

## **Sri Lanka Broadcasting Corporation - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity and 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 the 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 Corporation as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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

My opinion is qualified based 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**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka 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 Corporation's 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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Corporation 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.

#### **1.4 Auditor's Responsibility on the Audit of Financial Statements**

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 skepticism 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 the Institute on 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. However, future events or conditions may cause to cease to continue as a going concern.

- 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.

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 Corporation 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 Corporation;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

### 1.5.1 Non-compliance with Sri Lanka Accounting Standards

<b>Non-compliance with the Reference to Relevant Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The useful life of property, plant and equipment items which had shown as totally zero value but still being used totalled to Rs. 148,590,605 had not been reviewed and accounted for.	Arrangements will be made to prepare a Register of Fixed Assets and carry out an revaluation and review the useful life and to be accounted for in the year 2023 .	Actions should be taken in terms of the Standard.
(b) The interest income had not been disclosed in the cash flow statement during the year under review in terms of Paragraph 31 of Sri Lanka Accounting Standard No. 07 .	Actions will be taken to disclose the cash flow from interest separately in the year 2023 .	Actions should be taken in terms of the Standard.

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| (c) | Actions had not been taken in respect of the government's capital grants of Rs. 42,853,000 and Rs. 40,000,000 for the years 2021 and 2022 respectively in terms of Paragraph 28 of Sri Lanka Accounting Standard No. 20 . | Audit observation is accurate. | Actions should be taken in terms of the Standard. |
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## 1.5.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>	
(a)	Although the outstanding advance balance shown in the financial statements as at 31 December 2022 was Rs.241,084, since the value was shown as Rs.491,825 as per the advance register, a difference of Rs.250,741 was observed.	Audit observation is accurate. This error has occurred due to the accounting for the balances in advance register as at 31 December in the advance ledger in the month of January by a mistake.	The balances between the schedules and the financial statements should be the equal.
(b)	A building was leased out for a super market complex valued at Rs. 1,014,090,300 by a lease agreement on 01 September 2022 for a period of 20 years and although the advance amount and rental income related to this lease are Rs.69,600,000 and Rs.7,500,000 respectively according to the calculations of the audit, a difference of Rs. 9,534,783 was observed due to the stating that value as Rs.61,043,478 and Rs. 6,521,739 respectively in the financial statements.	<p><b>Advance amount</b></p> <p>In the calculation of advance, a sum of Rs.600,000 has not been received as income from the advance account in December. The error was corrected in February 2023. The difference has occurred due to the VAT.</p> <p><b>Lease Rent Income</b></p> <p>There is a difference of Rs.978,261 because of the provisions of 15% lease rent has been made from the lease rent income. Due to the fact that an amount of lease rent along with lease rent has not been calculated in the agreement, it had to do adjustment like this.</p>	The balances between the schedules and the financial statements should be the equal.

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| <p>(c) The lease rent to be paid up to the 31 December 2021 was Rs.153,860,000 for the land in extent 119.5309 hectares belonging to the Trincomalee Kuchchaveli Divisional Secretariat which was acquired on a long term lease basis in the year 2009 to run a broadcasting station and the approval of the Cabinet of Ministers had been received to write off Rs. 127,795,000 from it. A sum of Rs., Rs.26,065,000 was payable as at 31 December 2021 and the payable for the year 2022 amounted to Rs.9,420,000 had not been accounted for.</p> | <p>According to the Cabinet Memorandum, the lease rent payable for the land belonging to Trincomalee, Kuchchaveli Divisional Secretariat has not been accounted for. Actions were taken to write off from the accounts.</p> | <p>Expenditures should be accurately accounted for.</p>                                     |
| <p>(d) Although the total tax liability as at 31 December 2022 should be Rs.213,349,232 (excluding fines) as per the reports of the Inland Revenue Department's Defaulted Tax Collection Unit and the tax accounts of the Corporation related to tax payments, the arrears of tax to be paid had been understated by Rs.33,257,261 by indicating it as Rs.180,091,971 under non-financial liabilities in the statement of financial position.</p>                                                                                                   | <p>Audit observation is accurate. Actions will be taken to correct this error in the year 2023 .</p>                                                                                                                        | <p>Accurate value should be shown.</p>                                                      |
| <p>(e) The Corporation had failed to reveal the reasons for the difference of Rs. 3,068,825 occurred in between the opening balance of Rs.21,108,283 as at 01 January 2022 and the balance of Rs.18,039,450 as at 31 December 2021 of airtime debtors .</p>                                                                                                                                                                                                                                                                                         | <p>This is an error occurred in the schedule of debtors for the year 2021. The schedule of debtors submitted in the year 2022 is accurate.</p>                                                                              | <p>The balances between the schedules and the financial statements should be the equal.</p> |

