Selacine Television Institute - 2022

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Selacine Television Institute 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 Institute 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 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 Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 **Audit Scope**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Institute 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 Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non Compliance with Sri Lanka Accounting Standards

	Non - compliance with reference to the particular standard	Management Comment	Recommendation
(a)	According to the Section 06 of the Sri Lanka Accounting standards 07, even though cash in hand, demand deposits and short term investments should only be included into the cash and cash equivalents, balances of unsettled production and other advances amounting to Rs. 412,560 had been recognized under the cash and cash equivalents as at the end date of the year under review.	This is an action which has been taken place regularly according to the nature of the institute. It was clarified under the cash and cash equivalents considering as cash in hand.	Actions should be taken according to the Sri Lanka Accounting standards.
(b)	The following observations are made in connection with preparing of the statement of cash flow according to the Sri Lanka Accounting Standards 07.		
	(i) When preparing the statement of cash flow, even though a sum of Rs. 1,324,243 recognized to the statement of income as gratuity expenses for the officers who are serving currently should be adjusted to the net profit before tax , a sum of Rs. 1,426,268 had been adjusted to the profit before taxation as gratuity expenses including the total amount of gratuity payable for the year 2021 amounting to Rs. 102,025.	Instructions were given to adjust the correct amount of Rs. 1,324,243.00 which was recognized during the year under review as gratuity expenses.	Actions should be taken according to the Sri Lanka Accounting standards.

	(ii)	Impairment of debtors amounting to Rs. 579,430 had not been adjusted to the profit before taxation.	Action will be taken to correct the impairment of debtors amounting to Rs. 579,430 to the profit before taxation.	Actions should be taken according to the Sri Lanka Accounting Standards.
	(iii)	A sum of Rs. 20,040,591 which had been adjusted to the retained earnings during the year under review had been added to the profit before taxation as non-financial transaction.	Actions will be taken to correct the addition of net payable NBT amounting to Rs. 24,437,590 which was written off according to the Finance Act No.18 of 2021 because it was a non – financial transaction.	Actions should be taken according to the Sri Lanka Accounting Standards.
(c)	(i)	According to the Section 42 of the Sri Lanka Accounting standards 08, when correcting prior year errors and misstatements during the year under review, the balances as at the end of the previous year should be restated retrospectively .However when correcting the balance of the error occurred in the year 2021 totaling Rs. 4,396,999, closing balances of assets and liabilities of the year 2021 had not been restated. According to the said standard, even though the nature of the errors taken place in previous year and corrected amounts should be disclosed in the financial statements by a note, only a total amount of the said values had been disclosed in the financial statements.	When presenting accounts for the year 2023, actions will be taken for the year 2022 according to the section 42 0f the Sri Lanka Accounting Standard 08.	Actions should be taken according to the Sri Lanka Accounting Standards.
	(ii)	Further the total amount of the said value which had been adjusted to the retained earnings relating to the previous year had been adjusted to the net profit before taxation in the statement of cash flow and it had not been considered		

	when making adjustment for working capital changes.		
(d)	According to the Section 51 of the Sri Lanka Accounting standards 16, the useful life of all property, plant and equipment should be reviewed at least at the end of an each financial year. However actions had not been taken accordingly and fully depreciated property, plant and equipment at the cost of Rs. 32,769,883 had been in use. According to the Section 79 (b) of the said standard, the gross carrying amount of the fully depreciated property, plant and equipment which had been in use should be disclosed in the financial statements. However except vehicles, the said amount relating to other property, plant and equipment had not been disclosed in the financial statements.	According to the Section 51 of the Sri Lanka Accounting standards 16, the approval of the Board of Directors was received for revaluation of assets as the first step of taking actions to review the useful life of all property, plant and equipment. Relevant officers were informed accordingly and carrying value was disclosed in the note 3.4	Actions should be taken according to the Sri Lanka Accounting Standards.
(e)	According to the Section 17 of the Sri Lanka Accounting Standards 24, information of related parties should be disclosed in the financial statements. However information relating to the Directors attached to the Key Management Personnel of the Selacine Institute had not been disclosed in the financial statements.	Although actions were taken in connection with the related parties of the top management according to the section 14 of the standard 24, instructions were given to take actions in connection with the Board of Directors according to the section 14 of the standard 24.	Actions should be taken according to the Sri Lanka Accounting Standards.
(f)	According to the Section 34 and 89 of the Sri Lanka Accounting standards 37, although the	Instructions were given to solve this	Actions should be taken according to

