

## **Selacine Television Institute - 2020**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Selacine Television Institute for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the comprehensive statement of income, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971 . My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Selacine Television Institute as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Basis for Qualified Opinion**

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My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the corps' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

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

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

#### **1.4 Audit Scope (Auditor's Responsibility for the Audit of Financial Statements)**

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the institute has complied with applicable written law, or other general or special directions issued by the governing body of the corps ;
- Whether the institute has performed according to its powers, functions and duties,
- Whether the resources of the institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Audit Observations of the Preparation of Financial Statements**

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### **1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

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<b>Non- compliance with reference to the relevant standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
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Although it was fully depreciated at the end of the year under review, the cost of property, plant and equipment already in use amounting to Rs. 27,557,656 was not disclosed in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard 7 and the estimated period of useful life of these assets had not been indicated in the adjusted financial statements in accordance with SLPSAS 3.	The relevant officers have been instructed to act in regard with the property, plant and equipment in the following year according to the Sri Lanka Public Sector Accounting Standards.	The estimate of the useful life of the assets should be adjusted and indicated in the financial statements.

### 1.5.2 Unreconciled Control Accounts or Reports

Subject	Value according to the financial statements	Value according to the corresponding Reports	Difference	Management Comment	Recommendation
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	Rs.	Rs.	Rs.		
Trade and Other Receivable Balances	300,440,528	279,538,783	20,901,745	Relevant sub-documents will be presented.	The detailed subdocuments should be submitted in relation to the balances of the financial statements.
Trade and Other Payable Balances	234,628,323	184,491,960	50,136,397	Relevant sub-documents will be presented.	The detailed subdocuments should be submitted in relation to the balances of the financial statements.
Payable Building Rental (National Film Corporation)	900,000	4,106,000	3,206,000	It will be settled promptly.	Should be verified the relevant payable rentals.

### 1.5.3 Lack of Written Evidences for Audit

Subject	Amount Rs.	Audit Evidence Not Provided	Management Comment	Recommendation
Trade Debtor Balance	288,956,004	Balance Confirmations	Balance confirmations are submitted.	Balance confirmations should be submitted in relation to the value indicated in the account.

### 1.6 Non-compliance with Laws, Rules, Regulations and management decisions etc.

Reference to the Laws, Rules and Regulations	Non-compliance	Management Comment	Recommendation
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(a) Code of Financial Regulations of the			

Democratic Socialist  
Republic of Sri Lanka.

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| (i)   | Financial Regulations 134  | An internal audit programme was not prepared for the year under review and the internal audit reports were not submitted to the Auditor General.   | There were no comments. | no | Internal audit programmes should be prepared and internal audit reports should be submitted to the Auditor General. |
| (ii)  | Financial Regulations 757  | A board of survey should be conducted at the end of the accounting year and the reports submitted to the Auditor General, but this was not done.   | There were no comments. | no | The board of survey reports should be submitted in due course.  |
| (iii) | Financial Regulations 371(2)(b) and the Public Finance Circular No. PFD/RED/01/01/20 20/01 dated 28 August 2020. | Although the ad-hoc sub imprest given for any particular work should not exceed 100,000 at one time, separate advances were given for different parts of one specific work to avoid the limitation.  | There were no comments. | no | Advances should be given within the limitation and settled.   |
|       |  | Also, although the obtained advance amount should be settled immediately after completion of the relevant work, the advance amount of Rs. 312,400 given to an officer in the years 2013 and 2014 and the advance amount of Rs. 53,620 given on 16 November 2020 had not been settled by the date of this report. | There were no comments. | no | Action should be taken to settle the advance immediately after completion of the relevant work.                     |
| (b)   | Section 8.2.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.                                  | Although the revenue surplus for each year should be remitted to the treasury, the revenue of  | There were no comments. | no | Action should be taken to remit the excess revenue to the treasury.   |

Rs. 240,437,840 related to the year under review had not been act accordingly.

## 1.7 Non-compliance with Tax Regulations

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<b>Audit Observation</b> -----	<b>Management Comment</b> -----	<b>Recommendation</b> -----
A person deriving taxable income for a particular assessment year is required to pay income tax for each assessment year in terms of section 2(1)(a) of the Inland Revenue Act No. 24 of 2017, but The Selacine Television Institute, which was established on 01 February 1982, had not paid income tax as at the date of this report.	There were no comments.	Action should be taken to pay the income tax.

## 2. Financial Review

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### 2.1 Financial Result

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The operating result of the year under review amounted to a loss of Rs. 29,339,593 and the again sting profit in the preceding year amounted to Rs. 8,300,209. Therefore an deterioration amounting to Rs. 37,639,802 of the financial result was observed. The main reason for the deterioration was the decrease of income.

