Independent Television Network Ltd - 2017

The audit of financial statements of the Independent Television Network Ltd. for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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. My observations on the performance of the Company which I consider should be presented to Parliament in terms of Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report. A detailed report in this connection was issued to the Chairman of the Company on 08 June 2018.

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 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. Those Standards require that I comply with the 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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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.

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

(a) In terms of Paragraph 32 of the Sri Lanka Accounting Standard 01, an entity shall not offset assets and liabilities or income and expenditure unless required or permitted by a Standard. Nevertheless, a profit of Rs.3,608,251 received from the disposal of Property, Plant and Equipment during the year under review had been offset against its loss of Rs.129,042 and net profit of Rs.3,479,209 had been brought to account.

Further, the trade debtors balance of Rs.86,900,996 of the Wasantham TV Channel had been offset against the credit balance of Rs.10,785,379 and the net balance of Rs.76,115,617 had been brought to account.

(b) In terms of Paragraph 09 of the Sri Lanka Accounting Standard 02, inventories shall be measured at the net realizable value or the cost, whichever is lower and stated in the financial statements. Nevertheless, the Company had accounted spare parts included in the inventories and the other stocks at the cost of Rs.16,671,347 without being estimated at the net realizable value.

(c) In terms of Paragraphs 79, 80 and 81 of the Sri Lanka Accounting Standard 12, the Company shall disclose the minimum requirements on the details relating to taxes through a note in the financial statements. Nevertheless, such details had not been included in the Tax Note appeared in the Note No.12 of the financial statements

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(d) As the useful life of the non-current assets had not been reviewed annually as required by Paragraph 51 of the Sri Lanka Accounting Standard 16, property, plant and equipment valued at Rs.1,212,616,242 were further in use despite being fully depreciated. Accordingly, action had not been taken to revise the error in the estimation in accordance with the Sri Lanka Accounting Standard 08 and state the correct carrying amount in the financial statements.

(e) In terms of the policy recognized by the Company for accounting Government Grants received for the purchase of Property, Plant and Equipment, a sum of Rs.31,221,094 received for the ITN Channel in the year 2008 should have been credited to the Revenue as amortization as at 31 December 2016. Nevertheless, a balance of Rs.9,889,242 could be further observed as at 31 December 2017.

(f) Although depreciation of an assets begins when it is available for use in terms of Paragraph 55 of the Sri Lanka Accounting Standard 16, without being complied with that, a sum of Rs.1,355,170 relevant to the studio complex valued at Rs.325,240,826 transferred to the Building Account from the Work-in Progress Account on 31 December 2017 had been brought to accounts as depreciation during the year under review.

(g) As the depreciation of motor vehicles amounting to Rs.4,847,768 relating to the year 2016 had been adjusted relating to the year under review, loss of the year under review had been overstated by that amount.

(h) According to the stock verification report presented to Audit, the stocks valued at Rs.16,707,119 as at 31 December 2017 had included unusable stocks such as management diaries, annual reports, greeting cards valued at Rs.967,087 relevant to the years prior to the year 2017.

(i) According to the financial statements, the impairment adjustment value for the trade debtors, dishonoured cheques debtors and other debtors amounted to Rs.214,434,350 and the deferred tax value thereon should be Rs.60,041,618. Nevertheless, in the computation of deferred tax by the Company, that value had been calculated as

Rs.44,141,189. Similarly, the impairment value relating to the employee loans amounted to Rs.128,125 and the deferred tax value thereon should be Rs.35,882. Nevertheless, the Company had calculated tax by considering the deferred tax amount as Rs.375,556. Accordingly, the deferred tax liability of the Company amounted to Rs.179,966,317 and the correct deferred tax value should be Rs.88,277,381. Therefore, the net deferred tax liability should be Rs.91,688,936, whereas it had been brought to account as Rs.107,249,693 and as such, deferred tax liability had been overstated by Rs.15,560,757 in the account.

(j) Economic Service Charges amounting to Rs.1,971,596 payable by the Company relating to the final quarter of the year 2017 had not been brought to account as accrual.

(k) Electricity expenses of Rs.301,048 accounted as receivables as at 31 December 2016 had been received during the year under review and due to crediting that amount to the Electricity Expenditure Account, loss of the year under review had been understated by that amount.

(l) As the charges for the installation of the elevator of the new office complex of the Company, a sum of Rs.940,000 had been paid to the relevant company on 07 November 2017. Nevertheless, that amount had been brought to account again as an accrued expenditure as at 31 December 2017.

