by the Ministry. Engineers of the Corporation were involved in this matter but there was certain delay in the project due to technical reasons. Field investigation report on this matter, efficiency of the transmission equipment and the engineers' certificate were submitted to audit on 02-08-2016.

4.9 Staff Administration

- a) Already a formal recruitment procedure is being formulated in accordance with the provisions issued by Management Service Department under no 30 of 22-09-2006. However, an issue has arisen concerning employee composition which was approved in 2013. Hence, the employee composition is being prepared again.
- b) Audit observations are correct when the staff composition which was approved in 2013 is applied.
- c) All vacancies including staff positions need to be filled. There is a delay while the new staff composition is approved and a new recruitment procedure is formulated.

4.10 Utilization of Vehicles

- a) Necessary arrangements are being made with the Investment Board to get the ownership of vehicle 64-3220 transferred. However this is proving to be difficult because documents to show that the vehicle was transferred to the SLBC cannot be located. Currently the vehicle is in the possession of SLBC.
- b) Vehicle 60-0355 is not fit for use anymore. The Mahaweli Authority has been informed in order to get the

vehicle removed. The vehicle is registered under the Mahaweli Authority hence this has been removed from accounts.

5. Accountability and Good Governance

5.1 Presentation of Finance

Audit observations are correct.

5.2 Corporate Plan

Audit observations are correct.

5.3 Action Plan

It is admitted that certain shortcomings have occurred when the action plan was put into practice. Financial difficulties too have contributed to this situation.

5.4 Internal Audit

- a) The matters mentioned in the audit queries have been referred to the relevant sections for rectification.
- b) Action will be taken to recruit audit assistants.

5.5 Procurement Plan

Arrangements have been made to prepare a procurement plan for a minimum of 3 years as per paragraph 4.2.1 of the Procurement Guidelines.

5.6 Tabling Annual Reports

Annual report of 2014 has been submitted to the Ministry of Finance and Mass Media.

5.7 Unresolved Audit Paragraphs

- a) The same matter pertaining to the Puttur antenna tower was mentioned in the audit report of 2015. Rs. 4.3 million out of the advance paid has been recovered after discussing the matter with Laksala.
- b) Parts of towers purchased for the 60m and 100m antenna towers and not yet installed will be checked, valued and accounts amended as appropriate. Relevant Sections of SLBC have been informed to do so.
- c) These two houses belong to the Housing Development Authority. The house in Kandy was purchased by SLBC. The House in Anuradhapura too belongs to the Housing Development Authority and arrangements have been made by now to acquire this house.

5.8 Fulfilling Environmental and Social Responsibilities

Any complaint on hearing quality is referred to the Engineering Section where necessary action is taken.

6. System Controls

- a) 1) i) There are title deeds for the lands purchased by the Corporation from private land owners. Title deeds

have not been given for the lands transferred to the Divisional Secretary of the respective area on behalf of SLBC and allocated to the SLBC. There is no hindrance for the Corporation to continue the possession of these lands as long as functions of SLBC are fulfilled.

ii) The Corporation required larger plots of land when central transmission facilities were maintained by the SLBC. This technology is not used anymore. Hence such lands are not used.

iii) Lands used for the functions of the Corporation after being conferred to the Corporation have been handed over to other parties at the request of the government. Claims of benefits have been made with respect to these lands.

iv) Observation that lands and buildings have not been physically recomputed is correct.

v) Assets inventories have been maintained by each branch.

2) i) Out of these loans, the loans which have been identified as non recovering loans have been reported to the Board of Directors and accounts have been adjusted.

ii) The difference in the creditor and control account has been identified. However there is a difficulty in identifying individual balances in relation to the difference indicated in the account. This is because it is difficult to find documents pertaining to transactions prior to 2002. The matter has been referred to the Board of Directors.

3) Final Stock

Physical stock for 2017 is currently imported and the stock survey date has been informed to the audit.

4) Vehicle Control

i) Action was taken to sell 09 old Micro vehicles after obtaining proper approval. Under the procurement process of 2018, action will be taken to dispose of other vehicles which cannot be used anymore.

ii) Vehicles have been examined and identified.

5) Cost of Assets

Since registers have not been maintained properly the cost of certain assets cannot be identified. However these assets have been depreciated fully. They carry no value. Action is under way to identify the assets that can be used at present and to revalue them to be entered into accounts.

b) Settling Liabilities

i) Creditors

Although the difference in the control account and schedule has been identified, it has not been possible to identify individual balances.

ii) Accrued Expenses

These accrued expenses are payments delayed due to the financial status of the Corporation. These cannot be removed from books before they are paid or some arrangement is made with the respective institutions.

c) Staff Administration

i) Recruitment procedure is prepared but approval has not been obtained.

ii) Consultants were recruited based on the service requirement subject to Board approval.

iii) Certain employees who had completed over 180 days of employment had to be recruited in keeping with the government policy.

d) Accounting

i) The accounting method of the Corporation is updated.

ii) Errors in computing sales cost were rectified in 2017.

iii) Assets, liabilities and income are entered into accounts using a double entry method. Hence there is no reason to give it up.

g) Accounting

i) Annual procurement plan has been prepared.

ii) Procurement process has been adhered when contracts were awarded.

h) Taxes

There have been some delays in paying taxes due to the unfavorable financial status. Hence the taxes have been depicted as a liability.

Yours sincerely,
Siddi M. Farook
Chairman



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