

## **Telecommunications Regulatory Commission of Sri Lanka - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Telecommunications Regulatory Commission of Sri Lanka for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, 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 Commission 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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Commission 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 Scope of Audit (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 Institute and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Commission has complied with applicable written law, or other general or special directions issued by the governing body of the Commission;
- 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 Audit Observations on Preparation of Financial Statement**

### **1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

<b>Non-compliance with Reference to Relevant Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The land in extent 7 Acres, 2 Roods, 8.41 Perches had been valued for Rs. 11,700 million as per the Memorandum of Understanding signed between the Urban Development Authority and the Telecommunications Regulatory Commission of Sri Lanka. It had been agreed to be paid a sum of Rs. 1,500 million as the initial payment of it and Rs. 300 million for a period of 34 years in continuous installments and out of which, a sum of Rs. 2,250 million had been paid by 31 December 2021. Accordingly, a sum of Rs. 9,450 million had been shown in the financial statements as payable to Urban Development Authority as per Memorandum of Understanding. According to Cabinet Decision No. CMP/21/1734/331/009 dated 05	Comments have not been given.	Actions should be taken in terms of Accounting Standard 16.

October 2021, only 4 acres 3 roods and 24.47 perches out of the lands belonging to the Urban Development Authority as indicated in the said Memorandum of Understanding had been transferred to the Commission through a deed of transfer for Rs. 2,250 million paid by the Commission and the remaining 2 acres 02 roods 22.08 perches of land had been handed over to the Commission through an Letter of Grant. The Commission had taken off the above amount payable and an amount equal to that value from the value of the relevant asset from the financial statements for the year 2022. Nevertheless, as the land on which the Lotus Tower is established and still being used and as a result of taking off of such liability to be paid so and part of the accounted value of the land, the fair value of the land had not reflected in the financial statements in terms of Sri Lanka Accounting Standard No. 16.

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| <p><b>(b)</b> Although a non-financial government grant should be disclosed in the financial statements in terms of Paragraph 23 of Sri Lanka Accounting Standards 20, and also the land on which the Colombo Lotus Tower is located was received by the Commission as a grant during the year under review, the value of it was not disclosed in the financial statements.</p> | <p>The revaluation of this land had not been completed by 31 December 2022 .</p>  | <p>Actions should be taken in terms of Paragraph 23 of Sri Lanka Accounting Standard 20 .</p>   |
| <p><b>(c)</b> Although only interest and dividends actually received should be adjusted in the cash flow statement in terms of Sri Lanka Accounting Standard 07, stating a sum of Rs. 1,341,809,603 including</p>   | <p>It is kindly informed that the interest receivable under the investment activities valued at Rs. 241,310,274 have been accurately adjusted through working</p> | <p>The cash flow statement should be accurately prepared by adjusting only net cash inflows</p> |

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| <p>interest and dividends received during the year under review amounted to Rs. 1,150,434,945 and interest receivable amounted to Rs. 241,310,274 as total interest and dividend cash inflows, the difference (Interest receivable Rs. 241,310,274) had been adjusted through working capital adjustments.</p>   | <p>capital adjustment. Your attention is kindly drawn to Note No. 22-1 .</p>   | <p>as per the cash flow.</p>   |
| <p><b>(d)</b> Although only the loans paid in cash should be adjusted on the cash flow statement as per Sri Lanka Accounting Standard No. 07, and also Rs.1,833,493,891 had been paid as Exim Bank loan during the year, a sum of Rs. 452,549,828 had been shown as loan payments. As a result, the cash outflows in the statement of cash flows had been understated by Rs. 1,380,944,063 .</p> | <p>As one installment of the loan amount paid for the Exim Bank loan was capitalized and the remaining installment was delayed in this, kindly note that only the net value of cash payments as per the profit and balance sheet notes has been shown in the cash flow statement. It has been accurately adjusted to the profit of the year as per the double entries.</p>   | <p>The cash flow statement should be accurately prepared by indicating the accurate payment in cash as cash outflows.</p>      |
| <p><b>(e)</b> A fixed asset purchase cost of Rs. 625,000 accounted for as a repair/maintenance expense in the preceding year had been shown as cash outflow under investing activities in the year under review instead of adjusting to the profit in the cash flows statement.</p>  | <p>The Note applied for the amount of Rs. 625,000 for the correction of mistakes has been accurately adjusted when calculating the profit whilst bringing into accounts through accurate double entries. In this, profit has been understated and fixed assets have been overstated by error correction entry under the double entry concept. The expenditure of the year has been understated by understating the profit. The net effect of the currency has accurately adjusted.</p> | <p>The cash flow statement should be accurately prepared by adjusting only the cash outflows during the year under review.</p> |
| <p><b>(f)</b> Although the investment made during the year under review was Rs. 2,900,000,000, instead of</p>  | <p>It has been recognized in preparing the cash flow statement accurately</p>  | <p>The cash flow statement should be accurately</p>  |

adjusting the value deducted from the income statement to the profit in the cash flow statement in respect of the year under review by the amount paid more than the nominal value of Treasury Bonds by journal entries amounted to Rs.112,328,477, deducting that value from investments made in cash during the year, a sum of Rs. 2,787,671,522 had been shown in the cash flow statement. Accordingly, the cash outflows in the cash flow statement had been understated by Rs. 112,328,477 .

according to the value of the investment in the year 2022. Please note that not only fixed deposits but also other investments during the year have been accurately adjusted.

prepared by indicating accurate cash outflows.

(g) As the fully depreciated assets valued at Rs. 1,075,740,531 are further being used, the value of the property, plant and equipment had not been re-valued and indicated in the financial statements in terms of Paragraph 51 of Sri Lanka Accounting Standard 16 .

As a preliminary step, all lands (except Kadirana) have already been re-valued along with the Valuation Department by now. Actions will be taken to show this revaluation in the financial statements of the year 2023. The relevant preliminary activities have been commenced to revalue other buildings, telecommunication towers and all other fixed assets by the Administrative Division by sending to Valuation Department. The delay in the Valuation Department has caused to this.

The fair value of assets should be accounted for in accordance with Accounting Standards.

