Independent Television Network Limited - 2023

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Independent Television Network Limited for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. 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 Company as at 31 December 2023, 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 Company'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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Audit Scope (Auditor's Responsibility for Auditing 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 Company'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 Company'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 Company 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 Company and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company.

- Whether the Company has performed according to its powers, functions and duties; and

- Whether the resources of the Company 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 Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

	Non-compliance with reference to relevant standard	Comments of the Management	Recommendation
(a)	As per the assessment reports from 2010 to 2023, for the Torrington land acquired under the lease basis, the company had failed to make lease payments subject to tax revisions made every 05 years by the end of the year under review. The due lease payable on 31 December 2023 was Rs. 50,805,000 and as agreed upon, the company had an obligation to pay in equal monthly installments for the next 10 years from the year 2023. According to paragraph 61 of Sri Lanka Accounting Standard No. 01, this value of Rs. 43,391,250 should be classified as non-current liabilities and Rs. 7,413,750 as current liabilities and presented in the financial statements, but apart from that, the total value was stated under current liabilities.	It was noted that the value less than one year was recorded as current liability and the value more than one year was recorded as long-term liability.	Current and non-current liabilities should be accurately identified and presented in the financial statements in accordance with accounting standards.
(b)	According to Sri Lanka Accounting Standard No. 07, the total value of Rs.25,836,359 of the current service cost and interest expense of the retirement benefit plan of the reviewed year had been recognized to the net profit and even though the said amount only should be adjusted to the net profit before tax when preparing the statement of cash flow but a sum of Rs.57,933,815 had been adjusted including the said value and actuarial loss of Rs. .32,097,455 ,	The actuarial loss should also be adjusted to the net profit before tax while preparing the cash flow statement. Accordingly, as in the previous years, this year also the actuarial loss of Rs.32,097,455 has been included and adjusted in the financial statements and it is correct.	Only the value recognized to the net profit should be adjusted in preparing the statement of cash flows in accordance with the accounting standard.

(c)	The financial instruments shown in the financial statements as at the end of the year under review had not been analyzed the risks and disclosed in the financial statements by the company in accordance with paragraphs 31 to 42 of Sri Lanka Financial Reporting Standard No. 07, .	According to Sri Lanka Financial Reporting Standard No. 07, an assessment has been made based on the market value of the assets when referring to liquidity in the risk analysis. Accordingly, asset valuation will be done this year.	The risks of financial instruments should be analyzed and disclosed in the financial statements.
(d)	Although the classification of financial assets given under the descriptive notes of the financial statements should be done according to Sri Lanka Financial Reporting Standard No. 09 effective in the year 2018, the company had done the classification of financial assets according to the Sri Lanka Accounting Standard No. 39 effective before the year 2018.	All relevant and useful information is disclosed in the financial statements in accordance with Sri Lanka Financial Reporting Standards No. 09.	The classification of financial assets should be done in accordance with Sri Lanka Financial Reporting Standard No. 09, which came into effect in 2018.
(e)	In accordance with paragraph 17 of Sri Lanka Accounting Standard No. 20, in recognizing the amortization of a government grant received for the purchase of a depreciable asset, the amortization related to the government grant should be recognized proportionally in the period in which the amortization expense of the relevant asset is recognized, but for the property plant and equipment purchased in the year 2022 amounting to Rs.11,055,346 government grant received in the year 2023 for the payment of property plant and equipment the amortization value of Rs. 1,381,918 related to the government grant had not been recognized as other income. Therefore the loss of the year under review was overstated by that value and the balance of government grant account in the financial statements was overstated by that value.	Amortization relating to government grants was adjusted in the financial statements this year as in previous years.	In accordance with the accounting standard, when recognizing the amortization of a government grant received for the purchase of a depreciable asset, the amortization related to the government grant should be recognized in proportion to the period in which the depreciation expense of the related asset is recognized.
(f)	As per Sri Lanka Accounting Standard No. 21, the balance of the savings account maintained in foreign currency as at the end of the year under review, due to not being converted according to the spot exchange rate prevailing on that date and presented	According to the exchange rates available on the Central Bank website, only the balances on 29 December 2023 are available. It is the last day value of year 2023. Thus this value of Rs.	Balance as at the end of the year under review of the savings account maintained in foreign currency in accordance with accounting