(m) Provision had not been made for a sum of Rs.11,651,061 payable to the Treasury as the dividends based on the profit earned by the Company during the year 2015.

(n) The interest of the Time Deposit amounting to Rs.5,000,000 maintained in a State bank on an annual interest rate of 5.75 per cent from 30 December 2016 had not been brought to account

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(o) Although impairment adjustments had been made for dishonoured cheques of Rs.16,294,701 existed as at 31 December 2017, the debtor relevant to two cheques valued at Rs.1,866,665 included thereon had commenced to make the payments in installments during the year 2017. Nevertheless, that value had not been eliminated from the impairment adjustment.

(p) According to the stock verification reports made available to Audit, the value of the stock balance amounted to Rs.16,707,119 and it was Rs.16,671,347 according to the financial statements, thus observing a difference of Rs.35,772.

(q) According to the financial statements, the Value Added Tax payable as at 31 December 2017 amounted to Rs. 25,446,073 and it was Rs.20,694,067 according to the tax records, thus observing a difference of Rs.4,752,006 between those two reports.

(r) According to the financial statements, the expenditure on Nation Building Tax for the year under review amounted to Rs. 28,975,025 and it was Rs.28,784,687 according to the tax records, thus observing a difference of Rs.190,338 between those two reports.

(s) According to the Ledger, the interest income received in cash amounted to Rs.147,893,580 during the year under review. Nevertheless, it had been stated as Rs.164,021,890 under the financial activities in the financial statements.

(t) A difference of Rs.622,247 relating to furniture and fittings and a difference of Rs.51,655,399 relating to office equipment, transmission equipment and plant and machinery was observed between the financial statements and the register of fixed deposits as at 31 December 2017.

(u) Although the balance of slow moving stocks had been recognized as Rs.6,430,112 at the annual stock verification, it had been stated as Rs.7,130,390 in the financial statement, thus observing a difference of Rs.700,278.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.4 of this report, the financial statements give a true and fair view of the financial position of the Independent Television Network Ltd., as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act, No.07 of 2007, I state the followings:

(a) The basis of qualified opinion and scope and limitations of the audit as stated above.

(b) In my opinion:

- I have obtained all the information and explanations that were required for the audit and as far as appeared from my examination, proper accounting records have been kept by the Company except for the effect of the matters stated in the qualified opinion paragraph.

- The financial statements of the Company comply with the requirements of Section 151 of the Companies Act, No.07 of 2007.

2.3 Accounts Receivable and Payable

2.3.1 Amounts Receivable

The following observations are made.

(a) Since services valued at Rs.14,641,728 relevant to contra trade transactions carried out by the Company during the years 2003,2005,2006 and 2007 had not been timely obtained, impairment adjustments had been made for the above entire value.

(b) According to the policy of the Company for the clients debtors, the period of debt is 03 months. Nevertheless, according to the financial statements as at the end of the year under review, the clients debtors amounting to Rs.854,178,740 included the debtor balances of Rs.155,728,021 relevant to 03 to 06 months, Rs.149,939,388 exceeding 06 months, but less than one year and Rs.178,239,352 exceeding one year. Out of the above total debtors balance, impairment adjustments had been made for Rs.191,823,614.

(c) A sum of Rs.329,973 receivable relating to 03 Televisions given by the Company to the Ministry of Mass Media in the year 2010 and their installation charges had not been received even by the end of the year under review. Similarly, personal telephone bills charges amounting to Rs.35,942 paid in respect of four officers of the Company in the year 2009 had not been reimbursed even by the year under review.

(d) Although advances amounting to Rs.9,641,947 had been paid to the private suppliers, relevant work had not been completed even by 31 December 2017 and the advance ,too, had not been settled.

(e) The following observations are made on the trade debtors balances of the ITN FM Channel.

(i) A sum of Rs.106,479 remained receivable from Airport and Aviation Services Sri Lanka Ltd. relating to a propaganda activity carried out on the Maththala Airport in the year 2014. Nevertheless, that payment had been rejected by the above institution.

(ii) Since the client debtors institutions called Bench Mark Strategic and Suriyavahini Solar have been closed down at present, it had not been possible to recover a sum of Rs.316,250 and Rs.241,500 remained receivable from those institutions respectively.

(iii) Payment of Rs.682,869 recoverable from the Development Lottery Board from the year 2014 had been rejected by the new Governing Board.