### 1.5.2 Accounting Deficiencies

Audit Observations	Comments of the Management	Recommendation
(a) Although the settlement expense for the year was Rs. 296,483,458, as a result of the related Value Added Tax	Agree.	The Value Added Tax liability should be accurately accounted for in the

	amounted to Rs.44,472,518 was adjusted to the settlement expense and accounted for , the profit for the year Rs. 44,472,518 had been understated.		financial statements.
<b>(b)</b>	Out of the insurance amount of Rs. 2,454,017 paid for Colombo Lotus Tower for the year November 2022, only a sum of Rs. 409,002 was debited that account and Rs. 2,045,014 had been debited to the payment in advance account. As a result, the profit and current assets of the year under review had been overstated by Rs. 2,045,014 .	Agree.	Expenses related to the year should be accurately accounted for.
<b>(c)</b>	The amount of Rs. 2,975,382 paid for the life insurance amount of staff for the period from October 2022 to 30 September 2023 had been accounted for as an accrued expense in the year 2022. Accordingly, as a result of accounting for the expense of Rs. 2,231,536 pertaining to 09 months of the year 2023 as an accrued expense, the profit for the year under review had been understated by that value.	Agree.	Expenses related to the year should be accurately accounted for.
<b>(d)</b>	The surety bond valued at Rs. 1,878,060 to be received from an officer due to service agreement violations had been shown under accrued expenses instead of accounting as deferred revenue as an asset in the salaries receivable differential account.	Agree.	Deferred revenue should be accurately accounted for.
<b>(e)</b>	As a result of a total of Rs. 1,282,800 remaining in the procurement process for purchases and expenditure during the year under review was accounted for in an accrued expenses account as work-in-progress and expenses,	This expenditure has been considered as an accrued expense related to the year 2022 since the activities were completed in the year 2022 to purchase 6 KVA UPS for Rs. 450,000 and	Expenses related to the year should be accurately accounted for by identifying the instance of completion of the procurement and the

the expenses and current liabilities had been overstated.	01 Dot Matrix Printer for Rs. 160,000. Since the tender was awarded to "Sathmina Construction" at the end of 2022 and finalized for the maintenance of the main building of the Commission pertaining to Rs. 156,850 and Rs. 515,950 , it has been considered as an accrual expense related to the year 2022 .	instance of incurring of the cost precisely.
<b>(f)</b> As a result of a sum of Rs. 576,381 which should be debited to Value Added Tax control account was debited to another income account without being debited to that account, During the year under review, liabilities and income of the year under review had been understated.	Agree.	It should be accurately accounted for.
<b>(g)</b> As a result of an amount of Rs. 2,606,452 which should be accounted for as Value Added Tax was debited to the expenditure account, the expenditure and tax liability of the year under review had been overstated.	Agree.	It should be accurately accounted for.
<b>(h)</b> An expenditure of Rs. 487,500 which should be accounted for, to the Gamata Sannivedanaya Project had been debited to the sundry operating expenses account.	Agree.	It should be accurately accounted for.
<b>(i)</b> Even though the cess revenue pertaining to the year under review amounted to Rs. 3,815,600 had been received in 26 April 2023, it had not been accounted for as revenue receivable in the financial statements of the year under review. As a result, the income had	The Cess paid by Ask Cable Vision Pvt. Company amounted to Rs. 3,815,600 was paid on 26 April 2023. Nevertheless, as the final accounts had been prepared by 03 April	The income pertaining to the year should be accurately accounted for.



- been understated by Rs. 3,815,600 and the income receivable (assets) had been understated by Rs. 3,815,600 in the financial statements for the year under review.
- 2023, it is kindly informed that it is impossible to account for as income receivable in the financial statements.
- (j) Although the mobilization advance of Rs. 20,344,564 paid at the beginning of the contract for the renovation of buildings at Kadirana Frequency Monitoring Station, had been fully charged by the end of the year under review, there was a balance of Rs. 5,522,503 remained in that account .
- Agree.
- Accounting deficiencies of Kadirana advance account should be corrected .
- (k) Even though approximately 69 per cent of the land area 112 Acres, 01 Rood and 10.5 Perches valued at Rs.45,000,000 where the Kadirana Frequency Monitoring Station is located had been acquired by Katana Pradeshiya Sabha, adjustments related to that had not been made in the financial statements during the year under review after solving the problems of ownership of the land.
- Please consider that after the matters regarding the ownership of the land are settled land will be re-valued and entered in the financial statements.
- Issues regarding the ownership of the land where the Kadirana Frequency Monitoring Station is located should be resolved.
- (l) The land related to the construction of the Telecommunication Media Center in Hambantota Information Technology Park had not been assessed and shown in the financial statements even by 31 December 2022 .
- All the lands (except Kadirana) have already been re-valued by now and actions will be taken to show those values in the financial statements of the year 2023.
- Assets should be accurately indicated in the financial statements.
- (m) Although the profit before tax in the income tax calculation schedule shown in Note No. 3.5.1 to the financial statements for the year under review was Rs. 31,697,157,371, the income tax had been calculated based on Rs.
- Agree.
- Income tax should be accurately calculated .

30,135,029,649. Only Rs.1,055,330 had been deducted instead of Rs. 1,720,250 as gratuity payments under expenses allowable deduction from profit. The exchange loss of Rs. 4,565,034,242 occurred on changes in exchange rates during the year under review had not been adjusted in computing income tax.

### 1.5.3 Unexplained Differences

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
A sum of Rs. 373,198,897 was receivable from trade debtors as at 31 December 2022. Within that, the total debt balance was classified as debtors remaining for more than 02 years and had been shown in the financial statements of the year 2022. The debt balances that had remained for more than 20 years had also included in that debt balance.	The total of overpayments made by individual customers was Rs. 2,123,490. The amount was adjusted and the debtor balance has been accurately shown in the financial statements.	Schedules pertaining to the financial statements should be submitted to with an accurate age analysis.

### 1.5.4 Lack of Evidence for Audit

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The cost incurred for the village Communication to Village Project in that year was Rs. 187,645 as per the financial statements of the Commission for the preceding year. The details to identify those expenses had not been submitted to the audit.	All related vouchers were submitted for audit in the year 2021 and please note that same information/ vouchers can be submitted this year as well.	When the Auditor requested the information related to a previous year the information should be submitted during the year under review before the audit is completed and the report is sent.

## 1.6 Accounts Receivable and Payable

### 1.6.1 Receivables

Audit Observations	Comments of the Management	Recommendation
(a) More than 46 per cent of the total debtor balance had to be charged in the name of a private company and the amount was Rs. 174,800,000. These arrears of loan balances that had arisen as Rs. 172,500,000 in the year 2007 and Rs. 2,300,000 in the year 1993 had not been confirmed and an effective actions had also not been taken for the recovery.	Agree.	Debts receivable should be recovered promptly.
(b) More than 40 per cent of the total debtor balance had to be received in the name of Sri Lanka Broadcasting Corporation and the amount was Rs. 145,254,449. That loan balance had started from the year 1976. These outstanding debt balances had not been confirmed and effective actions had not been taken for recovery.	Agree.	Debts receivable should be recovered promptly
(c) Actions had not been taken to settle a total of 544 negative credit balances which were overcharged in the debtor balance amounted to Rs. 2,171,741 by 31 December 2022. Within that debt balance, the number of debtors less than Rs. 100 was 415. Necessary actions had not been taken by the Commission to adjust these debt balances.	It is unable to settle this. This shows the cases where more than the relevant amount was paid from the year 2015 and it is requested to give instructions for adjusting this amount to the income or for another alternative.	Necessary action should be taken in respect of negative debt balances.
(d) Even though the letters had been sent by the commission for confirmation of 104 debt balances valued at Rs.344,832,696 out of the loan balance receivable as at 31 December of the year under	It is kindly informed that the separate letters will be sent as the Frequency Management Division and Finance Division maintain separate files for each service of the	Answers should be sent in relation to the Paragraph of the Report and the debtor balances should be verified.

review, only 03 balance confirmation letters had been received. The Commission had not sent confirmation of balance letters to confirm 1,057 debt balances valued at Rs. 12,604,641 as at 31 December of the year under review.