	in the financial statements, that account balance was understated by Rs. 1,580,294 and the exchange gain was not recognized in the income statement, so the loss for the year was overstated by that value.	319,1762 was multiplied by the USD 12,734.29 we had and was duly shown in the financial statements.	standards, exchange rate prevailing on that date should be correctly translated and presented in the financial statements.
(g)	The outstanding amount of US$ 552,555 to be paid as of the last day of the year under review for Vasantham TV channel for the episodes of 09 local and foreign teledramas bought in foreign currency from the year 2019,due to not being converted according to the spot exchange rate prevailing on that date and not disclosing in the financial statements as per the above standard ,the accrued account balance was understated with a value of Rs. 66,877,990 and the exchange loss of that value was not recognized in the income statement. Therefore loss of the year had been understated by that value.	Here payments are not made in current currency but at a fixed exchange rate. Prioritize day-to-day operations based on current cash receipts. Accordingly, this adjustment has been made as shown in the financial statements in the previous years and in the event of payment, the adjustment will be made as required and indicated in the financial statements.	In accordance with the accounting standard, the outstanding amount payable as at the end of the year under review should be converted according to the exchange rate prevailing on that date and shown in the financial statements.
(h)	According to Sri Lanka Accounting Standard No. 24, related party disclosures should be made in the financial statements, but the company did not disclose the relevant information regarding key management personnel under Note No. 30 of the financial statements.	Noted to disclose relevant information regarding related parties in the financial statements.	Related party disclosures should be made in accordance with accounting standards
(i)	The amount of Rs.1,213,120 due to an employee cash fraud, which shows that there is no possibility of legal recovery, should be disclosed only by note as contingent asset according to Sri Lanka Accounting Standard No. 37. The current assets were overstated due to the fact that they were shown under the balances receivable in the financial statements.	The receivable balance of the entity due to an employee cash fraud is Rs.1,213,120 and legal measures have been taken for this, but the legal section has informed that there are no assets to recover from the employee. This amount was recorded to be disclosed in the notes as an contingent asset for which the necessary adjustments have been made as it is not recoverable.	In accordance with accounting standards, contingent asset should be disclosed in the financial statements by way of a note.
(j)	In relation to an industrial dispute, Rs.42,635,021 deposited in the Bank of Ceylon in the name of the Labor	This amount, deposited in the name of the Commissioner General of Labor in connection	A note should be disclosed in the financial statements in accordance

	Commissioner General was included in deposits and receivables in the financial statements and was not disclosed by a note in the financial statements according to Sri Lanka Accounting Standard No. 37	with the industrial dispute, is duly disclosed in the financial statements. It was recorded to be disclosed further by notes.	with accounting standards
(k)	The government grant of Rs.49,500,000 which was given to settle the compensation payable to the retired officers under the voluntary retirement scheme was shown. in the stated capital of the financial statements. The said compensation was not paid till the end of the year under review. According to paragraphs 80 and 85 of Sri Lanka Accounting Standard No. 37, allocations made for the restructuring costs and the government grant received for the same should be disclosed by a note in the financial statements, But apart from that, the amount had been capitalized including in the payables and no disclosure was made about that	Government grant of Rs.49,500,000 was received from the Treasury on 31 December 2023 payable to the retired officers under the voluntary retirement scheme. Accordingly, there was no time for payment in the year 2023 itself and all the money was duly paid in the year 2024. It was noted to disclose by notes.	In accordance with the accounting standards, the allocation and government grant for restructuring costs should be disclosed in the financial statements.
(l)	In accordance with paragraphs 25 to 27 of Sri Lanka Accounting Standard 38, the financial and information management software system costing Rs.14,433,575 and the human resource management software system costing Rs.6,700,000 have been installed by the supplier by the year under review and but the company had not accounted for the total value of this software amounting to Rs.21,133,575 as intangible assets and creditors. As a result, intangible assets were understated by that value in the statement of financial position. Only Rs.4,310,073 paid for the financial and information management software system was shown under deposits and advances in the financial statements and for that the company did not recognize the amortization expense of Rs.2,886,715 in the income statement under its amortization policy.	The financial and information management software system and the human resource management software system have not been established and completed as scheduled. It is in working progress level. At this time, the software systems are being developed and adjusted according to the needs of the organization. Therefore, as its work has not been completed as scheduled, it is shown under deposits and advances and cannot be amortized. Once these software systems are specifically established in the organization, amortization and other appropriate notes will be show in the financial statements.	Cost of the software system should be accounted for as intangible assets and liabilities in accordance with accounting standards.