financial fraud taken place in the year 2014 amounting to Rs. 11,988,000 should be disclosed in the financial statements as a note, it had been shown under the trade and receivables in the financial statements since the year 2014 to the year under review. As a result, financial position had been overstated by Rs. 11,988,000.	problem in the year 2023. According to the Section 32 and 33 of the Sri Lanka Accounting standards 37, actions were taken already to correct the accounts according to the approval of the Board of Directors after reviewing the matter in the Audit and Management Committee.	the Sri Lanka Accounting standards.

1.5.2 **Accounting Deficiencies**

Audit observation	**Management Comment**	**Recommendation**
(a) Although the bank interest income which had been shown in the financial statements for the year under review was Rs. 3,196,301, according to the calculations made by the audit, the income of bank interest was Rs. 3,697,430. As a result a difference of Rs. 501,129 was observed in the income for the year.	This calculation was done based on the balance confirmations given by the bank as at 31.12.2022. These values were shown in the financial statements. Interest relating to two fixed deposits was accrued and the interest relating to other deposits was credited to the bank account. As you pointed out, interest income account will be corrected.	Actions should be taken to show the correct amounts in the accounts.
(b) According to the calculations made by the audit, even though the receivable bank interest income was Rs. 390,138 only a sum of Rs. 93,904 had been shown in the financial statements. As a result difference of Rs. 296,234 was observed in the bank interest income.	Immediate instructions were given to correct the receivable bank interest income relating to the deposit mature on 25.01.2023 amounting to Rs. 1,722,788 and the deposit mature on 12.02.2023 amounting to Rs. 5,000,000.	Actions should be taken to show the correct amounts in the accounts.

(c)	Although there was not a closing balance in the advance accounts of the financial statements for the year 2020, opening balance of Rs. 755,272 had been brought forward in the ledger account for the year 2021 and the same amount had been shown as the closing balance. The said balance had been brought forward in the financial statements for the year 2022 and it had been remained same as at 31 December 2022. However the management had failed to confirm the balance.	Even though the credit balance of Rs.755,271 was considered as a balance received from debtors this balance could not be recognized from which debtor at the time of preparation of financial statements. Hence it was debited to the cash book and credited to the payable advance account. Until it was recognized that for which reason and from which debtor this had been received, it was deducted from the debtor balance and shown under the Note 04.01. A certain amount out of that was identified and actions will be taken to settle the matter when preparing the financial statements for the year 2023.	Actions should be taken to show the correct amounts in the accounts.
(d)	When comparing trade receivables and trade payables shown in the financial statements of the institute with the balances of the relevant financial statements of those institutions, there were differences in payable balances relating to 02 institutions by Rs. 2,153,216 and a difference of Rs. 5,733,282 was observed in the in the payable balances of other 02 institutions. And a difference of Rs. 2,666,376 was observed in the total amount of 03 balances of trade and receivables relating to 03institutions.	-do -	Actions should be taken to show the correct amounts in the accounts.
(e)	According to the financial statements of the Sri Lanka Rupawahini Corporation there was	Not commented	Actions should be taken to show the correct amounts in

	a payable balance of agency commission of Rs. 1,864,496 to the Selacine Institute as at 31 December 2022. However there was not a receivable balance from Sri Lanka Rupawahini Corporation in the financial statements of the Selacine Institute.		the accounts.
(f)	According to the Section 3 (1) of the Economic Service Charges Act No.13 of 2006, the economic service charges paid by an individual can be set off from the income tax payable by the same individual for the relevant quarter of the relevant year. In a ground of non-paying of income tax since the year 1982 of which the Institute was commenced , a balance of Rs. 3,599,744 which cannot be claimed had been shown under the current assets of the statement of financial position as economic service charges receivable during a period of 10 years approximately.	There was an inquiry with the Department of Inland Revenue in connection with the income tax liability payable by the Selacine Television Institute, it was informed to the Department of Inland Revenue that this can be adjusted against the payable tax after deciding the tax liability.	Actions should be taken to show the correct amounts in the accounts.