Broadcasting Corporation,

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| (e) | Even though a case has been filed to recover telecommunication tax income receivable from a private entity for the period from 2014 to 2017 amounted to Rs.6,358,657, it had not been recovered up to 31 December 2022.   | Actions are being taken by the Legal Division as per the instructions of the Attorney General's Department to recover unpaid telecommunications taxes.                        | Actions should be taken to recover arrears of income without delay. |
| (f) | Even though a case was filed to recover Rs. 3,411,488, which was the amount of Value Added Tax and Nations Building Tax pertaining to the Cess income related to the period from 2011 to 2016, it had failed to be recovered the amount. Similarly, effective actions had not been taken to recover cess revenue amounted to Rs.254,135 receivable from a private company for the years 2011 and 2012 . | Actions are being taken by the Legal Division as per the instructions of the Attorney General's Department to recover the cess balance receivable amounted to Rs. 3,411,488 . | Actions should be taken to recover arrears of income without delay. |

## 1.6.2 Payables

### Audit Observations

It had been stated that the agreement cannot be terminated within the relevant lease period as per clause h of the agreement entered into with the owner of the building, in taking the Longdon Place Building by the Commission on lease and if the lease agreement is terminated before the end of the relevant period, the lease rent should be paid for the remaining period. It was observed that in

### Comments of the Management Recommendation

The estimate submitted in respect of repairs shall be certified by a Chartered Architect as per Section xxxix of the Agreement. Accordingly, the amount to be paid again should be determined.

Actions should be taken to cancel the lease agreement of the Longdon Place building which included terms unfavourable to the Commission and the owner should take action as per the

addition to the deposit of Rs. 1,350,000 paid at the time of taking the lease due to the fact that the Commission had returned the building before the expiration of the lease term, a sum of Rs. 960,250 should be paid by the Commission to the owner of the building for the remaining building lease rents to be paid according to the agreement and the damages notified by the owner.

Financial Regulations in respect of damages notified by the owner.

### 1.6.3 Advances

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>There was an unsettled purchase advance balance of Rs. 505,355 as at 31 December 2022. A former Chairman had taken advances of Rs. 116,000 on 04 occasions from the year 2002 to the year 2003 and the purpose for which the advance was obtained was not submitted to the audit. Despite, between 10 and 11 years have passed by 31 December 2022, actions had not been taken to get settled them.</p>	<p>As this officer is not a member of the Commission personal files have not been prepared.</p>	<p>Arrangements should be made to get settled the advances during the respective period of time.</p>

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

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>(a) Sections 20 (2) (c), 21 (2) (b) and 22 (2) (a) of the Sri Lanka Telecommunications (Amendment) Act No. 27 of 1996</p>	<p>Although services should be provided only when a certain fee is paid, due to the provision of services before receiving money before the year 2018, an amount of Rs.373,198,897 was receivable by 31 December 2022 .</p>	<p>Due to issuance of tax invoices prior to provision of services, it has been brought to accounts as receivable.</p>	<p>The provisions of the Act should be complied with.</p>

- (b) Sections 21(1) (b), 26(1) of the Value Added Tax Act No. 14 of 2002 and Guideline 5.4.12 of the Government Procurement Guidelines
- The value of tax paid as per the Value Added Tax Control Account for the year under review was Rs.1,785,458,237. However, Rs. 40,952,958 had to be paid furthermore.
- All the Value added Tax of the year has been paid accurately.
- As there is a balance of Rs. 40,952,958 in the Value Added Tax account, Sections 21(1) (b), 26(1) of the Tax Act and Guideline 5.4.12 of the Government Procurement Guidelines should be complied with.
- (c) Establishments Code of Democratic Socialist Republic of Sri Lanka
- (i) Paragraph 13.3 of Chapter II
- The Commission had made long-term acting appointments for 07 posts without complying with the provisions and its duration had ranged from 02 years to 15 years. A sum of Rs. 19,647,854 had been paid to 07 officers from the year 2016 to the year 2022 as acting allowances. An amount of Rs. 7,075,398 had been paid in the year 2022 only.
- The Commission has decided that the applicability of the provisions of the Establishments Code will be ended on 01 September 2013 in relation to the matters covered by the Code of Appointment. These acting appointments are in accordance with the provisions of that Code of Appointment.
- Approval should be obtained from the Department of Management Services for the Code of Appointment. The number of posts should be revised if the acting posts are not required .
- (ii) Section 16.5 of Chapter XII
- According to the arrangements, an officer who had taken leave without pay to go to a foreign job from 02 September 2010 to 08 September 2015 had not reported to work since 09 September 2015, despite 07 years have passed from that date to 09 February 2022, a sum of Rs. 1,878,060
- Although he had to report back to the duties in the Commission on 09 September 2015, it had not been done. Although a letter was sent to the officer in the year 2022 regarding the amount of penalty payable, the
- Actions should be taken in terms of Section 16.5 of Chapter XII of the Establishments Code

was not even informed by the Commission in a letter to him to repay the surety bond value. As a result, the amount of Rs. 1,878,060 receivable had not been recovered by 31 December 2022.

letter was returned stating that he had left the residence. After that, Negombo Divisional Secretary was informed to send proof of permanent residence address on 14 March 2022, reply has not been received. A reminder has been sent to it on 04 May 2022.

**(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

**i.** Financial Regulation 138

A sum of Rs. 1,075,000 had been paid for 03 payment vouchers on the basis of 03 nominal invoices contrary to the provisions.

It is ensure that the expense has not repeated subsequently. Further, necessary measures have been taken to prevent such situations from happening in the future.

Actions should be taken in terms of Financial Regulation.

**ii.** Financial Regulation 261 (3)

Even though there had been Rs.436,243,821 as per People's Bank Balance Confirmation Letter the balance was a negative balance of Rs.234,834,591 as per the financial statements. The unrecognized receipt as per the bank reconciliation statement submitted in relation to that bank account, was Rs.260,619,617. Despite the opening balance of the respective bank account was at a negative balance of Rs. 933,237,468, the abnormal

The reason for being the relevant balance in the People's Bank account at a negative value of Rs.933,237,468 as at 01 January 2022 is Lotus Tower Loan Installment - \$4,919,373 (Rs.1,028,595,896) and because of issuing of bank orders of euro 25,116.75 (Rs. 6,292,348) for software maintenance

Actions should be taken in terms of Financial Regulation 261 (3)

condition of transactions by checks against Financial Regulations was questioned in the audit. to the Telecom Company to pay.