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| <p>(f) Even though the bad debt provision of Rs. 137,435,663 had been made for the total value of airtime debtors amounted to Rs.281,690,050 as per the financial statements as at the end of the year under review, the bad debt provision had not been made for Rs. 13,485,732 relating to other debtors and other receivables.</p>                                                                                                                                                                              | <p>Audit observation is accurate. Provisions will be made for all debtors from the year 2023 .</p>                                                                                                                                                                                                                                                    | <p>It is appropriate to draw attention on bad debt provision for all debtors .</p>             |
| <p>(g) The lease rent payable from 1995 to 31 December 2017 amounting to Rs.10,969,208 as per the method approved by the Attorney General in relation to 0.3194 hectares belonging to the Sri Lanka State Plantation Corporation which was acquired on the basis of lease for running a broadcasting station had not been accounted for up to the year under review. The lease rent payable for the years 2018, 2019, 2020, 2021 and 2022 amounting to Rs. 6,075,000 had not been settled even by 31 May 2023.</p> | <p>Audit observation is accurate. It was unable to pay due to poor financial status.</p>                                                                                                                                                                                                                                                              | <p>Actions should be taken to accurately account for assets and liabilities and to settle.</p> |
| <p>(h) The accrued expenses related to the year 2022 amounting to Rs.2,738,026 had not been accounted for as per the financial statements.</p>                                                                                                                                                                                                                                                                                                                                                                     | <p>All the payable expenses received by 10-01-2023 related to the accounting year 2022 have been accounted as accrued expenses. Accordingly, an amount of Rs.322,659,847 has been shown in the account as accrued expenses as at 31-12-2022. The payment vouchers shown in the audit were received by the Finance Division after the said period.</p> | <p>Actions should be taken to accurately account for the accrued expenses.</p>                 |

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| <p>(i) The accumulated depreciation of motor vehicles in the financial statement of the year under review for property, plant and equipment was Rs.53,863,675 and the balance as at 01 January 2022 was Rs.52,786,363. Accordingly, although the depreciation amount of Rs.1,077,313 should be allocated during the year under review, that value had not been accounted for.</p>                                                                                                                                                                                                                                                 | <p>Actions will be taken to correct the accounts in the year 2023 by checking the matters pointed out by the audit.</p> | <p>Provisions for depreciation should be accurately accounted for.</p>                                                   |
| <p>(j) It had been entered into agreement on 25 February 2022 to pay Rs.5 million in 03 installments as Rs.2 Mn. on 15 April 2022, Rs.1.5 Mn. on 15 May 2022 and Rs.1.5 Mn. on 15 June 2022 to purchase the sales center building belonging to Samurdhi Development Department at Thenmarachi Navatkuli for Yal F.M service. Out of which , a sum of Rs.2 million had been paid on 03 November 2022 and the balance amount had not been paid. Accordingly, the balance of building amounting to Rs.3 Mn, the creditor balance amounting to Rs.3 Mn. and the interest charged due to delay had been understated by Rs.680,000.</p> | <p>Audit observation is accurate.</p>                                                                                   | <p>The balance of building and the balance of creditors and the interest thereon should be accurately accounted for.</p> |
| <p>(k) As a result of the Corporation had not paid proper attention to the contribution payable to the Employees' Provident Fund, a case was filed against the Corporation for failure of sending Rs.12,714,678 to the Employees' Provident Fund for the employees of the Trincomalee Broadcasting Station. Even though the Magistrate Court had ordered the</p>                                                                                                                                                                                                                                                                  | <p>Audit observation is accurate. As the Corporation has filed an appeal, no provisions have been made.</p>             | <p>Actions should be taken to pay contributions payable to Employees' Provident Fund.</p>                                |

payment of that amount on 17 January 2021, an evaluation on that responsibility and proper actions thereon had not been carried out

- (I) A sum of Rs. 1,565,604 pertaining to the year 2023 had been stated as the expenditure of the year under review.
- The fact shown in the audit under voucher number pay-1388-12 and number pay-1274-12 is accurate.
- Rs.658,350 is an expenditure related to the first quarter of the year 2023. That cost is not relevant to the year 2022. Accordingly, all these accounting entries have been accurately accounted for.
- Expenditure should be accurately accounted for in the relevant year.