1.5.3 Unreconciled Control accounts and Records

Item	Value as per the financial statements	Value as per the corresponding records	Difference	Management comment	Recommendation
	Rs.	Rs.	Rs.		
(a) The value of two fixed deposits of which period of maturity was over 3 months amounting to Rs. 7,185,129 included in the value of	7,185,129	7,347,321 (According to the bank confirmation)	162,192	Actions will be taken to change the accounts according to the balance confirmations.	Actions should be taken to take correct amount into accounts.

fixed deposits amounting to Rs. 15,685,129

1.5.4 **Going Concern of the Organization**

Audit Observation	Management Comment	Recommendation
Considering the financial results of the year under review and the 05 preceding years, a profit of Rs. 29,704,437 had been earned in the year 2018 and it had been decreased into Rs. 8,300,209 represented 72 per cent in the year 2019. According to the financial statement presented, the financial result of the Institute for the year ended 31 December 2020 was a loss of Rs. 29,339,593 after taxation and it was a deterioration of 453 per cent compared with the year 2019. The profit after taxation for the year 2021 was Rs. 6,841,002 and compared with the year 2020, it was an increase of Rs. 22,498,591 represented 77 per cent increase of the financial result .However the loss after tax for the year under review was Rs. 14,695,458 and it had been deteriorated by Rs. 7,854,456 represented 115 per cent compared with the previous year.	Agreed with the review of financial results for five years including the year 2022 pointed out by you.	Actions should be taken to increase income and decrease expenses.

1.6 **Accounts payable and Receivable**

1.6.1 **Receivables**

Audit Observation	Management Comment	Recommendation
(a) The balance of trade debtors as at the end of the year under review was Rs. 296,200,514 and out of that, a sum of Rs. 199,951,344 represented 68 per cent of the debtor balance was consisted with the debtors who had been exceeding 4 years. Out of the total debtor balance, the balance exceeded one year was Rs. 230,806,816 represented 78 per cent and legal actions had not been taken by the Institute to recover those	A committee was appointed for fast recovery of debts since 12.07.2022 and a proper action was already taken to recover the debts remained over a number of years.	Actions should be taken to recover receivable without delay.

	balances since the commencement of the Institute.		
(b)	There was an unidentified debtor balance brought forward since the year 2006 amounting to Rs. 6,611,743 had been included in the said total debtor balance and actions had not been taken to recover those balance even in the year under review.	Although the treasury was informed to write off the said balance from the books follow up actions were not taken in this regard up to now and officers were informed to take immediate actions in this regard.	Actions should be taken to recognize and settle the debtor balances without delay.
(c)	The debtor balance exceeded 8 years which had been included in the debtor balance as at the end of the year under review was Rs. 94,716,244 and actions had not been taken to recover those balance.	Legal actions were not taken for the balances brought forward over a number of years by the Institute.	Actions should be taken to recover the receivables without delay.
(d)	Five government institutions had informed Selacine Institute that payments could not be made for the total debtor balance of Rs.542,768 as at the end of the year under review due to the fact that non -fulfilling of the service demanded by the debtors properly by the Selacine Institute, making calculations in different rates, and other reasons. Actions had not been taken by the institute to study the matter and to settle it even up to the end of the year under review.	Debt recovering officer and the debt recovering committee which had been appointed under my supervision had taken actions to settle the debtor balances amounting to Rs. 542,768 which had been remained unsettle even up to the end of the year under review and entries relating to the said matters will be presented with the financial statements for the year 2023. Further instructions had been given to the recovery officer to take actions to settle the unsettle balances.	Proper actions should be taken to fulfill the service as demanded by debtors, to make calculations in accurate rates and to recover the receivables.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Financial regulations of the Democratic Socialist Republic of Sri Lanka	According to the advance registers, even though entries	The employee who the advance had	Actions should be taken as per the provisions of the

	F.R. 371(5) amended by the Public Finance Circular No: 01/2020 dated 28 August 2020	had been included that all advances issued during the year had been settled, contrary to the terms, a balance of Rs. 412,560 had been shown in the financial statements as unsettled advances.	been issued has left the institute without a prior notice and actions were not taken to recover it up to now. Instructions were given to accelerate the activities regarding this. It is informed that steps will be taken to settle the matter in the year 2023.	Circular.
(b)	Financial regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 754	Although the inventory book should be balanced as at the end of each financial year, the inventory book had not been updated even at the moment of which the board of survey had been conducted for the year under review and it had not been balanced as at the end of the year under review. According to the board of survey report there were differences between the balances shown in the inventory book and the actual balances such as 339 items belong to 82	The employee of who the inventory book had been maintained has left the institute without a prior notice and actions were taken to appoint a new officer in this regard. The issue was occurred as a result of entering wrong data to the inventory book and a new book is being using in order to	Actions should be taken as per the Financial Regulations.