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| <p><b>iii.</b> Amended Finance Regulations 371(2)(b) by Public Finance Circular No. 01/2020 dated 28 August 2020</p> | <p>A total value of Rs. 3,222,168 had been given as purchase advance in the year under review by the Commission in 13 cases exceeding the limit of Rs. 100,000 in contrary to provisions.</p>  | <p>Because of the written notice given by the fuel supplier that he will supply fuel only for on cash in the view of the acute fuel crisis in the country in the year 2022, in the use of official vehicles to maintain essential duties, in providing the necessary fuel for the generator of the Company, purchasing of fuel was carried out by cash advances so. According to the circulars of the Commission for cash advances, cash advances of more than Rs.100,000 were made with the approval of the Director General.</p> | <p>Actions should be taken in terms of relevant circulars and Financial Regulations.</p> |
| <p><b>iv.</b> Financial Regulations 1645 (b)</p>   | <p>Out of the 25 vehicles of the Commission, 08 vehicles had not submitted the running charts of any month in the year 2022 as per the provisions. Running charts of 13 vehicles had not been submitted for several months of the year under review.</p> | <p>Arrangements will be made to provide all those running charts in the future.</p>  | <p>Actions should be taken in terms of Financial Regulations 1645 (b) .</p>              |
| <p><b>v.</b> Financial Regulations 1646</p>  | <p>The original copy of the monthly report on the journey of 08 vehicles belonging to the Commission</p>   | <p>Arrangements will be made to provide all those running charts in the future.</p>  | <p>Actions should be taken in terms of Financial Regulations 1646.</p>                   |



in the year 2022 had not been submitted to the Auditor General in terms of the provisions.

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| (e) Section 3.9 of Public Enterprises Circular No. PED 05/2022 dated 22 August 2022 | Actions had not been taken as per the circular for the 04 officers who went abroad during the year under review while serving in the Commission and actions had not been taken by the Commission in this regard. | These officers have been informed to proceed as per the provisions of the circular. If they fail to do so, such cases will be considered after reporting to the duties in accordance with Section 3.14 of the circular as mentioned in this regard. | Actions should be taken in terms of Section 3.9 of Public enterprises Circular No. PED 05/2022 dated 22 August 2022. |
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**2. Financial Review**  
**2.1 Financial Results**

The operating result of the year under review was a surplus of Rs. 31,697,157,371 and the surplus of the preceding year was Rs. 32,296,276,914. Accordingly, a deterioration of Rs. 599,140,543 in the financial result was observed. Increase in regulatory expenses, increase in administrative and institutional expenses and increase in losses on foreign exchange transactions in the year under review as compared to the previous year had mainly attributed to this deterioration.

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

Significant variations were observed in the income and expenditure of the Commission as compared to the preceding year.

- (a) A 42 per cent decrease in telephone text message service tax income in the year 2022 compared to 2021 had mainly attributed for the decrease in revenue.
  
- (b) Out of the total expenditure of the Commission amounted to Rs. 6,717,470,760 for administrative and institutional expenses of Rs. 1,822,878,544 equal to 27 per cent had been spent and staff salaries and allowances of Rs. 436,406,523 equal to 24 per cent had been included in it. Nevertheless, out of the total expenditure for the regulation of telecommunication which is the main purpose of setting up the institution, a sum of Rs. 209,596,429 or only 03 per cent had been spent.

**3. Operational Review**  
**3.1 Management Inefficiencies**

Audit Observations	Comments of the Management	Recommendation
<p>(a) Even though a sum of Rs.27,763,292 and Rs. 2,106,560 had been incurred as contract staff allowances and telephone charges for the commercialization of Colombo Lotus Tower in the previous year and the year under review respectively as per the Decisions of the Commission, the said amount had not been collected from Colombo Lotus Tower Management Private Company up to 30 June 2023 .</p>	<p>Agree.</p>	<p>The amount receivable should be collected from the Colombo Lotus Tower Management Company</p>
<p>(b) Even though a sum of Rs. 345,502 had been paid to the National Housing Development Authority in 1999 and 2010 for its assessment value and other expenses for taking over 6.21 perches of land where Hanthana Frequency Monitoring Centre is located, its ownership had not been vested even at the end of the year under review. Further, the title deeds/ lease agreements of the lands where the Head Office and Kokaville Multipurpose Centre are located had not been obtained even at the end of the year under review.</p>	<p>The National Housing Development Authority has informed on 01 September 2022 that according to its Act, land cannot be provided on a freehold basis except for residential purpose and accordingly, necessary arrangements are being made to obtain the ownership of the land where the Hanthana Frequency Monitoring Centre is located on a long-term lease basis. The National Housing Development Authority has informed that the money paid for the relevant plot of land can be offset against the arrears from the date of handing over the land. Arrangements have been made to submit a Memorandum of Cabinet of Ministers to acquire the</p>	<p>Actions should be taken to verify ownership of assets.</p>

land where the Head Office of the Commission is located, under a Special Letter of Grant and the Minister-in-charge of Technology has informed that it is not necessary to present the Memorandum of Cabinet of Ministers .

Arrangements are being made with the respective Divisional Secretariat and Department of Land Commissioner General to acquire legal ownership of the land on which the Kokaville Multi-Purpose Transmission Centre is located.

(c) even though Rs. 72,420,000 had been invested out of Rs. 117,674,290 allocated as employee gratuity as at 31 December 2022, actions had not been taken to invest the remaining amount of Rs. 45,254,290 .

Agree. It is kindly informed that the provision for bonus will be invested in fixed deposits.

The amount allocated as gratuity should be invested.

(d) Despite a written request to pay the membership fees from the professional organizations of which membership has been obtained and an official receipt from the relevant professional organizations that the money has been received, were not available, a sum of Rs. 452,647 had been reimbursed as membership fee to 27 officers during the year under review.

It is informant that the notification letters issued to the officers from the related professional bodies to pay the membership fees are considered as a mandatory document to be used for reimbursement purposes from now on.

It should notify to the officers that the letters sent from the professional bodies should be submitted for payment of membership fees.

### 3.2 Idle or Underutilized Property, Plant and Equipment

Audit Observations	Comments of the Management	Recommendation
(a) <b>Construction of Telecommunication Media Centre in Hambantota Information Technology Park.</b>		
(i) The agreement entered with the Commission and the contractor on 28 July 2014 for this construction had been terminated by the Commission on 10 August 2016 on the advice of the Board of Investment and the President's Secretariat. As per the complaint submitted by the contractor against the said decision, the Commission had paid a total amount of Rs. 426,897,598 as a settlement expenditure including compensation to the contractor in the year under review.	The observation is accurate.	The approval should be obtained from the relevant institutions
(ii) The physical progress of the Project as at the date of completion of the contract was 33 per cent and a sum of Rs.711,608,769 had been incurred as at 31 December 2022 was a futile expense and it had been shown under work- in- progress in the statement of financial position.	Observation is accurate.	Accounting deficiencies should be corrected.