(iv) Since there was no written agreement entered into with a private cushion workshop situated at Pasyala, it had not been possible to recover a sum of Rs.353,993 remained recoverable from the above institution.

(v) Due to absence of an written agreement or other formal document for the recovery of Rs. 288,400 remained recoverable from a State corporation since year 2010, the General Manager of the said corporation had informed that the above amount could not be paid and further stated that it would be possible to settle that amount, if a formal document is submitted.

(vi) Payment of Rs.339,660 receivable from a Government school in respect of a promotion activity relevant to the conduct of a festival had been refused by the said school due to sustaining losses from the above festival.

2.3.2 Amount Payable

The following observations are made.

(a) The payable deposit amounting to Rs.1,262,981 as at 31 December 2017 had included a value of Rs.522,025 deposited up to 31 December 2015. Action had not been taken either to repay the above amount by identifying the relevant depositors or credit that deposits to the Revenue.

(b) The value of 774 cheques issued to the customers, but not presented for the payment as at 31 December 2017 amounted to Rs.5,833,109 and that amount had been transferred to the cancelled cheques account.

(c) The unclaimed payment balances amounting to Rs.1,351,789 existed under the payable balances in the financial statements included an unclaimed balance of Rs.974,651 older than one year. Nevertheless, action had not been taken to repay this amount after confirmation of the claims or credit it to the Revenue.

(d) The balance of Rs.35,149,670 payable as at the end of the year under review had included an unidentified creditors balance of Rs.316,395. Action had not been taken to recognize the above balance and settle the same or credit it to the Revenue.

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

The following non-compliance with laws, rules and regulations were observed.

	Reference to Laws, Rules, Regulations	Non-compliances
(a)	Financial Regulations of Democratic Socialist Republic of Sri Lanka Financial Regulations 396	The value of the cheques cancelled from the year 2012 up to 31 December 2016 amounted to Rs.4,957,006 and action had not been taken thereon in terms of the provisions in the Financial Regulations.
(b)	**Public Enterprises Circular**	
	(i) Circular No. PED 01/2015 of 25 May 2015	• Although 2040 litres of fuel only had been approved for the Acting Chairman of the Company in terms of the provisions of the Circular, 3,994 litres of fuel had been supplied. Accordingly, 1,954 litres of fuel had been supplied exceeding the approved limit. • A sum of Rs.26,421,410 had been paid during the year under review as fuel allowances to 338 officers who are not entitled to transport and fuel allowances in terms of circular provisions.

(ii) Circular No. PED/ 03/2017 of 11 December 2017	(i)	It had been emphasized by the provisions in the Circular that "only a sum of Rs.3,000 can be paid as the bonus to each employee of Government Owned Companies which have recorded a loss during the relevant financial year and failed to reduce the loss compared to the last financial year, on sympathetic grounds". Nevertheless, contrary to that, the Company had paid sums totalling Rs.25,878,379 as bonus at Rs.38,000 per employee of the Television Network during the year under review without obtaining the Treasury approval during the year 2017. In addition to the above bonus, sums totalling Rs.72,721,144 had been paid to the employees paid as incentive, performance allowance and staff welfare allowances.
	(ii)	According to the instructions given in Paragraph 3.3 of the Circular, in order to make the payment of bonus, the annual financial statements of the Company should have been submitted to the Auditor General on or before the due date as per the provision 6.5 of the Public Enterprises guidelines for good governance issued with the Public Enterprises Circular No.PED/12 dated 2 June 2003. Nevertheless, the financial statements for the years 2016 and 2017 had been furnished to the Auditor General on 08 April 2017 and 04 April 2018 respectively.
(c) Paragraph 10 of the Public Finance Circular No.02/2015 dated 10 July 2015.		Even though all the proceeds received from the disposal of condemned vehicles in Public Institutions should be credited to the Consolidated Fund, the Company had not credited sums totalling Rs.3,587,706 received from the disposal of 04 vehicles to the Consolidated Fund. Similarly, once the disposal process is completed, a detailed report as per the format No.02 should be submitted to the Director General of the Public Finance with copies to the Director General of State Accounts, the Director General of Treasury Operations, the Director General of National Budget and the Auditor General. Nevertheless, such report had not been submitted.