		categories of inventory items had been misplaced, 84 items belong to 43 categories of inventory items had been disposed, 114 items relating to 6 categories in the actual balance exceeding the inventory book balance and 53 items in 16 categories which had not been included in the inventory book. Balances of inventory had been taken to a new book without taking actions for shortages and excess.	prepare the book properly.	
(c)	Section 2 (1) (a) of the Inland Revenue act No.24 of 2017	Actions had not been taken by the Selacine Institute which had been commenced on 01 February 1982 to pay income tax.	It is informed that the tax calculation report which should be presented with the accounts was not prepared and income tax liability was not calculated. Further the Department of Inland Revenue has not inquired in this regard up to now and an assessment notice was not	Actions should be taken according to the provisions of the Inland Revenue Act.

issued. However a sum of Rs.3.4 million was already paid as an economic service charge to the Department of Inland Revenue as an advance of income tax It is emphasized that if there is a requirement of paying tax it can be settled by the said amount. Further, since the Selacine Institute is a company since 21.06.2023, action will be taken to reregister under the company tax clarification. And then instructions were given to make income tax calculations accurately and to pay to the Department of Inland Revenue

2. Financial Review

2.1 Financial Result

The operating result of the year under review was a loss of Rs.14, 695,458 and the corresponding loss for the preceding year was Rs. 6,841,002. Therefore an improvement of the loss for the preceding year by Rs. 7,854,456 was observed in the financial result. Decrease of income had mainly affected to the said improvement in the loss.

2.2 Trend Analysis of major Income and Expenditure items

The sales income of the year 2021 was Rs. 463,180,114 and it had been Rs.323, 094,325for the year under review. It was a decrease of Rs. 140,085,789 representing 30 per cent decrease compared with the preceding year. Other income for the year under review was Rs. 4,808,776 and it was Rs. 3,013,539 in the year 2021 representing increase of 60 per cent. Direct cost including the production cost was Rs. 342,887,864 for the year 2021 and it had been Rs. 243,981,574 during the year under review representing 29 per cent decrease in the direct cost. Sales and distribution expenses for the year under review was Rs. 7,817,163 and the sales and distribution expenses of Rs. 16,325,262 for the preceding year had decreased by 52 per cent. Administration expenses for the year 2021 were Rs. 105,265,782 and it was Rs. 88,960,264 for the year under review representing 15 per cent decrease compared with the preceding year. The other expenses during the year under review was Rs. 1,486,144 and it was Rs. . 8,321,592 for the preceding year representing a decrease of 82 per cent.

2.3 Ratio Analysis

The current ratio and quick ratio for the year under review were 1.39 and 1.38 respectively and it was 1.28 in the previous year. Accordingly, even though a minor favourable variation had been shown, it had been occurred due to decrease of current liabilities as a result of the accrued balance of nations building tax had been written off during the year under review. The gross profit ratio and the net profit ratio for the year under review were 24 per cent and 4.55 per cent respectively and they were 26 per cent and minus 1.47 per cent for the previous year. It was because even though expenses had been decreased compared with the previous year, the income had been decreased in higher percentage than that.

3. Operational review

3.1 Management Inefficiencies

Audit observation	Management comment	Recommendation
The ground floor of the building located at No.224, Bauddhaloka Mawatha, Colombo 07 which had been owned by the National Film Corporation had been leased out by the institute for 5 years	A sum of Rs. 315,000 was entered into accounts as monthly building rent as per the agreement entered into in the year 2014. Further, even though	Actions should be taken to show the correct amount payable.

under the agreement No. 4660 for the period of 15 January 2014 to 14 January 2019. However, after the end of the said period of lease, the institute had been remained in the said premises until March 2022 and actions had not been taken to enter into a proper agreement. According to the letter of the General Manager of the National Film Corporation which had been sent to the Chairman of the Selacine Institute No. NFC/103/04/01 dated 25.May 2022, it had been informed that a sum of Rs. 12,111,000 should be paid as building rent as at 31 December 2022 as per the monthly estimates issued by the Department of Valuation. However only a sum of Rs. 4,725,000 had been recognized as outstanding payable according to the previous agreement and actions had not been taken to solve the said problem properly.