### 3.3. Delays in Projects or Capital Works

Audit Observations	Comments of the Management	Recommendation
Advertisements had been published on 05 November 2021 for the recruitment of 04 Project Coordinator posts and 15 Project Assistant posts for the "Gamata Sannivedanaya" National Project. A total	Agree.	"Gamata Sannivedanaya" National Project should be implemented.

of 475 applications had been received as 204 and 271 applications respectively for the aforementioned positions and a sum of Rs. 975,000 had been incurred for the selection exam was held on 22 June 2022 . Although there were 66 and 74 who had scored above 40 marks respectively for aforesaid posts, actions had not been taken to call candidates who had passed the examination for interview and to recruit even by 30 June 2023. Further, the expenditures and assets of the Gamata Sannivedanaya Project had not been accounted for separately.

### 3.4 Procurement Management

Audit Observations	Comments of the Management	Recommendation
<b>(a) Modernization and Renovation of Buildings in Kadirana Frequency Monitoring Centre</b>		
<b>(i)</b> For this purpose, the contract had been awarded to a private entity on 31 January 2019 for an amount of Rs. 139,882,281 for which free of Value Added Tax and a sum of Rs. 24,360,085 had been paid during the year under review for variances and extra works not included in the bill of quantities.	The observation is accurate.	The estimates should be prepared accordingly.
<b>(ii)</b> Although the said contract had to be completed on 11 November 2019, the contract had not been completed even by 30 June 2023 and the contract period had not been extended .	The observation is accurate.	Actions should be taken in terms of the Contract Agreement.
<b>(b)</b> Although the construction works of the new building should be completed on 15 February 2020 in terms of the construction contract agreement for which the contract value was 209,093,034, the	Because it was decided that the Project needed an approval of the Cabinet of Ministers, the necessary documents have been provided to the Line	Actions should be taken in terms of the Contract Agreement.

construction had not been completed even by 30 June 2023. Further, there had been no physical progress after 31 December 2021. An agreement had been entered into with the University of Moratuwa for the provision of consultancy services on 10 June 2019 and 70 per cent of the total consultancy service fees equal to Rs.7,318,256 had been paid by 31 December 2022 to the University of Moratuwa as consultancy service fees.

Ministry to get the approval of the Cabinet of Ministers.

- (c) A sum of Rs. 10,057,910 had been paid to the University of Moratuwa on 25 January 2015 as the consultancy fee for the work of preparing the bill of quantities estimates for the contract for the renovation of the Head Office building of the Commission and even though the expense had been accounted for in the work-in-progress account, the renovation works of the building had not been carried out up to 30 June 2022.

Observation is accurate.

Actions should be taken in terms of the Contract Agreement.

**(d) Procurement for Supply, Installation and Commissioning of Technical Equipment for Network Division**

- (i) Even though bids had been invited for the purchase of 03 types of technical equipment with an estimated value of Rs.6,450,000 under the National Competitive System, only 03 Clam on Earth Tester which was one technical equipment valued at Rs.1,047,000 was purchased from a private

Although only one institution has offered quotation for one of the 03 types of equipment mentioned here, the bid was not selected by the Technical Committee. As a result, although the Procurement Committee has advised to re-call the

The necessity should be properly identified.

company. It was questioned in audit whether there was no need for other technical equipment and the effectiveness of performing the work in the absence of such equipment.

quotation for this equipment, it is not possible to carry out procurement activities in accordance with the Procurement Plan for the year 2021 due to the Covid-19 epidemic in the year 2021. There was not enough time to call the quotations again in that year and provisions have not been made in the budget to buy these equipment for the year 2022. Only one company has offered quotations for the supply of other equipment mentioned here. Although the Technical Committee has recommended to purchase these equipment from that institution, due to a problem arising in connection with another maintenance agreement the Commission has entered into with that institution, an investigation was being carried out. Therefore, the Senior Procurement Committee has decided to explore the possibility of not awarding the bid for the said equipment to the said agency and to purchase the relevant equipment directly from the Regional Representative located in India. Accordingly, it has been asked the relevant institution about this, a response for that has not been received.

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| <p><b>(ii)</b> Even though the Technical Evaluation Committee had advised the Procurement Committee since only one company had submitted bids for 03 meters of Tower Height Measuring Laser to invite for bids again, since only one company had submitted bids for 02 radiation meter antennas, to purchase directly from the local agency in India for that, and also to find out whether there are other local agents the Technical Appraisal Committee had advised the Procurement Committee, the Procurement Committee had not acted on those instructions. Although the relevant equipment should be installed within 04 weeks from 02 April 2022 as per the bid documents, it had been installed on 30 August 2022 .</p> | <p>Although the local representative in India has been asked, a response has not been given so far. Although the Commission has awarded the bid to Rotex Pvt. on 24 January 2022, the equipment should have been delivered within 04 weeks as per the tender conditions. Nevertheless, due to the restrictions on exports imposed by the government during that period and the restriction of providing dollars for foreign purchases by banks, the delivery of these goods was delayed by the said company.</p> | <p>Technical Evaluation Committee recommendations should be implemented.</p>                      |
| <p><b>(e)</b> Procurement of entering into Annual Maintenance Contracts for 11 IBM Servers</p>  | <p>Accept.</p>   | <p>Actions should be taken in terms of Guideline No. 5.4.8(b) of the Procurement Guidelines .</p> |
| <p><b>(i)</b> Although the Performance Guarantee should be valid from 27 April 2022 to 27 June 2022, in terms of Guideline No. 5.4.8 (b) of the Procurement Guidelines, the performance guarantee offered by the selected institution was valid only up to 27 May 2022.</p>   | <p>Accept.</p>   | <p>Actions should be taken in terms of Guideline No. 5.4.8(b) of the Procurement Guidelines .</p> |
| <p><b>(ii)</b> Although a formal contract agreement should be written and signed at the same time as the Letter of Acceptance is issued in the execution of the contract in terms of Guideline No. 8.9 of the Code of Procurement Guidelines, the Letter of Acceptance was</p>  | <p>Due to transport and fuel problems in the country from March to June 2022 also the institutional affairs are implemented in the Roster System, the agreement could not be signed on the due date.</p>   | <p>Actions should be taken in terms of Guideline No. 8.9 of the Procurement Guidelines.</p>       |



issued on 07 April 2022 and the contract agreement had not been written and signed on 21 June 2022 .