1.5.2 Accounting deficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Although the payment to be made to employees of the company for untaken leave was Rs.18,522,547 for the year under review, due to showing Rs.20,819,655 as accrued expenses in the financial statements the loss in the year under review was overstated by Rs.2,297,108.	The value shown for medical leave not taken by the employees is correct and there has been no understatement of profit.	Accrued expenses should be accurately identified and shown in the financial statements
(b)	In the year under review, the company received an amount of Rs.16,737 through disposal of property plant and equipment and an amount of Rs.1,323,000 through disposal of a car and due to stating that the cash flow from disposal of property plant and equipment as Rs. 2,783,383 in preparing the cash flow statement and therefore the cash flow from investing activities was overstated by the value of Rs.1,443,646 in the cash flow statement.	Please note that this includes the proceeds from disposal of all assets.	Cash received from disposal of property plant and equipment should be accurately calculated and shown in the cash flow statement.
(c)	Out of 04 vehicles cost of Rs.8,976,339 owned by the company . A vehicle worth Rs.2,250,000 was sold in the year 2023.However, the cost of these vehicles was not shown in the accounts from the year 2020. Accordingly, the value of non-current assets was understated from 31 December 2020 to 01 January 2023 by Rs. 8,976,339 and by Rs. 6,726,339 as of 31 December 2023.	At the time the motor vehicle was sold, the related costs were fully depreciated.	Assets owned by the entity should be properly accounted for and shown in the financial statements.
(d)	Deferred tax liability value on depreciation of property, plant and equipment was not presented under note 17.1 to the financial statements in calculating the deferred tax liability.	To show the property, plant and equipment on depreciation value under 17.1 analyzing deferred tax liability is omitted and will be corrected.	Deferred tax liability should be disclosed under the notes to the financial statements.
(e)	The arrears of Rs. 2,296,000 paid in the year 2023 in relation to 02 teledrama telecast in the year 2022 should be recognized in the purchase cost of domestic programs related to the year 2022, but due to recognition under the cost of acquisition domestic programs in the year 2023, the loss of the year under review was overstated by that value.	Payments for telecasts teledramas in 2022 have been accrued to that year and erroneously accounted for under local program acquisition costs when making those payments in 2023. It will be corrected in the future.	Costs related to the period should be accurately identified and accounted for.

(f)	A value of Rs.1,866,829 which had been mistakenly recorded in the debtor accounts of the independent television service and a value of Rs.4,193,100 which had to be removed from the accounts due to the exchange of services by the two parties was shown as a balance in the accounts receivable at the end of the year under review. As a result, the debt value in the financial statements had been overstated by Rs. 6,059,929 and due to the calculation of impairment losses on those values, the retained profits had been under stated in the financial statements due to the increase in accumulated losses by Rs.4,544,947.	This situation has arisen due to the over-accounting of an invoice due to an error in the computer system. Also, although an amount of Rs. 4,193,100 due on counter trade transactions is shown, the services have actually been received from both parties and will be taken necessary approvals and proceed to remove it from the books.	Debtor balances and impairment losses should be accurately identified and accounted for.
(g)	As of the end of the year under review, the gratuity expense payble and social security levy payable by the company were Rs. 17,882,595 and Rs. 5,837,751, but under the statutory payables in the financial statements, those values were stated as Rs. 2,328,743 and Rs.346,132 and the remaining balances were stated under other payables. Also, the accrued audit fees of Rs.5,498,986 were shown in provisions and accrued expenses instead of being shown in statutory payables.	As indicated, classified accordingly in the future and shown in the financial statements.	Statutory payables should be accurately recognized and shown in the financial statements.
(h)	Because of 12 English movies worth Rs.1,037,763 purchased in 2011, whose contract period had expired, were accounted as an prepayment instead of being accounted as an expense and therefore current assets and retained earnings were overstated by that value.	This amount is an advance paid for films. The films were bought for telecasting on Prime Radio which could not be telecasting as the channel was discontinued and also could not be telecast on other channels. These movie telecast contracts have expired.	Expenses should be properly accounted .
(i)	An invoice value of Rs.4,105,500 issued for services not provided to a government institution was included in the debtor balance and no action was taken to settle the value during the year under review. Due to this, the debtor's value was overstated by that value and due to the calculation of impairment losses, the accumulated losses increased by Rs. 3,079,125 and the retained profits were under stated in the financial statements.	This institution has been abolished and to get the money contacted with the relevant sections and it caused difficult . In future, it will be removed from the books subject to the approval of the Board of Directors after receiving the recommendation of the Audit and Management Committee.	Invoices should not be issued for services not provided. Debtor balances should be shown correctly in the accounts.

