

## **Head 105 – Ministry of Mass Media**

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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 Ministry of Mass Media for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance and cash flow statement for the year then ended 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. The summary report containing my comments and observations on the financial statements of the Ministry of Mass Media was issued to the Chief Accounting Officer on 03 June 2022 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 06 June 2022 in terms of Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Ministry of Mass Media as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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

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My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Responsibilities of the Chief Accounting Officer for the Financial Statements**

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The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In terms of Sub-section 38(1)(c) of the National Audit Act, the Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibilities for the Audit of the 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 summary 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

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

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### **1.5 Report on Other Legal Requirements**

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I express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) Except for the observation of paragraph 1.6.1 of this report, the financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

## 1.6 Comments on Financial Statements

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### 1.6.1 Non - compliance of financial statements with Circular Instructions

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<b>Audit Observation</b>	<b>Comments of the chief Accounting officer</b>	<b>Recommendation</b>
(a) According to the State Accounts Guidelines No. 7.9 of 2021/03 under No. SA/MAA/02/01/01 dated 26 November 2021, the balance of the imprest remitted to the Treasury by each reporting institute at the end of the financial period should not be included into the balance of cash and cash equivalent in the statement of financial position. However when stating comparative figures for the year 2020, the cash balance of Rs. 4,771,962 which had been remitted to the Treasury at the end of the financial period had been stated as cash and cash equivalent.	This had happened due to the fact that, figures were entered as to be comparative with the figures for the year 2021 when stating comparative figures for the year 2020 relating to the account for year 2021.	Financial statements should be prepared as possible as to be reconciled.
(b) A difference of Rs. 14,646,945 was observed between the comparative figures of 03 revenue and expenditure codes relating to the previous year which had been shown in the statement of financial performance for the year under review and such amounts shown in the financial statements for the previous year. Further the difference that existed in the cash flow statement relating to 03 expenditure codes was Rs. 83,884,130.	- Do -	- Do -

## 2. Financial Review

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### 2.1 Revenue Management

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting officer</b>	<b>Recommendation</b>
(a) There was a difference of Rs.32, 966,630 between the balance as at the end of the year 2020 and the balance at the beginning of the year 2021	According to the information of the Ministry, it was confirmed that the outstanding revenue for the year 2020 was Rs. 20,190,500. Further actions will	The balance of outstanding revenue as at the end of the year should be shown as

in connection with outstanding revenue. be taken to find it out the opening balance mentioning that being Rs. of the year under 53,157,130 and will be reported. review.

- (b) According to the Financial Regulation 85 (1) and FR 143 (1) and the paragraph 03 of the Financial Policy Circular of the Secretary to the Treasury No. 01/2015 dated 20 July 2015, revenue should be forecasted accurately. However, there was a variance of 37 per cent because the estimated revenue for the year under review was Rs. 700,000,000 and the revenue received was Rs. 438,470,000.
- The tax charged for imported tele dramas and films had been cancelled since 27.03.2020 to 09.02.2021 because of revision of item (iii) of paragraph (d) of the order 8 of the Finance Act No.11 of 2006 by the extraordinary gazette No. 2168/09 dated 27.03.2020. Further telecasting of imported tele dramas and television programmes were limited by television channels due to the Covid 19 situation and the economic crisis of the Country. It was affected to the decrease of tax income.
- Actions should be taken to prepare revenue estimates accurately.

## 2.2 Expenditure Management

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The following observations are made.