### 3.5 Deficiencies in Contract Administration

Audit Observations	Comments of the Management	Recommendation
<b>(a) Colombo Lotus Tower Project</b>		
<b>(i)</b> The Commission had agreed to provide only 85 per cent of the contract value, that is Rs. 88.655 million, as per the loan agreement entered into with China Exim Bank in order to fund this construction contract, on 17 September 2012 and the loan should have been received and completed by 18 August 2016. Due to non-completion of the construction as per the schedule related to the contract, it had been impossible to get the full loan amount as scheduled and During the relevant period, only USD 67.260 million equal to 76 per cent of the loan amount had been received.	Observation is accurate.	The officers who did not carry out the construction according to the relevant schedule of the contract should be identified and actions should be taken in terms of the Finance Regulations.
<b>(ii)</b> The China National Electronics Import & Export Corporation had failed to submit a valid performance bond, retention certificate and professional indemnity insurance in terms of Section 18.4 of the Colombo Lotus Tower Project Contract Agreement. The amount of USD 10.43 million deducted as liquidity losses and the remaining amount of adjusted contract value of USD 4.115 million had been retained until the obligations shown in	Observation is accurate.	Actions should be taken as per the approval of the Cabinet of Ministers.

Section 18.4 of the agreement are fulfilled.

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| <p>(iii) Even though the loan installments had been planned to be paid from the income of the Project, the loans instalments and its interest amounting to Rs. 12,762 million had been paid with the money of the Commission by 31 December 2022 .</p> | <p>As per the feasibility study report, income should also be generated from telecommunication and broadcasting activities. However, due to the delay in the Digital Broadcasting Project, which has been commenced by the Ministry of Mass Media, the revenue generation from the infrastructure allocated for the broadcasting activities has further delayed. Due to the delay in the commencement of digital television services, allocation of airwaves for other digital TV services to be obtained by paying has further delayed.</p> | <p>The loan installments should be paid from the income of the project</p>               |
| <p>(iv) During physical inspection of kitchen appliances Colombo Lotus Tower the ice maker (S/N G01423B) cost at USD 15,747 was inoperable and there was a shortage of 32 items cost at USD 100,744 .</p>  | <p>The contractor has given the drawings of the kitchen appliances to the University of Moratuwa, the engineer of the project by now and the Project Engineers have started matching it with the list of kitchen appliances handed over to the Commission. After the University of Moratuwa, which is the Engineer of the Project, certifies it, the information will be provided.</p>   | <p>Actions should be taken in terms of Financial Regulation 104 .</p>                    |
| <p>(v) The primary objective had been to use the tower for television, telecommunications and broadcasting services as per the Memorandum of Cabinet of</p>  | <p>Observation is accurate.</p>  | <p>Actions should be taken as per Memorandum of Cabinet o Ministers dated 13 October</p> |

<p>Ministers dated 13 October 2010 and those activities had not been implemented even up to 31 December 2022 .</p>	<p>2010 .</p>	
<p><b>(vi)</b> It had been stated that entering into agreements for the maintenance of all equipment and systems is the responsibility of Colombo Lotus Tower Management Private Company as per the Commission Decision No. 2k22.286.06 (1) dated 24 February 2022. Nevertheless, even though the Commission has accomplished the maintenance activities from the contractor company of C.E.I.C, for a period of 03 months from 28 February 2022 to 28 May 2022 agreements had not been entered into the maintenance works even by 02 March 2023 .</p>	<p>Reminders have been sent to Lotus Tower Management Private Company about this. Once the maintenance contracts are received, actions will be taken to provide them.</p>	<p>As the Colombo Lotus Tower is an asset of the Commission, agreements should be entered into for its maintenance.</p>
<p><b>(vii)</b> The Central Engineering Consultancy Bureau had been appointed on behalf of the Commission to take over the Colombo Lotus tower to the Commission, it had been entered into a contract of Rs. 22,500,000 . Nevertheless, failure of being able to complete the works on the scheduled date, a sum of Rs.9,234,000 had been paid in excess of the agreed amount.</p>	<p>Observation is accurate. Payments have been made as per the agreement.</p>	<p>The contracts should be completed as per the agreements.</p>
<p><b>(viii)</b> The consultancy fee paid for the Colombo Lotus Tower Project as t 31 December 2022 was Rs. 336.4 million and the amount paid in excess of the contract value is Rs. 137.7 million.</p>	<p>Observation is accurate. Payments have been made in terms of the agreement as per the project completion targets given by the contractor from time to time. The Project has been completed by now and actions have been taken to estimate the relevant expenditure and refer it for</p>	<p>Actions should be taken according to the agreement.</p>

- approval of Cabinet of Ministers. Further, approval has been given to pay consultancy fees and other related expenses amounted to American Dollars 02 million as approved by the Cabinet of Ministers 2010 .
- (ix) Even though a sum of Rs. 5,227,613 was paid as salaries and allowances from February 2020 to February 2022 to the consultant hired on contract basis for the commercialization of the Colombo Lotus Tower, monthly reports had been provided only for 02 months of May 2020 and June 2020. A sum of Rs.26,403,419 had been paid as unpaid salaries and allowances without considering the monthly reports and monthly reports of arrival and departure of 05 Assistant consultants recruited on ad hoc basis.
- Answers related to the Paragraph had not been provided.
- The monthly reports, monthly reports of arrival and departure of instructor and assistant instructors and should be obtained.

### 3.6 Human Resources Management

Audit Observations	Comments of the Management	Recommendation
(a) The approved cadre of the Commission as at 31 December 2022 was 288 and the actual cadre was 214. Accordingly, the total number of vacancies was 77. The Commission had neither taken actions to fill up 32 vacancies for the posts of Additional /Deputy Director General, Deputy/ Assistant Director nor revised the approved cadre. Likewise, 08 and 02 officers had been recruited on secondment and contract basis respectively by 31 December 2022	Recruitment could not be completed due to restrictions in time to time by circulars and instructions. Nevertheless, the approval of the Department of Public Enterprises was given to fill the vacancies of technical posts and accordingly, recruitment activities have been started to fill 19 Assistant Director posts, Commission Secretary	Actions should be taken to fill up vacancies or revise approved cadre.