the period of agreement was expired on 15 January 2019, the prior agreed amount of Rs. 315,000 was paid monthly until31.12.2021 and the National Film Corporation had accepted the said money. The payable amount for the year 2021 was Rs. 3,780,000 and the payable rent for three months of the year 2022 was Rs. 945,000. Therefore the payable amount to the National Film Corporation as at 31.12.2022 was Rs. 4,725,000. I believe that making adjustments based on the reports issued by the Department of Evaluation without a proper agreement as pointed out by you is a problematic issue. Although there was an estimate, if the premises of the Film Corporation had been evaluated as it was as prior to the year 2014, it would take a very lower value. Because the crumbled building of the Film Corporation was renovated by the Selacine Television Institute in the years 2013 and 2014 incurring a sum of Rs. 11.5 million from their own funds and prepared as an appropriate place to be used. However the National Film Corporation had informed us in a verbal agreement to settle a sum of Rs. 4,275,000 as payables. Hence actions will be taken to settle the agreed sum of Rs. 4.7 million in the year 2023 as it was.

3.2 Operating Inefficiencies

Audit observation	Management comment	Recommendation
The budgeted sales income of the Institute for the year 2022 was Rs. 860,000,000 and sales targets had been given to the marketing executives for sum of Rs. 886,600,000. Out of that, only a sum of Rs. 323,094,325 had been achieved during the year and a difference of Rs. 536,905,675 was observed between the budgeted sales income and the actual income. Further out of the targets given to the marketing executives, it had been failed to fulfill 64 per cent.	Accepted that the sales target was Rs. 860 million in 2022. Out of that only a sum of Rs. 323 million achieved. According to the revision of Cabinet Decision in 2021 of which all the government advertisements should be done through our institute, a competition was created for government institutes. As a result sales targets declined.	Actions should be taken to fulfil the sales targets.

3.3 Procurement management

Audit observation	Management comment	Recommendation
(a) According to the Guideline 2.3.2 (b) of the Procurement Guideline, a technical evaluation committee had not been appointed before the commencement of the procurement activities in connection with procurement made in 5 instances during the year under review amounting to Rs. 7,127,028.	According to the Guideline 2.3.2 (b) of the Procurement Guideline even though the technical evaluation committee should be appointed before the commencement of procurement activities, when we follow that, problematic issues arise due to the nature of our institution. However instructions were given to the procurement division to take actions to follow the proper methodology.	Actions should be taken according to the Procurement Guideline.
(b) Contrary to the Guideline 2.8.1 (a) of the Procurement Guideline, a same member had been served in the technical evaluation committee and the procurement committee in 3 procurements amounting to Rs. 3,163,500.	A work shop was conducted by the Ministry of Mass Media to aware the matters mentioned in I, II, III of the paragraph 2.12 of the Procurement Guideline.	
(c) According to the Procurement Guideline 2.11.1 , even though the procurement time table, key dates, releasing bidding documents, closing dates for accepting bids and awarding contract should be prepared by the Procurement Committee, actions had not been taken accordingly and a first	According to the Guideline 5.3.11 and 5.4.8, bid bond and the performance bond respectively should be submitted by the suppliers. However most of registered suppliers who had registered in our institute are small scale entrepreneurs and they are	

meeting jointly with the procurement committee and technical evaluation committee had not been held in order to agree with the procurement time table, procurement method and types of bidding documents for calling bids.

(d) According to the Procurement Guideline 2.12, all members of the procurement committee and the Technical Evaluation Committee are required to sign a declaration in the prescribed format at its first meeting; actions had not been taken accordingly.

(e) According to the Procurement Guideline 5.3.11, and Guideline 5.4.8, even though bid bond and performance bond respectively should be obtained, actions had not been obtained accordingly in three procurements amounting to Rs. 12,400,200.

(f) According to the Procurement Guideline 6.3.3 (a), there was no evidence to prove that bid opening committees had been appointed and According to the Procurement Guideline 8.7.1 (b), letter of acceptance had not been issued even though it should be issued as soon as the final decision has been taken to award the contract.