1.5.3 Unauthorized transactions

Description of Unauthorized transactions	Comments of the Management	Recommendation
Comparing the invoice value issued by the company and the rate card value related to the airtime, the rate card value was Rs.129,461,000 while the invoice value related to the advertisement was Rs. 10,286,795 and very unrealistic high discounts of 81-98 percent were given to the clients. By offering very high discounts even during the most profitable airtime, the company's revenue earning channels were severely limited. Also, for the schedules related to the telecasting of advertisements presented by agencies, although the approvals of the Assistant Manager (Marketing), Head of the Schedule Division, Head of the Marketing Division were to be obtained, there were instances where the approval of the Assistant Manager (Marketing) or the Head of the Marketing Division was not obtained.	This is done for the advertisements received from the main agencies that deal with us on a regular basis. Kindly inform that these weaknesses have been rectified at present.	The clients should not be given unrealistic high discounts during the most profitable air time. The company's income should not be severely limited. Proper approval should be obtained for the schedules related to the telecasting of advertisements.

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

	Audit Observation	Comments of the Management	Recommendation
(a)	As of 31 December 2023, the trade receivable balance shown in the company's financial statements was Rs. 905,105,718, of which the balance of the independent television service over five years was Rs. 222,661,338. The outstanding balances of Vasantham TV Channel, Lakhada Radio Channel and Vasantham Radio Channel are Rs.46,033,464 . Rs.8,906,832 and Rs.1,503,744 respectively. During the year under review, the company had not taken steps to recover the said balance and had taken legal action only for the debtor balance worth Rs.1,358,640.	Currently About Rs. 19. 7 million have been referred to the legal section for legal action, out of which Legal proceedings have been completed for about Rs. 5 Million. Due to various reasons, the remaining amount of legal activities has been delayed. Compared to the year 2022, it was informed that due to the growth of about 20 percent in the income in the year 2023, the debtor balance has increased.	Action should be taken to recover debtor balances immediately.

(b)	During the year under review, no action was taken to recover the outstanding balance amounting to Rs.18,795,407 which has been brought forward since 2009	In this year, the necessary information regarding this balance will be obtained and the relevant actions will be taken subject to the approval of the Board of Directors after receiving the recommendation of the Audit and Management Committee.	Prompt action should be taken to recover the outstanding balance.
(c)	As of the end of the reviewed year, the total value of countertrade debtor balances consisting of twenty two debtors was Rs. 28,824,030 and due to the company not providing the relevant services, the total of countertrade debtor balances exceeding 05 years was Rs. 17,288,1678.Actions had not been taken to recover those balances even by the year under review.	This balance has been shown in the books for some period due to non-receipt of invoices and documents confirming receipt of services related to counter-trade transactions. In future, as per the relevant circulars, long outstanding counter trade balances will be written off.	Prompt action should be taken to recover the counter-trade balance.

1.6.2 Accounts Payable

	Audit Observation	Comments of the Management	Recommendation
(a)	From the year 2004 to reviewed year , due to not providing of services related to the trade agreements entered into with various institutions, by the end of the year under review, Rs. 70,702,230 had been shown as counter creditors in the financial statements and no action had been taken to settle this balance during the year under review. The balance more than one year was Rs. 69,702,230 or 98.5 percent.	Services or goods are obtained from external parties in connection with counter-trade transactions and airtime is not provided by the agency. Therefore, the company has not incurred a loss and after receiving the recommendation of the Audit and Management Committee this year and subject to the approval of the Board of Directors, it will be removed from the accounts and settled. This is the reason for reducing the unprofitable situation of the company.	creditor balances should be settled by providing services related to counter trade transactions.
(b)	In the balance of other payables of Rs.200,524,492 shown in the financial statements, 25 creditor balances with a total value of Rs.1,220,239 had been brought forward for more than 10 years and no steps had been taken to identify and settle that value even during the year under review.	information related to Rs.1,220,239 will be sought.	Action should be taken to identified and settled the balances that have been brought forward for a long period of time.