2.5 Transactions not Supported by an Adequate Authority

In terms of Financial Regulation 380 (2), Heads of Department shall have the authority to open an official account in any bank approved by the Deputy Secretary to the Treasury. Accordingly 22 bank accounts are maintained in respect of 04 channels of the Company, whereas approval obtained from the Deputy Secretary to the Treasury for the maintenance of more than 04 of the above bank accounts had not been made available to audit.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, loss after tax of the Company for the year ended 31 December 2017 amounted to Rs. 295,924,136 as compared with the corresponding loss after tax of Rs. 107,189,266 for the preceding year, thus indicating a deterioration of Rs. 188,734,870 or 176 per cent of the financial result during the year under review as compared with the preceding year. The decrease in income of sale of air time during the year under review by Rs. 371,639,775 or 21 per cent had been the main reason for the above deterioration.

The ITN Channel had suffered a loss of Rs.8,618,025 in the year 2016 and it had increased up to a loss of Rs.252,363,996 by Rs.243,745,971 or 2,828 per cent in the year 2017. Even though the Wasantham TV, Wasntham FM and ITN FM Channels had incurred losses in both years 2016 and 2017, those losses had decreased by Rs.19,230,801, Rs.7,120,642 and Rs.26,083,691 respectively.

3.2 Analytical Financial Review

Profitability Ratios for the year under review and previous year are shown below.

Ratio	2017	2016
Gross Profit Ratio (per cent)	65	77
Net Profit/(Loss) Ratio (per cent)	(4)	18

It is observed that the deterioration of the ratios as indicated above may adversely effect on the going concern and the liquidity of the Company in future.

3.3 Legal Matters Initiated by the Company or against the Company

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The following observations are made.

(a) External parties had filed 04 cases against the Company as at 31 December of the year under review for slanderous statements made in the news telecasts of the Company and the compensation claimed thereon amounted to Rs.2,555,000,000. Whilst 04 cases had been filed by the external parties for unauthorized telecasting of films of the owners by the Company. Further, 05 cases had been field by three interdicted employees and two employees who were retired under the compulsory retirement basis. A sum of Rs. 1,014,800 had been paid as lawyers' fees for these cases.

(b) Ten cases had been filed against debtors for the recovery of a sum of Rs. 16,950,386 in connection with the air time provided by the Company by 31 December 2017 and out of them the cases amounting to Rs. 3,474,077 could not be maintained due to the inability to trace the permanent places of residence of those 03 debtors whilst cases amounting to Rs.2,702,500 could not be maintained due to disappearance of a debtor .

Though the debtor balance remained over one years as at 31 December 2017 amounted to Rs. 178,239,352, the cases had been filed to recover a sum of Rs. 16,950,380 only.

4. Operating Review

4.1 Performance

4.1.1 Planning

Following observations are made.

(a) Although a Corporate Plan had been prepared for the period from the year 2014 to 2018 in terms of Section 5 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, it had not been reviewed and updated for the year 2017 and furnished to the Auditor General.

(b) A several significant matters required to be included in the preparation of a Corporate Plan have been emphasised in terms of Section 5.1.2 of the Public Enterprises Circular No.PED/12 dated 02 June 2003. Nevertheless, the Corporate Plan prepared by the Company for the period from 2014 to 2018 had not included the details on the assets owned by the Company, Organization Structure of the Company, review on the operating results of previous three years etc.

4.2 Management Activities

The following observations are made.

(c) In terms of Section 14.8 of the Standard Bid Documents, ICTAD/SBD/02 issued by the Institute for Construction Training and Development for large scale constructions, 50 per cent of the retention money can be released after handing over the construction. Nevertheless, contrary to that, it had been agreed by Section 14.8 of the contract agreement that the retention money would be released if an unconditional security is produced by the contractor before the end of the retention period. Accordingly, the entire retention money of Rs.6,681,418 relating to the office complex building of the Company had been released before the end of the retention period upon a retention security. Nevertheless, details on this security had not been disclosed by financial statememnts.

(b) Any investigation had not been carried out even as at 31 December 2017 with regard to the submission of forged education certificates by an individual who joined the Company as an English Typist on 14 March 1983.

(c) Even though 09 vehicles had met with accidents during the years 2015 and 2016, delays had occurred in claiming insurance indemnity. As such, relevant indemnity amounting to Rs.521,300 had not been obtained even by 31 December 2017.

4.3 Operating Activities

The following observations are made.