(g) According to the Procurement Guideline 8.8.1 (a), aggrieved bidders had not been informed pointing out the reasons for their lack of success.

(h) According to the Government Procurement Guideline 8.9.1,a formal contract agreement should be

reluctant for such bid bonds and performance bonds. This matter was reviewed currently and bidders were informed. Instructions were given to relevant sections to minimize such issues in future.

A bid opening committee consisted with the Chairman and other members are appointed at the beginning of every year according to the approval of the Chairman of the Institute. The file number is SE/ACC/04. Information relating to appointments is included in it. Bids are opened by the officers who are attached to the duty on the relevant date. Instructions were given to relevant officers to include relevant appointment letters into the files in future.

In the period of time under review, instructions were given by the government to minimize institutional expenses and therefore written notices were not given to aggrieved bidders pointing out special reasons for their lack of success. Instead they were informed over the telephone and instructions were given to the procurement division to prepare a programme to inform via emails in future.

According to the section 8.9.1 of the Government Procurement Guideline, contract agreements should be signed for contracts exceeding the value of goods or services amounting to Rs. 500,000. However it was revealed that such agreements were not signed for some contracts during

written and signed for goods or service contract exceeding Rs.500,000. However actions had not been taken in 7 instances for procurements amounting to Rs. 16,728,528.	the period of time under review. Instructions were given to relevant officers to take actions to avoid such failures in future activities.

3.4 Human Resources management

Audit observation	Management comment	Recommendation
(a) Approved scheme of recruitment had not been for the staff of the institute and it had not been approved even in the year 2022. Therefore it was problematic in audit that recruitments and promotions have been done in a proper way.	Discussions were done since the year 2021 regarding the restructuring of the cadre of the institute and in the initial stage it was emerged that there was an institutional requirement of preparing a proposed cadre and get it approved. It was instructed by the Department of Management Services that there was no authority to approve scheme of recruitment until the institute is legalized and it is necessary to take actions to prepare the legal background for the institute. However activities relating to legalize the institute were already completed for now and a proposed cadre was prepared and the approval of Board of Directors was obtained and it was referred for the approval of the	Actions should be taken to get the scheme of recruitment approved.

		Department of Management Services through the line ministry. After getting the said approval scheme of recruitment will be prepared and will be submitted for the approval.	
(b)	Contrary to the provisions of the section 3.3 of the chapter IV of the Establishment Code, 11 officers had been deployed on contract basis in 08 posts included in the approved permanent cadre of the institute and posts such as General Manager , Manager (Finance), Manager (Human Resources and Administration) and Internal Auditor had been included in it. Accordingly there were vacancies in 25 posts in the permanent approved cadre. Two permanent officers had been deployed in 2 posts included in the approved contract cadre and 06 officers in permanent basis and 15 officers in contract basis had been deployed in 19 posts which had not been included in the approved cadre.	Recruiting on contract basis is favorable to the institute as a strategic objective on the nature of the business because the selacine institute is an institute of which uses self-generated funds. This staff has to be continued with extension of service contracts on service requirement. In addition new recruitments has been suspended for now and additional cost has to be incurred for recruitments and training. Therefore service contracts of necessary employees had been extended. Officers who relevant to maintain the quality of duties when they engage with duties are strictly advised.	Recruitments should be done within the approved cadre.
(c)	Without a proper ground five salary increments had been granted adding to the basic salary since August 2021 to the officer who had engaged in the post of Manager (media) since 02 May	These salary increments were granted based on the requests made to the then Chairman by the said officer and other 3 officers due to	Salary increments should be paid according to a proper basis.

2013 in one instance in addition to the salary increment relating to the year 2021. However due to the decision for the payment of salary increments without a proper basis, it had been informed by the letter of the General Manager dated 30 December 2022 that salary increments will not be paid again until the year 2026. However a sum of Rs. 112,750 had been overpaid to the said officer in the years 2021 and 2022 due to the payment of salary increments without a proper base.

anomalies which were occurred in preparing salaries in the year 2016. However the situation was identified by the new management and at the time the said three officers requested for salary increments for 2022 , a board paper was submitted. According to the decision granted, it was informed in writing that salary increments will not be paid for five coming years. Further instructions were given to relevant officers to take actions to recover the over payment from relevant officers.