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| without filling the vacancies of the regular number of staff.   | posts, 07 Telecommunication Officer posts and 11 Driver posts. Actions are being taken to get the approval of the Public Enterprises Department to recruit for the 02 posts of Audit Assistant. Arrangements have been made to fill up vacancies on secondary basis, which is one of a manner of recruiting staffing approved by the Commission Act.              |  |
| <b>(b)</b> Even though the Department of Management Services has approved 23 posts of Office Assistants on behalf of the Commission, the Commission had recruited 26 Office Assistants.   | The Telecommunications Act empowers the Commission to determine the staff of the Commission by the Section 22 (c) (1)(a) . Accordingly, the Commission has approved a staff of 30 office assistant posts. Accordingly, the Commission has approved a staff of 30 Office Assistant posts. Accordingly, no recruitments were not made exceeding the approved staff. | Recruitments should be made obtaining approval of the Department of Management Services only to additional staff as decided by the Board of Directors. |
| <b>(c)</b> The Commission had appointed an Assistant Accountant on permanent basis for the post of Assistant Accountant which was not approved by the Management Services Department and a sum of Rs. 1,130,575 had been paid as salaries and allowances for the year under review. | The possibility of absorption of this Officer into an approved staff position will be considered while making new recruitments.   | Only the number of employees approved by the Management Services Department should be recruited.   |
| <b>(d)</b> The Commission had increased the approved number of employees in the posts of Director and Senior Telecommunication Officer by 03  | The Commission has been empowered by Section 22 (c) (1) (a) of the Telecommunications Act to  | Recruitments should be made obtaining approval of the Department of  |

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|     | without obtaining the approval of the Department of Management Services.   | determine the staff of the Commission.   | Management Services only to additional staff as decided by the Board of Directors. |
| (e) | There were 09 vacancies for 08 posts in the tertiary, secondary and primary service category and those vacancies had remained for a period of 02 years to 13 years.  | The answer given for the above (a) is applicable.  | Arrangements should be made to fill up the vacancies or revise the approved cadre. |
| (f) | Even though the procedures such as the Scheme of Recruitment including organizational structure, approved number of employees, performance appraisal system and salary structure had been prepared by paying Rs. 2,992,332 to a government institution, it had not been submitted for the approval of the Commission even by 30 June 2023. | The new recruitment procedure is being studied. After that, it will be submitted for the approval of the Commission.                             | Approval of the Commission should be obtained for the recruitment process.         |
| (g) | The examination certificates of 04 officers of post of Management Assistant II (Non-Technical) and Office Assistant recruited for the in the year 2022 had not been verified by the respective institutions .  | It has been sent to Examination Department on 16 February 2023 for checking these examination certificates, by paying the relevant charges.      | Examination certificates should be verified from the relevant institutions.        |
| (h) | Even though the woman officer of Management Assistant recruited on secondary basis to the post of Management Assistant II Non-Technical from 01 July 2016 had been made permanent on 01 July 2021, the relevant institutions had not checked whether the Officer had the qualifications mentioned in the Scheme of Recruitment.            | The officer has passed G.C.E. (O/L) with 07 subjects with 05 credits in the examination.   | Examination certificates should be verified from the relevant institutions.        |
| (i) | A sum of Rs. 1,490,625 had been paid as 25 per cent pension contribution for 08 officers recruited on secondment basis during the year under review. It was an additional cost to the  | The 25% allowance is credited to the Consolidated Fund of the Government. Officers holding positions in government service parallel to the posts | The posts in the Commission should be recruited on a permanent basis.              |

Commission and the relevant institutions had not checked whether the recruited officers had the qualifications for each post while recruiting those officers as per the Scheme of Recruitment.

recruited in the Commission are recruited on secondment basis. The qualifications of those officers recruited for government service are the same as the recruitment qualifications mentioned in the approved Scheme of Recruitment of the Commission. Although it is not necessary to consider it separately, the relevant qualifications shown in the data sheets submitted during the recruitment of officers will be observed by the Commission.

(j) All the three Top Management Level officers of the Administrative and Human Resources Division of the Commission were recruited on secondment basis and the Administrative and Human Resources Division had interrupted due to the resignation of those officers from time to time. The Division had not recruited officers on a permanent basis for Top Management Level positions for many years.

The activities of the Administrative and Human Resources Division has not stopped due to the recruitment of officers on secondment basis. If you point out the activities so stopped, it can be provided the information about it.

The officers for the posts in Top Management should be recruited on a permanent basis.

(k) In recruitment of a Management Assistant in the Government Information Department to the service of the Commission on secondment basis, in spite of being informed that there is an investigation related to the irregularities that this officer allegedly committed in the maintenance of vehicle files and vehicle repairs during her service period in the Transport Division of the Department of government

There is no mention of such an investigation in the letter dated 29 June 2021 sent by the Department of Government Information to the Commission stating that Mrs. H.M Iresha Shyamali can be released. Therefore, the appointment was made by the Commission on the concurrence of the Appointing Authority based on the agreement given in

When recruiting officers to the service of the Commission on secondment basis, It should be inquired about them from the employing institutions

Information and her actions contrary to the orders of the Head of the Department according to Paragraph 03 of the letter No. Rapra/B03/02/02/005 issued by the said Department dated 23 November 2021, the responsible officers of the Commission had recruited a female officer involved in irregularities without paying any attention to it.

that letter. It is not mentioned such a fact in the letter of approving the release of the officer to the Commission dated 07 October 2021 issued by the Director General of Combined Services, who is also the Appointing Authority and Disciplinary Authority of the Officer. It is stated in Paragraph 03 of the Government Information Department letter dated 23 November 2021, which is the basis of the audit inquiry regarding an investigation to be conducted. According to Section 13.1 of Group II of the Establishments Code and Section 76 of the Disciplinary Rules of the Commission, a preliminary investigation is a fact-finding investigation and it does not make an officer guilty. If, , the officer's Disciplinary Authority is satisfied that there is sufficient facts to charge against the officer after preliminary investigation, her previous Disciplinary Authority has the power to recall her to the previous post immediately. So far, the Disciplinary Authority has not notified the Commission about such a situation.

- (I) An officer who was appointed as Office Assistant on contract basis on 02 September 2002 was

Due to submission of fake educational certificates, this officer was dismissed by the

The loss to the government should be recovered from



promoted to the post of Clerk from 02 December 2009. After 05 years of recruitment, the examination certificates were sent to the Department of Examinations for verification. The Department of Examinations had confirmed that the certificate was a fake result sheet. It had been informed that it is a punishable offense to prepare and present a fake result sheet under the Public Examination Act No. 25 of 1968 and as per the Establishments and Penal Codes, and accordingly, disciplinary and legal action should be taken against him and he should be informed. He was paid a gratuity of Rs. 59,640 on 06 September 2012 and dismissed on 05 February 2013 without taking actions to recover any salary and allowances and fringe benefits paid from 02 September 2002 to 06 August 2012 by the Commission as per the letter of the Department of Examination.

Decision of the Commission No. 2K13.PC.199F dated 23 January 2013 and informed the Department of Examinations of Sri Lanka.

the responsible officers.

### 3.7 Vehicle System Management

Audit Observations	Comments of the Management	Recommendation
(a) <b>Provision of Fuel to the vehicles of the Commission by Advances</b>		
(i) During the period of fuel crisis in the country, advances in huge amounts like Rs. 200,000, and Rs. 300,000 were given to the Assistant Director (Administration) to procure fuel for the vehicles of the Commission. Although bills were submitted for the value of	The Nawala Organization which supplied fuel to the vehicles of the Commission had informed on 06 July 2022 that the fuel on orders could not be provided due to the fuel crisis. Due to the prevailed fuel crisis, the fuel stations did not agree to	Actions should be taken in terms of Financial Regulations 104 .