Audit Observation	Comments of the Chief Accounting officer	Recommendation
(a) Although estimated provision of 03 expenditure codes of the National Media Centre had been saved, a sum of Rs. 7,245,000 had been taken as supplementary provisions and out of the said provision a sum of Rs. 18,100,000 had been transferred to other expenditure codes through F.R.66.	The National Media Centre was newly established in early 2021 and in addition to the provisions made in the estimated budget for general administration of the Ministry for the year 2021, a sum of Rs. 7,245,000 was provided by the Treasury as supplementary provisions for the expenses of the National Media Centre.	Supplementary provisions should be managed properly.
(b) According to the FR 50, the Accounting officer should be responsible for the facts that all services which can be reasonably foreseen are included in the estimates and they are within the capacity of his department during the financial year and the estimates have been prepared as completely and accurately as possible. However the variations of the estimates were in a range of 100 to 2,156 per cent.	There were difficulties in management of provision because the planned activities were not being fulfilled as expected and there were unexpected activities due to the facts that quarantine curfew, limitation of office activities etc. as a result of the peak of the COVID 19 situation prevailed in the country during the year 2021.	Estimates should be done accurately as far as possible and provisions should be managed.

<p>(c) There were savings of 32 expenditure codes totaling Rs. 511,495,135 in a range from 11 per cent to hundred per cent of the net provision and out of the said provisions, a sum of Rs. 278,204,025 had been saved in 11 expenditure codes after transferring to other expenditure codes through FR 66.</p>	<p>There were difficulties in management of provision because the planned activities were not being fulfilled as expected and there were unexpected activities due to the facts that quarantine curfew, limitation of office activities etc. as a result of the peak of the COVID 19 situation prevailed in the country during the year 2021.</p>	<p>Provisions should be managed efficiently.</p>
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### 2.3 Incurring of Liabilities and Commitments

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<b>Audit Observation</b>	<b>Comments of the Chief Accounting officer</b>	<b>Recommendation</b>
<p>Twelve liabilities and commitments settled in the year 2022 amounting to Rs. 682,135 had not been included in the financial statements.</p>	<p>There were liabilities which were not presented at the time of preparing lists of liabilities and commitments. Those were mentioned here.</p>	<p>Liabilities and commitments should be shown in the financial statements accurately.</p>

### 2.4 Certification of Accounting Officer

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<b>Audit Observation</b>	<b>Comments of the Chief Accounting officer</b>	<b>Recommendation</b>
<p>According to the Section 38 of the National Audit Act No.19 of 2018, the Chief Accounting Officer should certify that an effective internal control system was prepared and conducted for the financial control of the Ministry and the effectiveness of the said system should be reviewed from time to time and necessary changes should be done in order to carry out the system effectively. Further those reviews should be done in writing and copies of those documents should be presented to the Auditor General. However statements had not been submitted to audit to confirm that such reviews had been done.</p>	<p>Actions will be taken to carry out such reviews in future.</p>	<p>Actions should be taken as per the section 38 of the National Audit Act No. 19 of 2018.</p>

## 2.5 Non- compliance with laws, Rules and Regulations

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	<b>Audit Observations</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>	
	<b>Reference to Laws, Rules and Regulations</b>	<b>Non – Compliance</b>		
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R.135	Delegation of financial authority for the year under review had not been done by the Accounting Officer	Will be prepared for the year 2022.	Actions should be taken as per the Financial Regulations.
(b)	F.R. 371 (5) amended by 9 of part (i) I of the Public Finance Circular No. 01/2020 dated 28 August 2020	Although ad hoc sub-impressts should be settled within 10 days after finishing the intended purpose by the officer who had obtained the allowance. However 16 instances were observed that sub impressts amounting to Rs.332,826 had been settled in a delay of 32 days to 150 days.	Not replied	Actions should be taken as per the Circulars.
(c)	F.R. 756 (6) amended by 11.1 of part I	Although the Board of survey report relating to the year should be submitted to the Auditor General before 31 March of the coming year, survey reports relating to the year under review had not been submitted even up to 27 April 2022.	Delays were occurred because limited staff was called for duty due to the situation prevailed in the country in early 2022 and there were practical issues for the survey whilst the rehabilitation of the Ministry. At the moment activities relating to the year 2021 were in the final stage.	- Do -

### 3. Operating Review

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#### 3.1 Planning

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<b>Audit Observation</b>	<b>Comments of the Chief Accounting officer</b>	<b>Recommendation</b>
Progress of 6 activities of the administration section, 7 activities under the Asi Disi Peramaga of media unit and 4 activities of information right unit which had been included in the action plan had not been included into the progress review report and as a result, progress of those activities according to the plan could not be checked.	It was unable to include into the progress review report.	Progress review report should be prepared according to the action plan as to be examined the performance.