### 1.5.3 Uncontrolled Control accounts or Records

Item	Value as per Financial Statements Rs.	Value as per corresponding records Rs.	Difference Rs.	Comments of the Management	Recommendation
(a) <u>Development Lotteries Board</u>					
Debtor Balance	18,192,625	13,758,998	4,433,627	Actions will be taken to check and correct these debtor and creditor balances	The value according to the financial statements should be the same as the values appear according to the corresponding reports.
Creditor Balance	1,939,040	No Balance	1,939,040		
<u>National Lotteries Board</u>					
Debtor Balance	6,514,210	No Balance	6,514,210		
Creditor Balance	565,573	No Balance	565,573		



(b)	Stock	31,400,885	29,405,407	1,995,478	Audit observation is accurate. Arrangements will be made to correct the accounts in the year 2023.	The value according to the financial statements should be the reconciled with the values appear according to the corresponding reports
(c)	Deposit Balance Receivable	9,242,462	9,287,782	419,680	The audit observation is accurate and according to the Audit and Management Committee decisions, a Committee has been appointed and a report on this balance has been convened. According to its decision, arrangements have been made to correct this balance in the year 2023 .	Arrangements should be made to correct the deposit balance

#### 1.5.4 Lack of Evidence for Audit

	<b>Item</b>	<b>Amount Rs.</b>	<b>Unavailable Audit Evidences</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	Lands	7,574,763	Title deeds, documents confirmation of values, Register of Fixed Assets and physical verification reports	Audit observation is accurate	Documents and records confirming the ownership and existence of assets should be submitted.
(b)	Buildings	433,223,877	Register of Fixed Assets and physical verification reports	Audit observation is accurate.	Documents and records confirming the ownership and existence of assets should be submitted.
(c)	Investment in shares of Lankapuvath Agency.	1,000,000	Share Certificates	Audit observation is accurate.	Relevant evidences should be submitted to verify the balance.
(d)	Withholding Tax	23,232,695	Withholding Certificates	Tax Audit observation is accurate.	Documents and records confirming the existence should be submitted.

#### 1.6 Accounts Receivable and Payable

##### 1.6.1 Receivables

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	The airtime debtor balance was Rs. 281,690,050 as at 31 December 2022 and out of that, the amount of local debtors over 10 years was Rs.31,873,561 and the overseas debtors was Rs.63,114,642. It was 34 per cent of the total airtime debt balance. Moreover, within this overseas debtor balance, an unidentifiable balance of Rs.35,301,041 was consisted.	Audit observation is accurate. Debtor balances remaining from 1974 cannot be recovered. The Committee on public Enterprises has given Directives to write off the balance. Accordingly, a Committee has been appointed by the Finance Division, the Marketing Division, and the Internal Audit Division, to examine the writing off record	Taking actions to recover the balance to be recovered.

and submit it to the Board of the Corporation .

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| <p>(b) Although the officers responsible for the payment of half salary of Rs.954,664 to an officer who was suspended and later convicted by the court were identified, the Corporation had not taken actions so far to recover the amount.</p>                                           | <p>Audit observation is accurate.<br/>A Board Resolution of the Corporation has been given to proceed with the recovery of money.</p> | <p>The Corporation should make arrangements to identify the responsible parties and recover the relevant amount.</p> |
| <p>(c) The Corporation had not taken measures even by the year under review for the recovery of debtor balances totalled to Rs.10,106,956 with 2 to 11 years old included in the balance of other income receivable, valued at Rs.64,055,395 as at the end of the year under review .</p> | <p>Audit observation is accurate.</p>                                                                                                 | <p>Arrangements should be made for the recovery of old debtor balances.</p>                                          |
| <p>(d) Actions had not been taken to recover an overpaid Employees' Provident Fund balance of Rs.238,952 bringing forward for more than 35 years to the Corporation even by 31 May 2023 .</p>                                                                                             | <p>Audit observation is accurate.</p>                                                                                                 | <p>Arrangements should be made to settle the Provident Fund balance .</p>                                            |
| <p>(e) The Corporation had not taken actions even by the year under review to recover the sundry debtor balance of Rs. 4,829,121 which had elapsed between 2 and 21 years included in the balance of sundry debtors valued at Rs. 4,829,121 as at the end of the year under review.</p>   | <p>Audit observation is accurate.</p>                                                                                                 | <p>Arrangements should be made to settle the balance of sundry debtors.</p>                                          |
| <p>(f) The balance to be recovered for more than 3 years was Rs.115,771,219 within the debtor balance of 281,690,050 as at 31 December 2022 .</p>                                                                                                                                         | <p>Audit observation is accurate.</p>                                                                                                 | <p>Actions should be taken to recover the balance receivable from the debtors.</p>                                   |