Rs. 388,965 fuel from the advances obtained for 27 vehicles, the vehicles were not supplied with fuel. The amount of fuel supplied in 07 vehicles had also not been mentioned in the bills.

supply fuel on fuel orders. As it is the responsibility of the Commission to maintain a continuous supply of telecommunication services, a system of getting advances and getting fuel had to be implemented. Accordingly, sufficient advances had to get to obtain the fuel for all vehicles to ensure a continuous supply of fuel to the vehicles and to ensure that some vehicles had to be kept in queues for days to get fuel and because there was a situation where it was impossible to predict the fuel stations from which the fuel could be obtained. Advances have been issued to the Director (Administration ) who has been entrusted with the administrative duties. The value of bills where the amount of fuel has not been stated. The fuel quantity is indicated in the running charts.

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| <p>(ii) The Assistant Director (Administration) had received a fuel advance of Rs. 21,500 for getting fuel for a vehicle on 25 August 2022 and although bills had been submitted that 50 litres of diesel were purchased during settlement the amount of fuel supplied to the vehicle was 20 litres of diesel.</p> | <p>Even though a staff officer receives an advance due to the system of grant of advances the transport officer has been assigned to go to the fuel station with the driver to get fuel. Therefore, this is being examined.</p> | <p>Actions should be taken in terms of Financial Regulations 104 .</p> |
| <p>(iii) Even though the fuel had been obtained from advances for 92 vehicles valued at</p>  | <p>Actions will be taken to submit relevant running charts to audit in future .</p>   | <p>Actions should be taken in terms of Financial</p>                   |

Rs. 1,335,693, due to the fact that the running charts of those vehicles were not submitted for audit, it could not confirm in audit that whether the purchased fuel was used for the respective vehicles. The amount of fuel supplied to the vehicles in 13 cases, had also not been mentioned in the bills.

**(b) Disposal of Vehicles**

- (i) Despite the Disposal Evaluation Committee had informed that the assessment reports dated 22 July 2020 has passed more than one year, as the import of vehicles is prohibited, so the prices of vehicles are high at present, and as a result, to take actions to obtain new valuations, the commission had sold 04 vehicles for Rs. 4,877,616 during the year under review based on the assessment reports of the year 2020 .

This time was taken to conduct the auction due to the economic crisis in the country, the fuel crisis and the situation of the Covid epidemic, the office staff was called to the offices with restrictions, etc.. Due to keep parking these vehicles without being used for many years, as it was dilapidating day by day, with a view to prevent further loss, the auction process was continued on the basis of the valuation reports of 22 July 2020. The assessed value of these vehicles was Rs. 2,010,000 and a sum of Rs. 2,867,616 could be earned as profit in the auction. The institution has received the benefit from the rise in vehicle prices.

Formal assessment reports should be based on future vehicle disposal activities and actions should be taken against the officers who have made vehicle disposals using informal assessment reports.
- (ii) Due to failure of submission of bids equal to or greater than the assessed value for a vehicle, even though the Disposal Evaluation Committee had recommended to call for bids again, without

Vehicle number 227 – 8280 was auctioned at assessed value on the decision and approval of the Commission held on 27 January 2022 considering the time, cost and

The loss to the government should be recovered from the responsible officers.

- implementing those difficulties involved in recommending, indicating that inviting bids for the the bidder who has submitted restrictions prevailing in the highest bid of Rs. 310,900 country at that time and at the time of submission of bids is prefer to purchase the vehicle at auctioning process. assessed value of Rs. 520,000, the vehicle had been sold to the said bidder at assessed value.
- (iii) Although the second highest bidder for a vehicle had presented the bid less than Rs. 520,000 below the assessed value, the vehicle had been sold at the assessed value as per his request. The Vehicle No. 227- 8426 was auctioned at assessed value by following the approval given by the Commission to provide the Vehicle No. 227 – 8280 at the assessed value. The loss to the government should be recovered from the responsible officers.
- (iv) Due to the fact that the Commission did not specify the recovery of Value Added Tax in the bid documents, the bidder who had purchased a vehicle for Rs.1,200,000 had refused to pay Value Added Tax. As a result, the income of the year under review had decreased by Rs. 88,889 and actions had not been taken to identify the officers who had not prepared the tender documents properly and to recover the loss to the Commission. Although the assessed value of Rs. 520,000 of the vehicle is the price inclusive of Value Added Tax, the vehicle No. 227 - 8430 was able to be auctioned for more than its assessed value by awarding the bid to the highest bidder for Rs. 1,200,000 . The vehicle was auctioned for the above amount considering the facts such as lower bid of the second bidder than the assessed value, also the time and cost of re-bidding, lack of confirmation receiving a higher value than this for this car . Actions should be taken to identify the officers who had not prepared the tender documents properly and to recover the loss to the Commission.
- (v) Although all the income should be credited to the Consolidated Fund in case of disposal of vehicles in terms of Section 10 of Public Finance Circular No. 02/2015 dated 10 July 2015, the Commission had not credited a sum of Rs. 4,877,616 received This money should be credited to the Fund of Commission and not to the Consolidated Fund as per Section 22 “E” (2) (d) of the Sri Lanka Telecommunications (Amendment) Act No. 27 of As the provisions are not included in the Act as stated in the reply, actions should be taken in terms of Public Finance Circular No. 02/2015 No. 10 dated 10 July

for sales of vehicles.

1996. It has been done 2015.  
accordingly.

#### 4. Accountability and Good Governance

Audit Observations	Comments of the Management	Recommendation
<p>(a) A sum of Rs. 515,459,337 had been spent in excess of the budgeted expenditure of 10 expenditure items during the year under review and it was observed that it had ranged from 13 per cent to 313 per cent as a percentage.</p>	<p>The reason for this extraordinary cost increase is;</p> <ul style="list-style-type: none"><li>- Increase in salary and other allowances by Rs. 5000 from February 2022 .</li><li>- Increase in retirement contribution applicable to the post of Assistant Director Administration recruited from February 2022 on secondment basis.</li><li>- Increase in gratuity payments due to increase in retirement of employees on reduction of retirement age from 65 to 60 years in 2022.</li><li>- Based on the Decision of the Commission, the increase in the cost of the insurance premium to be collected from the Colombo Lotus Tower Company as an expense of the Commission. Due to the promotion of the assets under the Colombo Lotus Tower Project in the year 2022, the increase in depreciation due to the increase in assets.</li></ul>	<p>The Budget should be used as an effective control tool.</p>

- (b) An expenditure of Rs.152,389,962 and an expenditure of Rs. 514,696,496 for 11 expenses under institutional and administrative expenses had been incurred during the year under review for 03 expenditure items under regulatory expenditure which were not included in the Budget of the year under review.
- It is kindly requested to draw your attention to Notes No. 03, 09, 10 of the Budget for the year 2022.
- The No. 03, 09, 10 had not been presented in the Budget the Budget should be used as an effective control tool.