

Selacine Television Institute - 2013

The audit of financial statements of the Selacine Television Institute for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, cash flow 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. My comments and observations which I consider should be published with the Annual Report of the Selacine Television Institute appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector 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 in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810).

1:4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items and the elements making up the statement of financial position and the statement of financial performance.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the matters described in paragraph 2.2 of this report, I had not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statement.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) The interest on investments receivable as at 31 December 2013 amounting to Rs.2,656,462 had been treated as interest on investments received and included in the cash flow statement.
- (b) The depreciation on properties, plant and equipment for the year 2013 had been overstated in the financial statements by Rs.117,117.

- (c) The unidentified debtors existing from periods prior to the year 2006 amounted to Rs.6,611,743 and the provision made therefor amounted to Rs.165,293. It had been confirmed that there is no possibility of recovering these debts. Accordingly, it was observed that adequate provision had not been made for these irrecoverable debts.

2.2.2 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	Value	Documentary Evidence not made Available
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	Rs.	
(a) Payments	13,891,056	Thirty seven paid vouchers and the related details
(b) Fixed Deposits	300,000	Deposit Certificates issued by the Sri Lanka Savings Bank or conformation of balances.
(c) Trade Creditors	258,071,312	Ledger denoting individual creditors and schedules
(d) Motor Vehicle Utilization	-	Details relating to the number of litres of diesel consumed by each motor vehicle (including hired motor vehicles) during each month of the year under review, value of fuel, details of repairs and maintenance, motor vehicles of other State institutions in the custody of the Institute and the details of motor vehicles of the Institute/ hired motor vehicle made available to other State institutions/ Ministries.

2.3 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
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Section 21 of the Value Added Tax No.14 of 2002	The Value Added Tax of Rs.94,972,378 payable as at 31 December 2013 and the Tax Returns of the year under review had not been sent to the Commissioner General of Inland Revenue.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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| (i) Financial Regulation 137 | Even though all payment vouchers should be approved. 65 paid vouchers valued at Rs,6,082,347 had not been approved. |
| (ii) Financial Regulation 156(5) | It was observed that very often the cash book of the Institute had been altered. Those alterations had not been certified as required by the Financial Regulation. |
| (iii) Financial Regulation 381(3) | Even though Officers authorized to sign cheques should furnish security, it had not been so done. |
| (iv) Financial Regulation 386(5) | Action had not been taken to initial the counterfoils of cheques. |
| (v) Financial Regulation 386(7) | Even though cancelled cheques should be annexed to the counterfoils and be kept in the cheque book itself action had not been taken accordingly. |
| (vi) Financial Regulation 392(c) (iv) | Even though a new entry under the date of issue of each cheque , should be inserted in red ink in the columnar cash book, giving particulars of new cheque issued and cross reference to original cheque should be given and leave the money colum blank, such action not been taken in connection with the fresh cheques issued. |
| (vii) Financial Regulation 395(g) | The officer maintaining the cash book of the Institute had prepared the Bank Reconciliations as well, contravening the requirements of the Financial Regulation. |
| (c) Public Finance Circular No.PF/PE/09 dated 27 June 2000 | Approval of the Treasury had not been obtained for the investment of Rs.10,500,000 in fixed deposits. |
| (d) Paragraph 9.2(d) of the Public Enterprises Circular No.PED/12 dated 02 June 2003. | The Organizational Chart and the approved staff of the Institute had not been registered at the Department of Public Enterprises. |

- (e) Treasury Circular No.842 dated 19 December 1978 Updated Register of Fixes Asset and Fixed Assets Ledger had not been maintained.

2.4 Transactions without Adequate Authority

Twenty five debtors balances aggregating Rs.5,162,300 had been written off against the retained profit during the year under review without proper authority. Further, payments rejected by clients amounting to Rs.1,888,852 for non fulfilment jobs as required by the clients too had been written off.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Institute for the year ended 31 December 2013 had been a net profit of Rs.13,210,740 as compared with the net profit of Rs.21,437,942 for the preceding year thus showing a deterioration in financial result by Rs.8,227,202 representing 38 per cent. Although the income of the year under review had increased by 49 per cent as compared with that of the preceding year, the increase in direct cost by 61 per cent and the administrative expenses by 23 per cent had attributed to this deterioration.

3.2 Legal Action instituted against the Institute

Two external institutions had filed two cases for obtaining their payments relating to creative work and 4 ex-employees had filed 4 cases against interdiction of those officers and the expenditure incurred on the cases as at 31 December 2013 amounted to Rs.140,000.

4. Operating Review

4.1 Performance

Twenty creative work and 35 special projects had been executed during the year under review as compared with those of the previous year and the improvements in those works had been 17 per cent and 85 per cent respectively. The overall income of the Institute had improved by 49 per cent.

4.2 Uneconomic Transactions

A surcharge of Rs.18,925 had to be paid due to non-payment of gratuity within the specified period.

4.3 Staff Administration

The approved permanent and temporary staff of the Institute as at December 2013 had been 31 and 21 respectively. The actual cadre had been 55 and consisted of 14 permanent employees and 41 temporary employees.

4.4 Motor Vehicle Utilization

In terms of the letter No.MF/TR/01/2003 dated 28 March 2003 of the Secretary to the Ministry of Finance and Planning, the maximum payable for hired motor vehicles amounts to Rs.40,000 per month. But, a motor vehicle had been obtained on the basis of a monthly payment of Rs.65,000 contravening the requirement and the amount overpaid in the year 2013 for that motor vehicle amounted to Rs.300,000. Further, the Government Procurement Guidelines Procedure had not been followed in obtaining the motor vehicle on hire basis.

5. Accountability and Good Governance

5.1 Establishment of the Institute

This Institute had been taken over by the Ministry of Mass Media on 20 December 2001. However, provisions had not been made by an Act or by any other laws to determine and enforce its powers with regard to its objectives and functions. Although action had been initiated since 2009 to register this Institute as a public company named "Selacine Limited" under the Companies Act, such action had not been taken even by end of the year under review.

5.2 Corporate Plan

Installation of a press for offset printing work and commencement of an educational newspaper explaining the government development activities had been the functions identified to be carried out in 2013 according to the Corporate Plan furnished for the period 2011-2013. Those functions had not been executed.

5.3 Tabling of Annual Reports

In terms of **Seated 6.5.3** of the Public Enterprises Circular No.PED/12 dated 02 June 2003, action should be taken to table the Annual Report in Parliament within 150 days obtain for close of the financial year. However, action had not been taken to prepare and table in Parliament the annual reports for the years 2003 to 2008.

6. Systems and Controls

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

- (a) Fixed Assets and Computer Accessories Control
- (b) Accounting
- (c) Preparation of Payment Vouchers
- (d) Bank Reconciliations