(g) Only Rs.85,000 had been received out of the returned cheques as at 31 December 2022 amounted to Rs.1,005,482 by 30 April. The Corporation had not taken steps to collect the balance amount of Rs.920,482 .	Audit observation is accurate.	The corporation should take steps to recover the value of the returned cheque.
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### 1.6.2. Payables

#### Audit Observation

The total payable to the Telecommunication Regulatory Commission for the period from 1981 to 2016 included in the financial statements as at 31 December of the year under review amounted to Rs.149,420,035 had remained for about 40 years without being settled and the balance was Rs.145,614,269 as per the financial statements of the Telecommunication Regulatory Commission. The balance payable had not been settled even by 31 May 2023 .

#### Comments of the Management

Audit observation is accurate.

#### Recommendation

Actions should be taken to find the causes of long-standing accrued expenses and correct.

### 1.6.3 Advances

#### Audit Observation

(a) The settlement of advances of Rs. 6,031,660 in 155 cases had been made with a delay between 11 days and 714 days exceeding 10 days after completion of task during the year under review in terms of F.R. 371(2) (b) and 371(5) of as amended by 9.1 of Public Finance Circular No. 01/2020 dated 28 August 2020 .

#### Comments of the Management

Arrangements have been made to settle the advance amount of Re. 5300 in the first quarter of 2023. It is not be possible to settle the advance in the relevant period according to the circular number due to the nature of the work and the advances issued to the regional services and broadcasting stations scattered all over Sri Lanka are done only through the Head Office.

#### Recommendation

Actions should be taken in terms of Financial Regulations.

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| (b) | Although only officers of Staff Grade can be granted ad hoc sub imprests up to a maximum of Rs.100,000 at a time in terms of F.R. 371(2) (b) and 371(5) as amended by 9.1 of Public Finance Circular No. 01/2020 dated 28 August 2020, actions had been taken to provide advances totalled to Rs. 4,643,500 exceeding that limit in 21 cases.         | There are occasions when advances have to be given exceeding the limit as per the nature of the task and actions have been taken to obtain special approval of the Chairman and Director General for that.                                                                                                                                                                                                                                                                                                                  | Actions should be taken in terms of Financial Regulations.                                            |
| (c) | Although any advance received by an officer shall not be paid advances again before settlement as per Section 04 of Sri Lanka Broadcasting Corporation Staff Notification No.: SLBC/3142, on the contrary, advances of Rs.5,082,646 were re-issued by the Corporation to 26 officers on 126 occasions during the year under review before settlement. | These advances have to be issued due to existence of 13 Radio Channels, existence of 11 Regional Broadcasting Stations, existence of 07 regional services, advances can only be issued to executive grade officers and due to the limitation of nature of tasks, and the number of officers who can issue advances. If advances is not made as such, the operational functions of the Corporation will be affected. Arrangements have been made to follow a proper accounting control system to offset all advances issued. | Measures should be taken as per written instructions and use government money with proper management. |
| (d) | Although the necessity should be identified and provide the advances and accordingly, it was observed that in 8 cases, the advances received amounting to Rs.182,900 had been repaid without spending.                                                                                                                                                | Audit observation is accurate.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | The necessity should be identified when giving advances.                                              |

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

Reference to Laws, Rules, Regulations etc.	Non-compliance Rs.	Comments of the Management	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(a) (i) Financial Regulation 396 (d) (i) and (ii)	Actions had not been taken in respect of 13 cheques valued at Rs.604,539 whose validity period exceeded 06 months as at 31 December 2022 in terms of Financial Regulations.	This has been corrected by now.	Measures should be taken in terms of Financial Regulation 396 (d) (i) and (iii) .
(ii) Financial Regulation (395) (c)	Although a bank reconciliation statement should be prepared before the 15th day of the following month in respect of the balance of transactions at the end of each month and the said bank reconciliation should be kept ready for audit in accordance with Financial Regulation 395(b).	All bank reconciliation statements were prepared and submitted by email. Soft copies are submitted herewith.	Measures should be taken in terms of Financial Regulations.