(a) Three officers of the news section of the Company had attended the Independence Day Celebration held in New york on 04 February 2016. The Company had spent a sum of Rs.243,000 for their air ticket charges and the Deputy General Manager (News) had informed to settle that amount by a sponsorship obtained for the telecast of a programme prepared based on the media coverage. Nevertheless, that amount had not been received even by the end of the year 2017.

(b) A profit of Rs.315,336,014 had been earned from 10 local tele dramas and loss of Rs.100,363,367 had been suffered from 20 tele dramas during the year under review. Out of this profit, a sum of Rs.214,972,647 or 84 per cent had been earned from two dramas produced by the Company. It was observed that the matters such as selecting those dramas for telecasting despite being informed by certain members of the Censor Board as not suitable for telecasting, not previously viewing those dramas by the Censor Board, declining income in the telecast of dramas although approval had been granted by the Censor Board, obtaining recommendations from a Censor Board as it is suitable for telecasting those dramas whilst recommended unsuitable for telecasting by another Censor Board, making recommendations as suitable for telecasting dramas only by the producers of the Company, viewing only 15 episodes out of 75 episodes of a drama by the Censor Board, had attributed to the losses.

(c) After spending a sum of Rs.2,160,600 for the expenses including dubbing of a tele drama received from Japan as a donation, the telecast of which had been commenced from March 2017, only a sum of Rs.659,998 had been received as income from telecasting. Accordingly, a loss of Rs.1,500,602 had been suffered from telecasting the above drama by 31 December 2017.

(d) The Company had encashed the short-term fixed deposits of Rs.284,938,932 together with the interest on the recurrent expenditure of the Company during the year under review and any new investment had not been made.

4.4 Idle and Underutilized Assets

The following observations are made.

(a) Power Distribution Rack valued at Rs.1,588,500 purchased in the year 2015 for the hydro power station established at Deniyaya area had not been used even by 31 December 2017 while stating that it was not necessary due to changing the plans.

(b) According to an internal audit test check carried out by the Internal Audit Division of the Company, value of the stocks of unused and slow moving electronic items and spare parts available in the main stores of the Company amounted to Rs.8,828,892. Nevertheless, a sum of Rs.7,130,390 only had been recognized as the slow moving stocks in the statement of financial position and provision had been made to write off those stocks. It was accordingly observed that there were unused and slow moving stocks worth Rs.1,698,502 in the stock balance.

4.5 Identified Losses

The following observations are made.

(a) Sums totalling Rs.2,222,338 comprising the value of 12 English films amounting to Rs.1,037,763 purchased in the year 2011 and a tele drama valued at Rs.1,184,575 produced by the Company during the year 2015 had been brought to account as a payment made for the ensuing period instead of being accounted as intangible assets. Further, 04 of the above English films had been telecast at one turn by the end of the year under review and according to the agreement, the period of telecasting the above all films had expired by 31 December 2017. Accordingly, amortization of the value of Rs.1,037,763 of the above expired Englished films should have been completed, whereas the total amount had been further accounted as future payments.

(b) A further recoverable amount of Rs. 1,210,620 were available from the amount of fraud conducted in the year 2011 by the former Accountant of the Company, though a Writ order had been issued for this in the Court actions taken in this regard, his address could not be found to deliver it. The impairment adjustment had been made for that full amount.

4.6 Staff Administration

Following observations are made.

(a) The following matters were observed in connection with the Sales Executive of the Company.

(i) Although the post of Sales Executive had been approved with effect from 06 July 2017 by the Letter of the Director General of Management Services dated 06 July 2017 so as to be applicable the Salary Code MM 1-1 in compliance with the Management Services Circular No.02/2016 dated 25 April 2016, an officer had been recruited to the above post for a period from 01 January to 06 July 2017 without getting approval of the Director General of Management Services. Nevertheless, a scheme of recruitment for the above post had not been prepared and approved even as at 31 December 2017.

(ii) For the officer recruited to this post contrary to the directives of the Director General of Management Services, a monthly allowance of Rs.354,000 comprising the basic salary of Rs.150,000, special allowance of Rs.50,000, refreshment allowances of Rs.50,000, transport allowance of Rs.100,000 and telephone allowance of Rs.4,000 had been paid from 02 January 2017 up to the end of the year under review. Nevertheless, once this post was approved, the monthly salary payable to the officer to be recruited from July 2017 should be Rs.48,568 only and due to making monthly payment at Rs.354,000, a sum of Rs.305,432 per month had been overpaid to the officer concerned.

