Selacine Television Institute - 2012

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Selacine Television Institute as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

The following observations are made.

- Provisions had not been provided for Audit Fees and Building Rent for the year under review.
- Even though the Crew Cab which was granted for free of charged in the year 2011 had been taken to accounts by assessing for Rs. 1,550,000, that assessment amount had been shown in the accounts as amount payable to the Ministry of Media.
- The Interest Income of the Investments of Rs. 20 million made in the year under review had not been calculated and taken to accounts.
- Though the debtor balance prior to the adjustment of bad debts and doubtful debts as at 31 December 2011 was Rs. 128,243,987, the bad debts and doubtful debts adjusted amount of Rs. 124,962,586 had been taken as the opening balance of the debtors ledger account as at 01 January 2012. Also a sum of Rs. 6,219,283 which was provided as doubtful debts in the year 2012 had been set off against the income as written off of bad debts without adjusting through an account of provision for doubtful debts. Even though ledger Accounts should be maintained for bad debts and doubtful debts of debtors, actions had not been made accordingly.

1.2.2 Un-reconciled Control Accounts

The following observations are made.

- The sales as per the sales ledger was Rs. 436,802,868 in the year under review and it was Rs. 437,939,421 as per the sales account in the general ledger. Hence there was a difference of Rs. 1,136,553.

- There was a difference of Rs.183,230 between the debtors schedule and debtors ledger.

- As per the debtors ledger presented to audit, opening balances of individual debtors were aggregating to Rs. 56,439,633 whereas the opening balance of debtors ledger was Rs. 128,243,987 thus the difference was Rs. 71,804,354. According to debtor schedule as at 31 December 2012, debtor balances of 20 aggregating Rs. 9,845,775 had not been shown in individual accounts of debtors ledger.

1.2.3 Accounts Receivables

The following observations are made.

(a) Though 99 debtor balances were observed as per the debtor schedule, letters of confirmation of balance had not been sent for 42 debtor balances.

(b) According to the age analysis of debtors, the debtor balances for more than 90 days amounted to Rs. 49,663,465 or 40 per cent of total debtors. Also balances continued before 2006 aggregating Rs. 6,611,743 were among those debtors. Individual ledger accounts had not been maintained for those balances in the ledger.

1.2.4 Lack of Evidence for Audit

The following observations are made.

(a) The well prepared age analysis, schedules, letters of confirmation of balance of balances and fixed assets registers, tax files etc. were not available to audit with regard to trade creditors, and property, plant and equipment, commission receivables, nation building tax of the year 2012 for Rs. 106,431,355, Rs.17,352,074 , Rs. 3,528,092 and Rs. 10,730,024 respectively.

(b) Even though accounts had been adjusted by 364 Journal entries during the year 2012, the accuracy of adjustment made by those journal entries could have not been checked due to non-presenting of Journal vouchers, relevant calculations and correspondence documents to audit to check those Journal entries.

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

The following non-compliances were observed.

	Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
(a)	Public Finance Circular No. PF/PE/09 of 27 June 2000	The Treasury approval for the investment of Rs. 2,500,000 in fixed deposits had not been obtained.
(b)	Paragraph 9.2 (d) of the Public Enterprises Circular No. PED/12 of 02 June 2003	The organization chart of the Institute and the approved cadre had not been registered in the Department of Public Enterprises of the General Treasury.

(c)	Treasury Circular No. 842 of 19 December 1978	The Fixed Assets Register as per the Form General 287 and the Fixed Assets Ledger as per the Form General 288 had not been maintained.

2. Financial Review

- **Financial Results**

As per the financial statements presented, the financial result of the Institute for the year ended 31 December 2012 was a net profit before tax of Rs. 21,437,942 as compared with the previous year net profit before tax of Rs. 7,539,235 hence an increase in net profit before tax by Rs. 13,898,707 or 184 per cent had been observed. The main reason for this effect was the increase in the revenue of the year under review by Rs. 57,621,784.

2.2 Ongoing Legal Matters against the Institute

Two cases to claim cash for designing activities by two outside institutes and four cases due to suspension of four former employees had been filed and an expenditure made in this cases as at 31 December 2012 had been Rs. 328,075

3. Operating Review

3.1 Performance

Compared with previous year, the 15 per cent increase in overall income had been affected in increasing of 14 Productions, 29 Creative Activities, 246 Scheduling, 07 Special Projects in the year under review.

3.2 Management Inefficiencies

Even though the Quarterly Value Added Tax reports had been remitted to the Commissioner General of Inland Revenue in the year 2012, the cash value of Rs. 18,613,695 had been deposited in a saving account without non-remitting to the Commissioner General of Inland Revenue. That account balance had been shown in the Balance Sheet under Cash and Cash Equivalent.

3.3 Staff Administration

Even though the approved cadre of the Institute as at 31 December 2012 was 27, actual cadre consisted of 48 and 15 for permanent posts and 33 for temporary posts were employed.

3.4 Utilization of Vehicles

Even though the maximum amount was Rs. 40,000 for hiring of vehicles as per the letter No. MF/TR/01/2003 of the Secretary to the Ministry of Finance and Planning dated 28 March 2003 when taking vehicles on hiring basis by an institute, two vehicles were taken against it on the payment basis of Rs. 65,000 and 45,000 per month. The expenditure made in this regard during the year 2012 had been Rs. 1,185,000. Government Procurement Guidelines had not been followed in taking vehicles on hiring basis.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Even though in terms of paragraph 6.5.1 of Public Enterprises Circular No. PED/12 of 02 June 2003, draft annual report and the financial statements should be presented within 60 days after the closure of the financial year, the draft annual report for the year ended 31 December 2012 had not been submitted even as at 31 May 2013 by Selacine Television Institute.

4.2 Corporate Plan

Even though activities included in the Corporate Plan presented for the period of 2011-2013 such as arrangements to telecast development programs of the Government by reserving the one hour airtime in television channel, conduct a television program competition on projects completed under Mahinda Chinthana Program were identified in 2012, those activities had not been performed.

4.3 Budgetary Control

A proper budget had not been prepared for the year 2012. The budgeted income and divisional wise expenditure for each programme had not been separately identified.

4.4 Tabling of Annual Reports

Even though in terms of paragraph 6.5.3 of Public Enterprises Circular No. PED/12 of 02 June 2003, action should be taken to table the annual reports in Parliament within 150 days after the closure of the financial year, action had not been taken to prepare and table the annual reports from 2003 to 2008 in Parliament.

4.5 Board of Directors

A Board of Directors had not been appointed for the year 2012.

5. Systems and Controls

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

- Debtors
- Payment of Tax
- Maintenance of Fixed Assets Registers
- Accounting