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| <b>(b)</b> | Guideline for Public Enterprises issued by the Department of Public Enterprises, Ministry of Finance dated 16 November 2021                                                                | Specific time targets had not been specified for each activity in the Action plan presented .                                                                                                                                                                                                                                                                                                                                   | Audit observation is accurate.                                                                                 | Measures should be taken in terms of the Guideline. |
| <b>(c)</b> | As per 6.2 of Part II of Circular “Compilation of Public Finance and Treasury Operations Circulars in an Easy-to-Refer Mode” in Public Finance Circular No. : 01/2020 dated 28 August 2020 | The Corporation had made recruitments on 10 occasions for a period exceeding 90 days. Although the payments related to recruitment should be made after the completion of the relevant task with the personal approval of the Ministry Secretary, the Corporation had made monthly payments of Rs. 2,424,937 to 07 officers who had been recruited on assignment basis only up to September 2022 before the task was completed. | Audit observation is accurate.                                                                                 | Measures should be taken in terms of the Circular.  |
| <b>(d)</b> | Treasury Circular No. 842 dated 19 December 1978 and Schedule II of Financial Regulation 502(2)                                                                                            | A Register of Fixed Assets had not been maintained in respect of fixed assets owned by the Corporation.                                                                                                                                                                                                                                                                                                                         | Audit observation is accurate. It has been planned to maintain a Register of Fixed Assets from the year 2023 . | Measures should be taken in terms of the Circular.  |

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| (e) | As per 6.7 of the Operational Manual for Public Enterprises issued by the Public Enterprises Department of the Ministry of Finance on 16 November 2021 | Although an annual asset verification should be carried out for fixed assets and warehouses, such a test, in respect of fixed assets and warehouses of the Sri Lanka Broadcasting Corporation for the year 2022 had not been conducted till the date of audit.                                                                                                 | An annual asset verification for warehouses has been done and submitted for audit. About 60% of the annual verification of fixed assets 2022 has been completed. Fixed assets verification should be carried out quantitatively in 17 external services and broadcasting stations and 58 sub-units from the Head Office. Officers working in other sectors are deployed for this purpose, and the considerable time required for verification has been identified as a limitation factor in this. | Measures should be taken in terms of 6.7 of the Operational Manual . |
| (f) | Paragraph 2.3 of Public Finance Circular No. 01/2021 dated 16 November 2021                                                                            | Although the Strategic Plan should be prepared 15 days before the beginning of the accounting year and submitted to the Secretary of the Treasury and the Director General of the Department of Public Enterprises or the Director General of the National Budget Department through the Secretary of the Line Ministry, the Corporation had not been so done. | Audit observation is accurate.                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Measures should be taken in terms of the Circular.                   |



<p><b>(g) Section 38 (1) (e) of the National Audit Act No. 19 of 2018</b></p>	<p>Although the Accounting Officer should ensure that all audit queries are answered within a specified period as required by the Auditor General, answers had not been given for 2 audit queries of the Corporation, even by 30 June 2023 .</p>	<p>Audit observation is accurate.</p>	<p>Answers for audit queries should be given.</p>
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## 1.8 Finance Management

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p><b>(a)</b> There was an amount of Rs.56,282,019 as at 31 December of the year under review in the People's Bank Savings Account which existed before the year 2014 and an interest of Rs. 2,133,619 was received under an interest rate of less than 2.5 per cent for that. Further, the overdraft balance was Rs.51,726,039 as per the bank statement on the main current account of the Corporation (2323265) as at 31 December 2022 and the interest charged for it was Rs. 4,679,352 . A financial loss had been incurred for failure of focusing on investing the Corporation's money at an interest rate greater than 2.5% or increasing of overdraft interest by Rs. 2,545,733 more than the interest</p>	<p>As the money in the savings account of People's Bank is needed by the Corporation for emergency purchases, this amount was not made in a fixed deposit.</p> <p>Audit observation is correct.</p> <p>Having to pay bank overdraft interest on the main current account (2323265) .</p> <p>The amount of Nations Trust Bank was transferred to the savings account of People's Bank in April 2023.</p>	<p>Proper arrangements should be made for the finance control.</p>

income due to non-payment of bank overdraft. Further, the current account of the Nations Trust Bank, which existed before the year 2012, had not been used in the most effective way, and Rs. 17,761,729 had been kept in idle as at 31 December 2022.

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| <p>(b) According to the financial statements, the accrued expenses were Rs.322,659,847, of which schedules had not been submitted for the accrued expenses of Rs.223,507,075. Within this accrued expense, the balance of Rs. 228,606,286 which had remained for many years had also been included.</p> | <p>Audit observation is accurate. Contractual Employee Payroll of Rs. 841,819.00 can be provided.</p> | <p>Arrangements should be made to find the reasons for accrued expenses and corrected. Schedules should be submitted for Rs. 222,665,256.</p> |
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## **2. Financial Review**

### **2.1 Financial Results**

The operating result (before tax) for the year under review was a loss of Rs. 236,388,563 and the profit for the corresponding year was Rs. 11,487,241. Accordingly, a deterioration of Rs.247,875,804 was observed in the financial result. Non-availability of government grants had mainly attributed to this deterioration.