(iii) According to Paragraph 2.3 of the Public Enterprises Circular PED 1/2015 dated 25 May 2015, either an official vehicle can be provided for personal usage or a monthly transport allowance can be paid only for an officers who holds a post in the Category of HM1-1 or upper level in terms of Circular No.MSD 30 issued in the year 2006. Nevertheless, this officer whose salary code shall be MM1-1 had been paid a monthly transport allowance of Rs.100,000.

(b) As per the Cabinet decision No.CM/05/Gen (026) dated on 16 June 2005, the approval of Cabinet should be taken when submitting application with the concurrence of the recommendation of Cabinet sub-committee by presenting memorandum with the inclusion of the bio-data, expected duties and responsibilities to be assigned, and the time period for the appointment of Consultants. However, 05 Consultants recurred without getting the approval of the Cabinet and the Treasury were in the Company during the year under review and sums aggregating Rs. 4,518,333 had been paid as monthly allowances and sums totalling Rs.1,823,085 had been paid as vehicles and fuel allowances in the year 2017.

(c) Branded Apple phone and the television given by the Company to one Consultant had not been taken back at the time of his leaving in the year 2016. Further, a sum of Rs.77,669 paid exceeding the approved limit for the settlement of private telephone bills of that officer had not been recovered either from the officer or the parties responsible.

(c) Whilst there was no post of Chief Executive Officer in the approved cadre of the Company, an officer had been recruited to the post of Chief Executive Officer from July 2016 up to the end of the year 2017 and sums aggregating Rs.2,210,400 comprising monthly allowances of Rs.90,000, other allowances of Rs.30,000, cost of living allowances of Rs.7,800 and refreshments allowances of Rs.15,000 had been paid during the year 2017. Further, the Company had assigned a Jeep to that officer during the year 2017 and fuel at 405 litres per month had been given in respect of that vehicle.

(e) Without being complied with the Article of Association of the Company, the Minister of Finance and Mass Media had appointed an officer from 21 June 2017 to a post of Working Director which had not been included in the approved cadre of the Company. Further, that officer had been appointed as a member of the Board of Directors with effect from that date. The following matters were also observed.

(i) In terms of provisions in the Public Enterprises Circulars Nos.PED1/2015 dated 25 May 2015, PED2/2015 dated 25 May 2015 and PED3/2015 dated 17 June 2015, the monthly allowance of Rs.75,000 (PED03/2015), an official vehicle with the driver and 150 liters of fuel or allowance of Rs.50,000 in lieu of the official vehicle as transport facilities and maximum of Rs.5,000 for communication facilities can be paid to a Working Director who received a formal appointment within the approved cadre. Sums aggregating Rs. 457,500 comprising monthly salary of Rs.75,000, communication allowance of Rs.5,000, refreshment allowance of Rs.15,000 had been paid to the Working Director for the period from 28 June to 31 December, 2017. Further, it was observed that there is no authority for the payment of refreshment allowance in terms of provisions of the circulars. Fuel liters of 1,109 had been used from July to 30 November 2017,

(i) The above officer had been appointed to act in the post of Deputy General Manager (Programmes) on the same date he received the appointments as the Working Director and a member of the Board of Director. Although an acting appointment should be given to a post equal or higher than the substantial post of an officer, the Working Director who was functioning as a member of the Board of Director had been appointed to act in the post of Deputy General Manager (Programms) and an allowance had also been paid therefor.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

According to Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, though the financial statements for the year under review should be presented to the Auditor General within 60 days after the close of the financial year, those had been presented on 04 April 2018.

5.2 Market Share

According to the Survey on viewing television and listening to radio by the spectators conducted by Lanka Market Research Bureau on 15 Television channels, the market share of 7.5 per cent achieved by the Company in January 2017 had retrogressed to 5.9 per cent by the month of December.

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 Company from time to time. Special attention is needed in respect of the following areas of control.

	Areas of Systems and Controls		Observations
(a)	Accounts Receivable	(i)	Failure to take action in terms of the Financial Regulations on dishonoured cheques.
		(ii)	Delays in recovery of client debts.
		(iii)	Giving credit for clients by exceeding the credit period.
		(iv)	Failure to obtain agreed services for contra trade transactions.
(b)	Control over Operations	(i)	Payment of allowances contrary to the circular provisions.

	(ii)	Failure to take adequate measures to improve and protect the market share.
(b) Staff Administration		Making appointments for the unapproved management level posts and payment of allowances contrary to the circular instructions.