#### 3.2 Non achieving of Expected Targets

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<b>Audit Observation</b>	<b>Comments of the Chief Accounting officer</b>	<b>Recommendation</b>
Activities such as preparing of online system for registration and renewal of web sites for broadcasting news, monitoring of the mechanism of issuing license for broadcasting radio and televisions and revision of the Sri Lanka Rupavahini Act had not been fulfilled as at the end of the year under review.	The activity of registration of news broadcasting websites was temporary terminated because security clearance should be obtained and an interview should be held for registration of such sites. Various matters had affected for monitoring of issuing of broadcasting license for televisions and radio and it is expected to bring a new law based on self-media control in future. The Cabinet Paper included the legal draft to make amendments to the Sri Lanka Rupavahini Act could not be submitted to the Cabinet due to the disturbances of the political instability and actions are being taken to resubmit currently.	Action should be taken to fulfill the activities properly as planned.

### 3.3 Procurement

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting officer</b>	<b>Recommendation</b>
(a) According to the 4.2.2 (a) of the Procurement Guideline, a procurement time table should be prepared describing all the steps systematically from the beginning to the end of the procurement process. However a detailed procurement plan had not been prepared by the Ministry.	Actions will be taken to prepare the detailed procurement plan in future.	Actions should be taken according to the Procurement Guideline.
(b) Renovation and Rehabilitation of Ministry Premises.		
(i) According to the 4.1 (c) of the Procurement Guideline, procurement activities should not be commenced without having required funds. However, even though the total estimated provision was Rs. 79,500,000, procurements to the estimated value of Rs. 179,483,827 had been commenced and provisions of Rs. 84,200,000 had been made through supplementary provisions and F.R.66.	The identified initial requirements of the Ministry building were planned at the beginning and the requirement of carrying out all rehabilitation activities simultaneously were recognized as per the instructions of the Central Engineering Consultancy Bureau of which the technical consultancy service was provided for the relevant activity.	- Do -
(ii) Quotations had been called in 04 instances for the contract for rehabilitation and development of the Ministry premises to the estimated value of Rs. 179,483,827 under 12 sub divisions and a sum of Rs. 113,404,335 had been incurred as at 31 December 2021. However the requirement of the said procurement had not been recognized clearly and	Quotations had been called after clarifying 12 sub divisions under 04 categories on the instructions of the Central Engineering Consultancy Bureau. This step was taken considering the advantage which can be obtained to the government and the speed through awarding the entire contract to one contractor directly because it will help to avoid the delays and increase of	Procurements should be commenced recognizing the requirement of rehabilitations.



- properly.
- (iii) According to the 2.8.1 (b) of the procurement Guideline, an expert of the subject had not been included into the Technical Evaluation Committee relevant to the said procurement.
- prices.  
The entire consultancy service of this job was supplied by the Central Engineering Consultancy Bureau and all technical engineers including civil engineers, electric engineers as well were in the said institute. Therefore the intended service was to be provided through the said institute.
- Actions should be taken according to the Procurement Guideline.
- (iv) According to 7.8.4 (b) of the Government procurement Guideline, insufficient bid security or insufficient bid security declaration forms should be considered as major deviations. However the Secretary to the Ministry had informed to the consultant to grant the recommendation of technical evaluation as considering it as a minor deviation. However the lowest bidder had been rejected by the Consultants and the second lowest bidder had been recommended on 20 July 2021. Without considering the recommendations of the consultants, the lowest bidder had been recommended by the Technical Evaluation Committee and the contract had been granted on 22 July 2021 on the approval of the Committee.
- Under the rehabilitation and development of the Ministry premises, agreements were signed on 05.08.2021 with the Southern Construction and Engineering (pvt) Ltd. The original copy of the agreement was filed under the subject of building maintenance of the administration division.
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| (v) The consultants had recommended to call new bids because the two bids which had been submitted for the procurement in connection with civil engineering activities relating to fixing of electric lift, and supply of electric lift, installation, operation, and maintenance were not responded. However the said contract had been awarded to the same contractor relating to the contract of rehabilitation and development of Ministry premises without calling quotations. | The contract was awarded informing 5 bidders of the Ministry Renovation in the pre- bid meeting, obtaining revised prices, carrying out technical evaluations and obtaining the approval of the procurement committee because the activities relating to fixing of electric lift should be done in line with other renovation activities of the building and delays may be occurred due to the COVID 19 outbreak. | Actions should be done according to the recommendations of the consultants. |
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### 3.4 Assets Management