### 2.2 Trend Analysis of Main Revenue and Expenditure Subjects

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The direct revenue of the year under review had decreased by 63 percent and other revenue by 15 percent in comparison with the previous year and the decrease in total revenue was 62 percent. The direct expenses were reduced by 64 percent and other expenses were reduced by 19 percent and the decrease in total expenditure was 57 percent.

### 2.3 Ratio Analysis

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The current ratio had decreased by 3.5 percent in the year under review compared to the previous year and the net profit ratio had decreased by 453 percent.

### 3. Operational Review

#### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) Although Selacine Television Institute has been decided to be registered as a private company as per cabinet decision No. CMP/20/1572/316/009 dated 19 October 2020, those activities and related activities of appointing a secretary to the institution had not been completed by the date of this report.	There were no comments.	The process of appointing a secretary and registering as a company should be completed immediately.
(b) 09 Audit queries submitted to the institution from the year 2016 to 2020 had not been answered as at the date of this report.	There were no comments.	Action should be taken to answer the audit queries immediately.
(c) No action had been taken to recover the loss related to the financial fraud of Rs. 11,988,000 as at the date of this report, which has been coming from before the year 2016.	A case is currently pending examination in the High Court regarding the financial fraud of Rs. 11,988,000 which has been coming from beginning of the year 2016.	The loss related to the fraud should be recovered promptly.

#### 3.2 Procurement Management

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) According to the cabinet decision No. 10/1682/407/014 dated 12 August 2010, although it has been 10 years since the Selacine television institution received the authority to carry out the advertisement and publicity work of the government institutions, the management had not paid enough attention to achieve the human and physical resource requirements.	There were no comments.	That should be done according to the cabinet decision.

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| (b) | Procurement may be carried out electronically method with the consent of procurement committee as per guideline 9.8 of Government Procurement Guidelines 2006, but the e-procurement had been implemented without the relevant agreement and the suppliers had been selected without competition due to little bit response from the suppliers. | There were no comments. | Action should be taken as per the procurement guidelines. |
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### 3.3 Human Resource Management

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Audit Observation	Management Comment	Recommendation
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(a) The approved staff of the institution was 70 as at 31 December 2020 and out of that, there were 31 permanent employees and 39 were employees hired on contract basis. The actual number of staff was 54 as at that date and 14 of them were permanent employees and the other 40 employees were hired on contract basis. Accordingly, there were 17 vacancies in the permanent staff and an officer recruited on contract basis was additionally employed.	There were no comments.	The staff should be recruited in an approved manner.
(b) Although approved 18 posts on contract basis and prepared relevant recruitment procedures and obtained the approval of the Department of Management Services by the letter issued by the Department of Management Services No. DMS/1595 dated 15 October 2014; action had not been taken to approve the recruitment procedures for other posts except the post of Manager (Finance).	There were no comments.	The recruitment procedure should be approved and recruitment should be done accordingly.



#### 4. Accountability and Good Governance

##### 4.1 Submission of Financial Statements

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
According to section 6.5.1 of Public Enterprises Circular No. PED/12 dated 02 June 2003, the draft annual report and financial statements related to the year under review of the institution should be submitted to the Auditor General within 60 days of the end of the financial year with copies to the line ministry and the Department of Public Enterprises, but it was submitted 100 days with a delay on 09 June 2022.	There were no comments.	The draft annual report should be submitted to the institute within 60 days of the end of the financial year.

##### 4.2 Tabling of Annual Report in Parliament

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
The annual reports of 2017, 2018 and 2019 had not been tabled in parliament as at the date of this report according to the section 6.5.3 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.	There were no comments.	Annual reports should be tabled in parliament without delay.

##### 4.3 Corporate Plan

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
According to section 5.1 of the Public Enterprises Circular No. PED 12 dated 02 June 2003, a corporate plan and a corresponding action plan should be prepared for a period of not less than three years to fulfill the vision and mission of the company, only an action plan had been prepared without preparing a corporate plan.	There were no comments.	Action should be taken as per the circular provisions.

#### 4.4 Annual Action Plan

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Audit Observation -----	Management Comment -----	Recommendation -----
(a) According to the action plan of the year 2020, the physical performance related to the progress of the activities of event management, graphic and print revenue generation, schedule revenue generation remained at the lowest level from 15 percent to 59 percent and financial performance was at the lowest level from 10 percent to 41 percent.	There were no comments.	Performance should be achieved as per the action plan.
(b) Although the target of finding new buyers was 80 buyers, only 16 buyers which were 20 percent of the target had been achieved in the year 2020.	There were no comments.	Those goals should be achieved according to the plan.

#### 4.5 Sustainable Development Goals

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Audit Observation -----	Management Comment -----	Recommendation -----
Every government institution has to act as per the United Nations 2030 “Agenda for Sustainable Development” and due to that the institution had not been aware of how it should operate in relation to the tasks under its scope in relation to the year under review, sustainable development goals, targets and indicators for measuring the achievement of those targets were also not identified.	There were no comments.	Sustainable Development Goals should be recognized and acted accordingly.