(c)	According to the schedule submitted to the audit, the total value of retentions shown under other payables was Rs. 3,661,576, of which Rs. 3,590,857 was being brought forward for more than 5 years	Out of the retentions values prior to the 3 years will be adjusted in the year 2024.	Action should be taken to identified and settled retention balances that have been carried forward for a long time
(d)	As on 31 December 2023 the Independent Television Network has Rs. 197,343,665 included in the total trade creditor balance between 1 and 3 years Rs. 16,448,517 and the balance between 4-6 years was Rs. 26,460,747 and between 7-10 years was Rs. 33,792,289 and the balance of more than 10 years was Rs.49,939,178 and the said balance was not settled during the year under review.	It was inform that arrangements will be made to settle other creditor balances, giving priority to maintaining the day-to-day activities according to the receipt of cash on a monthly basis.	Creditor balances should be verified and settled.
(e)	Due to the non-payment under the tax revisions for the land belonging to Yatianthota broadcasting station, the arrears payable by the company on 31 December 2023 was Rs. 5,148,080 and including this value, the total value payable for the leased land of the broadcasting stations on that date was Rs. 18,511,280.	The value of arrears for the lands belonging to Yatianthota and other broadcasting stations will be paid after making the payments due to maintain the daily business activities according to the monthly cash receipts. Accordingly, this outstanding amount is to be reduced in the future.	Arrangements should be made to pay the arrears rentals.

1.7 Non-Compliance with Laws, Rules, Regulations and Management Decisions

	Non-Compliance with Laws, Rules, Regulations and Management Decisions	Non-Compliance	Comments of the Management	Recommendation
(a)	Pubic Enterprises Circular No. PED 1/2015 dated 25 May 2015, PED 1/2015(i) dated 27 October 2016 and PED 1/2015(ii) dated 14 January 2022	During the year under review, the chairman of the company had received a transport allowance of Rs. 600,000 and a fuel allowance of Rs. 614,220. in addition, a corporate official vehicle and had consumed 2786 liters of fuel worth Rs. 966,524 for the use of that official vehicle.	In addition to the circulars in force in the government institutions, the board of directors takes certain decisions based on the needs of the service to develop the income status of the entity, to run the affairs of the entity efficiently. Thus, according to Board of Directors decision No. 259/22, the chairman has been approved to get unlimited fuel	Should be complied with Circular provisions .

		The Deputy General Manager (Marketing) had used 1135 liters of excess fuel beyond the approved limit. The value of that amount of fuel was Rs. 392,722 and although the total value of Rs. 192,901 was collected from the salary of the concerned officer for the fuel used, the remaining Rs. 199,821 had not been taken for recovery.	Over the next few months, this excess fuel will be deducted from their salary.	
(b)	Public Administration Circular 22/29 dated 08 October 1999	An officer eligible to be assigned a vehicle the head of the concerned entity should personally satisfy about the need to drive the vehicle on urgent official duty which cannot be postpone and Such a person can be allowed to drive an official vehicle . But there were instances where the official vehicle reserved for the Deputy General Manager (News) was taken by the concerned officer without the permission of the head of the entity.	The number of drivers in the transport section of the entity is not sufficient to employ an official driver for the vehicle assigned to the Deputy General Manager (News and Current Affairs) and in the event that there are no drivers in the company. it is cost-effective and effective for the company to allow the officer to drive the vehicle for his duty trips and for going home and for personal activities.	Should be complied with Circular provisions **.**

2. Financial review

2.1 Financial results

The operating result of the year under review was a loss of Rs.213,739,466 and the corresponding loss of the preceding year was Rs. 361,564,273. Accordingly, a decline was observed in the financial result of previous year loss by Rs.147,824,807. Compared to the previous years, the production income of Rs. 110,926,325 or 1495 percent increased abnormally in the year under review, which was the main reason for the decrease of this loss.

2.2 Trend analysis of major Income and expenditure items

The airtime sales revenue of Rs.1,394,783,090 in the year 2022 was Rs.1,385,459,165 in the year under review, which is a decrease of 1 percent with compared to the previous year. Other incomes were Rs.138,847,672 in the year 2022 and Rs.215,718,957 in the year under review and had increased by 36 percent with compared to the previous year. An increase of 29 percent. Also in the year 2022, the program expenses were Rs. 579,015,447 and it was Rs. 541,971,692 in the reviewed year , which means that the program expenses had decreased by 6 percent. In the reviewed year, the marketing expenses were Rs. 97,563,953 and in the previous year, Rs. 97,326,223 marketing expenses had increased by 0.2 percent. In the year 2022, other operational and administrative expenses were Rs.1,282,361,160 and in the year under review it was Rs.1,268,848,083, which is a decrease of 1 percent with compared to the previous year.