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<b>Audit Observation</b>	<b>Comments of the Chief Accounting officer</b>	<b>Recommendation</b>
Three vehicles allocated to the Minister and a vehicle allocated to the staff of the Minister had not been handed over to the Ministry even up to 20 July 2022.	Further actions are being taken to take over the said vehicles.	Actions should be taken to take over the vehicles to the Ministry.

### 3.5 Management Inefficiencies

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting officer</b>	<b>Recommendation</b>
(a) There were 2 instances of obtaining more advances than the requirement and 2 instances of settling advances completely without utilizing.	It was informed to present an expenditure estimate and for obtaining advances and to take actions to obtain advances after getting confirmed that the relevant job is done definitely. And actions were taken to control the	Actions should be done according to the requirement.

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|  | issuance of advances.  |   |
| (b) Actions had not been taken to recover the due charges relating to the license issued by the Ministry for 49 institutions of which telecasting is done.   | Actions are being taken to revise the conditions included in the license, to make adjustments as to be matched with the current situation, to prepare new criteria for recovering license fees and to submit a Cabinet paper. Whilst actions will be taken to recover the fees after the operation of it.  | Actions should be taken to recover the license fees properly.                                     |
| (c) The number of radio channels which can be conducted had not been mentioned in license issued to the Licensing Institutions for conducting radio channels. As a result, 2 to 5 radio channels had been conducted by 7 institutes out of 20 under the same license.  | There were instances that there was one channel at first and later the number of channels was increased regularly in the early days (about the year 1991) of issuing license. The number of channels was limited when issuing of license lately. However this weakness will be corrected in the criteria of issuing license which is being in the process. | Conditions for the number of channels which can be conducted should be included.                  |
| (d) Actions had not been taken by the Ministry to issue license according to the Sri Lanka Rupavahini Act No.6 of 1982 and the Sri Lanka Broadcasting Corporation Act No.37 of 1966 to the Independent Television Network (pvt) Ltd. even though 02 television channels and 02 radio channels had been conducted by the Network.                             | Independent Television Network (pvt) Ltd. was taken over by the government by the Extraordinary Gazette No.39/04 dated 05 June 1979 and hence a license was not issued.  | A proper mechanism should be followed to issue license for all broadcasting organizations.        |
| (e) License fees had not been charged when issuing television and radio broadcasting license and a proper methodology had not been introduced by the Ministry for renewal of license annually or timely. Accordingly a considerable amount of income which can be recovered as license fees and fess for renewal of license had been lost to the government. | The license issued by the Ministry is an initial (primary) license and a technical license is issued by the Sri Lanka Telecommunication Regulatory Commission. An annual fee is charged as license fee in this regard. Accordingly license renewal fees will be  | A methodology for recovering charges as license fees and license renewal fees should be prepared. |

received to the government through the Sri Lanka Telecommunication Regulatory Commission because all institutes pay a fee to the government for telecasting and broadcasting. However it was proposed to charge a certain amount from the annual turnover of the licensing institutes on quarterly basis.