### **2.2 Trend Analysis of Major Revenue and Expenditure Items.**

The sales revenue for the year under review had increased by Rs.49,243,983 as compared to the preceding year and administrative, distribution and other operating expenses had decreased by Rs.22,056,072. Within that situation also, thus the profit after tax in the year under review had dropped by Rs. 119,224,883 (without Government grants), it was observed that there was uncertainty in running the Corporation without any financial support from the Treasury or Government.

## 2.3 Ratio Analysis

- (a) In comparison with the preceding year, a huge drop was shown in the current ratio from 1.04 to 0.6 and the quick ratio from 1 to 0.56. Within the debtors included in current assets, old local debtors for more than 10 years were Rs.31,873,561, foreign debtors were Rs.63,114,642, and Rs.228,606,286 were included for many years in the accrued expenses of current liabilities. Further, as the net working capital had decreased from plus value of Rs. 21,143,543 to a negative value of Rs. 282,878,479, the Corporation had faced the problem of short-term illiquidity.
- (b) As compared to the previous year, the operating profit ratio had grown from negative value of 52.05 to negative 33.89 per cent and the increase in sales revenue by 7.78 per cent, administrative expenses by 6.19 per cent and other operating expenses by 1.16 per cent had caused this. Further, the Corporation had continued to incur operating losses.

## 3. Operational Review

### 3.1 Identified Losses

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) (i)	The new building in front of the Corporation had been leased out to a supermarket complex on 01 September 2022 for a period of 20 years at a value of Rs.1,014,090,300. Advertisements had been published in only one newspaper for this. It was only mentioned that it can be given for Rs.2 million per month without stating the square footage of the building and parking lot in the valuation report obtained for this building and car park which had already been given at an initial rent of Rs.3 million. But in the newspaper advertisement, it was mentioned as 10 perches.	Agree with the audit observation. Based on the financial situation of the Corporation, it was arranged to do these advertisements in a Sunday newspaper through the Sunday Observer, Lakehouse Company which is a public institution. This activity was also done on credit basis. In addition, these advertisements were published on the Corporation's Website.	Actions should be taken to obtain an accurate assessment so that it does not incur loss to the Corporation.

According to the audit and on-site observation made by the officers of the Corporation on 02 June 2023, it was ascertained that this amount was about 123.06 perches, the Corporation had lost the opportunity to earn the lease rent values that it was supposed to get based on the accurate square footage because of the low number of square footage specified in the newspaper advertisement and failure of taking proper assessment.

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| <p><b>(ii)</b> As a part of the monthly rental income received has to be allocated for Value Added Tax (assuming Value Added Tax remains unchanged at 15% in future years), there is a risk of losing the lease income to the Corporation by having to pay Value Added Tax of Rs.132,272,648 from the Corporation tax income by the year 2042 when the contract period ends.</p> | <p>Audit observation is accurate.</p> | <p>Actions should be taken to revise the lease agreement.</p> |
| <p><b>(iii)</b> Although the advance amount received as per this agreement was Rs. 72 million, because of the Section 7 (g), a provision of Rs.9,391,304 was made as Value Added Tax. Even though it had agreed to offset this advance by monthly rent of Rs.600,000 in 120 months as per clause 3(ii) a of the agreement, as the total advance accounted for was</p>            | <p>Audit observation is accurate</p>  | <p>Actions should be taken to revise the lease agreement.</p> |

Rs.62,608,696, provision of 120 installments of Rs.600,000 each is problematic.

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|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------------------------------------------------------------------|
| (b) | Even though the approval of the Procurement Committee was received on 06 November 2019 to repair the main transmission tower and microwave tower of the Head Office, which are in a condition that needs to be repaired soon, repairs had not been done even by 30 April 2023. As a result, the operating of broadcasting of programmes by the Corporation had become at a risky level. | Audit observation is accurate. | It should be repaired soon.                                             |
| (c) | The Corporation had not taken actions to offset withholding tax certificates value of Rs. 16,980,329 held by the Corporation from the year 2004 to the year 2019 for the income tax before the prescriptive time period.                                                                                                                                                                | Audit observation is accurate. | The Corporation should make arrangements to offset the withholding tax. |