3. Operational review

3.1 Management inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	The company had arranged to provide communication facilities without renewing the agreements for the coming period after the cancellation of 05 lease agreements entered into with the telecommunication companies in leasing the telecasting towers to the telecommunication companies. Also, the outstanding balance to be collected from the telecommunication companies on 31 December 2023 for providing communication facilities was Rs. 19,971,680.	Renewal of the contracts of some client organizations regarding the rental of communication towers is being done and until the contracts are renewed, the services were continued. It would like to inform that the money due from the clients is currently being collected.	Arrangements should be made to enter into formal agreements and arrangements should be made to recover the balance due.
(b)	As of 31 December of the year under review, 01 defamation compensation cases had been filed against the company and the compensation amount demanded was Rs. 50,000,000 .Six cases were filed against the company for violating the right to exhibit, distribute or sell films by the media in Sri Lanka and 05 film intellectual property cases were filed against the company and the compensation amount demanded for those cases were Rs. 490,000,000 and Rs. 20,325,000. Three cases were also assigned against the company for other matters and the compensation for that was Rs.15,000,000. During the year under review, Rs. 5,227,617 had been spent for legal matters and it had increased by 125 percent compared to the year 2022.	In the year 2023, the legal proceedings were normal on each date, the cases that were called in the year 2022 were scheduled for hearings in the year 2023 and as all the expenses increased with the economic crisis, the legal fees were also increased by the relevant senior lawyers in the year 2023 compared to the year 2022. The reason for the increase was the cost incurred for legal matters.	The company should take care to minimize the factors that affect the litigation against the company by external parties.

3.2 Operational Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	According to the information submitted to the audit, the company had purchased and telecast 20 local teledramas at a cost of Rs.310,310,000 between 01 January to 31 December 2023 and had incurred a loss of Rs.65,415,985 during the year under review by telecasting 14 teledramas.	80-85 percent of the company's net income comes from telecasting tele dramas. It should be mentioned that tele drama revenue is considered by comparing the revenue from total tele dramas with the amount spent on total tele dramas and not for each drama separately	Actions should be taken to prevent losses
(b)	The equity capital of the company in the year 2015 was Rs. 3,198,499,721 and in the year 2022 the equity capital which was Rs.654,161,058 had continuously decreased to Rs.489,921,592 in the year under review. The company from the year 2016 to the year 2022 Rs. 107,189,266 to Rs. 361,564,271 had been incurred loss and in the year under review also incurred continuous losses of Rs.213,739,466. In the year under review, the loss of independent television service was Rs.180,808,436, under which Vasantham TV, ITN FM, losses were Rs.9,882,712 and Rs.27,816,668 respectively.	In the year 2022, the net loss was Rs. 361,564,273 as against an operating loss was 164,239,466 in the year under review . It has been able to reduce the unprofitable condition by more than 54 percent compared to the previous year. In the year 2023, although the loss situation has been reduced, the equity capital has decreased due to the loss situation , but in the year 2024, necessary steps have been taken to reach the profitable level. Accordingly, there has been an increase in the income of the year 2024 with compared to the year 2023.	Efforts should be made to reduce losses and increase income.
(c)	Due to non-payment of electricity bills on the due date, the company had to incur an additional expense of Rs. 1,000,242 as interest expense and the management did not pay enough attention to prevent losses that may arise from non-payment of expenses on the due date.	Electricity bills are being paid on scheduled dates so that there is no power cut. I inform that the attention of the management has been drawn in this regard.	Efforts should be made to prevent additional expenses by paying electricity bills on the due date

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
A Hot Swappable Power Distribution Rack machine purchased by the company in the year 2015 for Rs. 1,588,500 since the date of purchased and Aros Flexus FT-30, 30KVA UPS System machine purchased in the year 2010 for Rs. 1,218,274 remained idle for about 04 years without use.	Although a Hot Swappable Power Distribution Rack machine was installed, other related equipment could not be made operational due to the government's import restriction policy and the financial crisis in the institution. 30KVA UPS System disabled due to lightning. It took more than 1 ½ years to get insurance compensation. After that, another year passed due to the restriction of imports, and due to the crisis in dollars, it is impossible to get additional equipment related to this.	Assets should be utilized with maximum efficiency.