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| (f) | According to the conditions included in the license of cable TV/ satellite/ IPTV which had been issued by the Ministry, in the request for broadcasting a foreign channel in this country, a license or a permit which had been obtained from an organization authorized properly in the country of transmission should be submitted for broadcasting of foreign channels in this country. However actions had not been taken by the Ministry to get confirmed that licensed institutes for telecasting of cable TV/ satellite /IPTV TV had fulfilled the said requirement when adding new foreign channels to their cluster of channels. | Not replied | Actions should be taken as per conditions included in license. |
| (g) | The conducted FM channel had been prohibited by the Ministry due to violating of conditions of the temporary license issued by the Ministry to a broadcasting company in the year 1992 before it was incorporated. It had been informed by the letter of the Secretary to the Minister No.MMI/DP/3 dated 14 September 2007 that the channel had been started by another name including 10 additional conditions. However attention had not been paid for cancelation of temporary license or issuing of new license or changing of conditions of the existing license.  | Not replied | A proper methodology should be followed for issuing license.   |
| (h) | Media Centre for National Development<br>In order to strategical flow of information in the state structure with the comments and participation of general public, the National Media Centre had been established according to the Cabinet Decision No. අම/16/1675/702/059 dated 31 August 2016 and the said media  |             |  |

center had been cancelled through the Cabinet Decision No. අමප/19/3332/203/002 dated 05 December 2019 due to the expected objective not being fulfilled. The said National Media Center had been re-established as Media Centre for National development according to the Cabinet Decision held on 04 January 2021 in order to communicate the tenfold state policy of the government and the progress of development projects accurately to the general public. The following observations are made in this regard.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting officer</b>	<b>Recommendation</b>
(a) According to the proposal No. 02 of the Cabinet Memorandum No. MMI/5/2/8/2020 LIII, even though the cabinet approval had been granted to transfer the immovable and movable property which were not being in used and handed over to the Ministry of Defence to the new unit, actions had not been taken to transfer the said assets and a sum of Rs. 3,511,398 had been incurred for purchasing of office equipment.	Reply will be submitted in future.	Actions should be taken according to the Cabinet Decision.
(b) According to the observations of the Minister of Finance for the Cabinet Memorandum, even though new recruitments should be done for the posts which could not be covered by the employees who had attached to the Department of Government information because a considerable amount of employees had been attached to the said Department at the time of closing the then National Media center, 44 employees had been recruited since 02 February 2021 to the month of April 2022 on contract basis.	- Do -	- Do-
(c) For a period of a year since 02 February 2021, the Director of the Centre had been appointed at first and the staff had been appointed lately on contract basis since 02 March 2021. However actions had not been taken to get the approval of the Department of Management services for a specific cadre.	- Do-	Approval should be obtained for the Cadre.
(d) Although 44 officers had been served in the Media Centre for National	- Do-	Attendance records should be

<p>Development for the period of 17 February 2021 to 08 April 2022, attendance records had not been maintained properly. However a sum of Rs. 18,637,988 had been paid as allowances for the officers who served in the said period of time according to the written recommendation of the Director of the Centre. Further the vouchers relating to the said payments had not been signed by the officers and as a result, receiving of payment specifically to the relevant officer could not get confirmed.</p>		<p>maintained properly.</p>
<p>(e) Two media investigation officers and a KKS who had been appointed on contract basis on 02 March 2021 had been resigned on 01 September 2021 and those officers had been re-appointed since the same date to two posts as Assistant Directors (Media and Administration) and to a post of media investigation officer on contract basis.</p>	<p>- Do-</p>	<p>Approval should be obtained for the cadre properly and actions should be taken accordingly.</p>
<p>(f) The main web site of the Media Centre for National Development created in order to popularize the information relating to the development of national programme of “Saubhagyaye Dakma” had been maintained under the domain mend.gov.lk and the said web site had not been in operation.</p>	<p>- Do-</p>	<p>The web site should be updated.</p>

#### 4. Human Resources Management

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<b>Audit Observation</b>	<b>Comments of the chief Accounting officer</b>	<b>Recommendation</b>
<p>The approved cadre as at the end of the year under review was 158 and the actual cadre was 104. As a result there were 54 vacancies and 6 vacancies in senior posts had included in it.</p>	<p>Not replied</p>	<p>Actions should be taken to fill the vacancies.</p>