### 3.2 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The Corporation had been continuously incurring losses since 2012 before receiving the Treasury provision and due to receipt of Treasury allocations for recurrent expenditure, there was an opportunity to reduce those losses. Before receiving the Treasury allocation in the year 2021, the loss of Rs. 333.5 Mn.	Arrangements have been made to provide part of the new building in the year 2022 on lease basis, starting the necessary activities to stand up as an institution that provides dividends without cost burden to the country by using underutilized assets. Necessary actions have been commence to	Actions should be taken to improve the income from the revenue sources.

turned into a profit of Rs. 11.5 Mn. because of receiving Rs. 345 Mn. provision and as a result of not receiving Treasury allocation, the loss was Rs. 236.4 Mn. in the year 2022 . For this purpose, the Corporation had arranged to lease the buildings and lands of the Corporation with the expectation to increase the income through other sources of income. However, the Corporation did not draw attention to the measures that can be taken to increase the financial position by increasing the sale of air time, which is the main function of the Corporation, and to bring it back to a profitable environment by controlling the institutional and administrative expenses.

use the Trincomalee, Kutchaveli land for a solar power project. It has been commenced to run jointly with Nuwara Eliya residence. A Memorandum of Cabinet of Ministers has been sent to receive an amount of Rs. 125 million s from the University of Moratuwa, which has not been received for many years.

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| (b) | Although the Corporation had invested Rs.1,000,000 in the year 1993 according to the request of the Ministry of Mass Media to buy the shares of Lanka puvath Agency, no dividend income whatsoever had received from the year 1993 even to the year 2022 .                                                                                                                      | Agree with the audit observation. | Arrangements should be made to look into Investments and acted upon to reap benefits. |
| (c) | Although no one who has completed the age of 67 shall be re-appointed to a post of approved staff in the public service as per Public Administration Circular No. 09/2007 dated 11 May 2007, the Corporation had employed two persons who have completed the age of 68 and 81 years on assignment basis from the year 2010 up to now without issuing any letter of appointment. | Audit observation is accurate     | Actions should be taken in terms of the provisions of the Circular.                   |

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| (d) | Although the Board of the Corporation had decided that the targetted monthly income of all sales executives should be increased up to Rs.03 million as per the Board Meeting No. 03/2020 (ii) Decision No. 04.03 of the Corporation held on 29 June 2020, the sales target of marketing officers in October and November 2022 had not been 03 million. Likewise, 12 out of 15 officers were not able to complete the target given in October 2022 . | Audit observation is accurate.                                                                                                                                                                                                                                                                             | Actions should be taken as per the Decision No. 04.03 of the Board Meeting No. 03/2020 (ii) of the Corporation . |
| (e) | The budgeted sales income for the year 2022 was Rs.1,040,210,000 and the actual sales income in the year 2022 was Rs.682,086,556. Accordingly, the Marketing Division of the Corporation had failed to achieve Rs.358,123,444 out of the budgeted income. That amount was 34% of the budgeted sales income.                                                                                                                                         | Audit observation is accurate.                                                                                                                                                                                                                                                                             | Arrangements should be made to achieve the budgeted income.                                                      |
| (f) | Although the balance receivable before the year 2022 was Rs. 163,164,250 , the legal actions had been taken for to recover the debt of Rs. 12,890,287 only.                                                                                                                                                                                                                                                                                         | Audit observation is accurate.                                                                                                                                                                                                                                                                             | Actions should be taken to recover the balances receivable.                                                      |
| (g) | The buildings related to Kandurata Service had been constructed in the year 2018 at a cost of Rs. 5,830,890 in a land where the Broadcasting Corporation has no legal right and arrangements had not been made to legally take over.                                                                                                                                                                                                                | Actions have been taken to construct this building on the land given to the Broadcasting Corporation for more than 30 years. Later, a meeting was held in the Ministry of Mass Media with the officers of Pushpadana College, Kandy, Land Commissioner Department regarding the request made by Pushpadana | Arrangements should be taken to legally take over the possession or formally settle the land.                    |

- Vidyalaya to provide the land on which the building was built and it was adjourned for 6 months without a decision on this matter.
- (h) Although all government agencies are required to review the fees charged by their agency for services and revise them every three years subject to a maximum of 15 per cent as per Paragraph 5.1 of Part II of State Finance Circular No. 1/2020 dated 28 August 2020, due to the Corporation had not complied with it, the Corporation did not focus on getting fee income up to Rs.102,312,983 during the year under review.
- (i) There a sum of Rs. 37,402,395 received from the year 2015 as airtime creditors when it was difficult to perform the related programmes on the scheduled date in cases where customers paid money for the programs in advance and arrangements had not been made to settle the said amount accordingly.
- (j) It had been informed that "The land is handed over only for the construction of a radio transmission station" and that the land cannot be used outside of that purpose and that the land should be returned if it is used outside of the prescribed purpose as per the schedule ii of the Certificate of Alienating of the land of the Corporation of 149 acres, 02 roods , 02 perches for the construction of a radio
- Audit observation is accurate. Fees have not been increased in 2020, 2021, 2022 . Due to the Corona epidemic in the world at the beginning of 2020, there has been no annual fee increase or special activity, only focussed on running the institution. Steps have not been taken to increase the rates by 20 per cent.
- Airtime revenue has been provided for all receipts in advance in the year 2022. Arrangements will be made for the balance amount in 2023.
- Actions will be taken by checking the accounts after the year 2007 and to correct the accounts in the year 2023 if wrongly accounted for.
- Actions should be taken in terms of the Circular.
- Measures should be taken to credit or refund the cash income received in respect of programmes which were not conducted .
- It should not be used outside of its intended purpose.



transmission station with the approval of the Homagama Divisional Secretary. However, the Broadcasting Corporation deviated from that objective and an advance of Rs. 25,000,000 had been obtained on 17 December 2007 for the construction of the Faculty of Technology of the University of Moratuwa.

### 3.3 Resources Released to Other Entities

Audit Observation	Comments of the Management	Recommendation
<p>Actions had not been taken to recover Rs. 2,236,895 receivable to the Corporation from the officers released from the Corporation service to other entities during the period of 2009 and 2019 even by 31 May 2023 .</p>	<p>Audit observation is accurate.</p>	<p>Arrangements should be made to recover amounts receivable to the Corporation from officers released to other entities.</p>

### 3.4 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) The Corporation had taken steps to recruit an officer from 13 December 2021 on assignment basis who had retired from the position of Estate Superintendent on 10 December 2021 due to completion of 60 years. In the Board Meeting of the Corporation held on 14 March 2022, the Treasury Representative had not agreed in</p>	<p>Audit observation is accurate.</p>	<p>Obtaining service on assignment basis should be done as per legal provisions.</p>

principle to get the service of this officer on assignment basis, and the observer of the Ministry of Mass Media had also not agreed to it. However, the Board of the Corporation had given approval to employ this officer on assignment basis.

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|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------|
| <p><b>(b)</b> Even though only 01 post of Director (Marketing) is included in the approved cadre of the Corporation, the Corporation had employed two officers on permanent basis and on contract basis in the post of Director (Marketing) against the approved cadre during the period between 01 June 2021 and 31 May 2022. Accordingly, the amount paid for two officers for one position approved by the Corporation during that period was Rs.3,872,920. Moreover, although the Corporation had not taken actions to assign another duty to the officer who was the Director (Marketing) released from the duties of the Sales Division for the period from 1 June 2021 to 27 June 2021, he had been paid Rs. 182,505 as his salary for the month of June.</p> | <p>Audit observation is accurate.</p> | <p>Recruitments should be done only for approved posts.</p> |
| <p><b>(c)</b> An excess of 57, 95 and 61 employees were employed in the staff of the Corporation for tertiary level, secondary level and primary level posts respectively.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>Audit observation is accurate.</p> | <p>Recruitments should be done only for approved posts.</p> |

#### **4. Accountability and God Governance**

##### **4.1 Annual Report**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>Although the Draft Annual Report along with the Annual Financial Statements should be submitted to the Auditor General within 60 days of the end of the accounting year in terms of Paragraph</p>	<p>Audit observation is accurate.  The Annual Report for the year 2021 is in print and it can be submitted by 31 May.</p>	<p>Actions should be taken in terms of Operational Manual.</p>

6.6 of Operational Manual for Public Enterprises No. 01/2021 dated 16 November 2021, the Financial Statements of the year under review were submitted for audit on 10 March 2023 with a delay of 10 days and the Draft Annual Report was not submitted for audit.

## 4.2 Annual Action Plan

### **Audit Observation**

In considering the progress as at 31 December 2022 of the Action Plan submitted for audit on 25 November 2022, a number of 22 sections had been included in the Action Plan and the progress in 14 sectors had not been presented. Further, 17 programmes introduced with the aim of increasing the income of the marketing Division had not been not conducted.

### **Comments of the Management**

Audit observation is accurate.

### **Recommendation**

The progress should be forwarded as per the Action Plan.