**Salacine Rupavahini Institute - period of 9 months ending 30 September -2023**

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## 1. Financial Statements

### 1.1 Qualified Opinion

The audit of the financial statements of the Salacine Rupavahini Institute for the period of 09 months ending 30 September 2023 comprising the statement of financial position as at 30 September 2023 and the Statement of Comprehensive Income for the period ending of 09 months, statement of changes in equity and cash flow statement for the period 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 Institute as at 30 September 2023, and of its financial performance and its cash flows for the period of 09 months in accordance with Sri Lanka Accounting Standards.

### 1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs).
My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### 1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute 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 Institute or to cease operations, or has no realistic alternative but to do so.

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

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

## 1.4 Audit Scope (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 internal control.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Institute and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute.
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit Observations on Preparation of Financial Statements

### 1.5.1 Internal control over the preparation of financial statements

Exercise general and specific authority in transaction management**,** Record transactions and maintain accounting for assets as required to prepare financial statements in accordance with applicable reporting standards, Access to assets only with the general and specific authority of management, The entity is required to maintain a system of "well-designed" internal accounting controls sufficient to obtain reasonable assurance that the accounting for recorded assets will be compared with existing assets at reasonable intervals and appropriate action will be taken against differences, if any. Audit observations related to maintenance of main accounting records like General Ledger, Journal, Journal Vouchers, Payment Vouchers etc. are included under the following headings.

| Audit Observation | Comments of the Management | Recommendation |
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| In order to maintain a proper internal control system, a list of accounts classified with account codes was not maintained up to date and the account codes were not introduced in the system to identify each account. Also opening of different accounts in the accounting system by different people in different departments as per their requirement, Due to the inclusion of various information in them, the | Reply is not relevant. | A list of accounts classified with account codes should be maintained up to date and account codes should be entered into the system. |

systematic and regular maintenance of the accounting system was at risk.

### 1.5.2 Non-Compliance with Sri Lanka Accounting Standards

| | Non-Compliance with Reference to Relevant Standard | Comments of the Management | Recommendation |
|---|---|---|---|
| **a)** | According to paragraph 07 of Sri Lanka Accounting Standard No. 07, six fixed deposit balances of Rs.19,869,954 with a maturity period between 01 - 03 months which should be recognized under cash and cash equivalents have been included in the investments and the investment balance shown in the financial statements as of 30 September 2023 was overstated by that value and cash and cash equivalents were understated by that value. | Corrected the financial statements with relevant correction. I present it with the year 2024. | Investments and cash and cash equivalents should be accurately identified and presented in the financial statements. |
| **b)** | Although a value of Rs.262,600 should be shown under investment activities in the cash flow statement as cash inflows through investments according to Sri Lanka Accounting Standard 07, regardless of the provisions of the standard, a fixed deposits value of Rs.7,396,417 with a maturity period of 03 months and less which should be recognized under cash and cash equivalents were stated as cash inflows under investment activities and similarly the value of cash and cash equivalents on 01 January 2023 should be amounted to Rs.27,178,193 and the value of cash and cash equivalents should be amounted to Rs. 24,055,831 on 30 September 2023 and due to the recognition of the value of fixed deposits with a maturity period of | Submitted with corrected financial statements. | Cash and cash equivalents and investments should be accurately identified and should be prepared the cash flow statement. |

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| | 03 months and less to be recognized under cash and cash equivalents, the value of cash and cash equivalents on those dates were shown as Rs.14,554,112 and Rs.4,185,877 respectively in the cash flow statement. | | |
| **c)** | In the correction of prior period errors, the assets, liabilities and retained earnings balances related to those errors should be restated in the year under review, in accordance with paragraph 42 of Sri Lanka Accounting Standard No. 08, but the Salacine institute has corrected the errors that occurred in the year 2022 by 30 September 2023. Although there is a restatement of assets, liabilities and retained earnings balances with a corrected value of Rs.13,313,195, a descriptive note including statement of financial position and the statement of Changes in equity as on 01 January 2022, 31 December 2022 and 30 September 2023 were not presented in the financial statements as on 30 September 2023. | I will prepare the cash flow statement with the impact of the points you have pointed out and submit it with the 2024 financial statements. | Relevant errors under prior periods should be corrected in accordance with the accounting standard.<br>. |
| **d)** | According to the Finance Act No. 18 of 2021, the nation building tax accrual balance of Rs.24,784,856 and the nation building tax receivable balance of Rs.347,265 were written off in the year 2022 and the net value of which is Rs. 24,437,590 was adjusted to the retained earnings in the year 2022, but as per the provisions of the above standard, it was not disclosed by a note in the financial statements for the period ending 30 September 2023. | I will arrange for the disclosure in a note to the financial statements and submit it with the 2024 financial statements. | Relevant errors under prior periods should be rectified. |
| **e)** | A total value of indirect expenses amounted to Rs.4,396,999 relevant to year 2021 were recognized as advance in the year 2021 and were | I am submitting the 2024 financial statements with those corrections. | Errors relating to prior periods should be corrected in accordance with accounting |

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| | adjusted to the retained earnings in the year 2022, but as of 01 January 2021, 31 December 2021 and 31 December 2022, the balances of assets, liabilities and retained earnings had not been restated. According to the provisions of the standard, the nature of the errors and the corrected values in the previous year should be disclosed in detail through a note in the financial statements, but only a sum of those values was presented in the financial statements and the reasons for the differences in the opening balances relating to the period ending on 30 September 2023 were not disclosed in detail in the financial statements. | | standards. |
| **f)** | In the correction of the balance of Rs.11,988,000 related to the cash fraud of an employee in the year 2014, according to the Section 42 of Sri Lanka Accounting Standards No. 08, the statement of financial position for the respective year had not been restated. | As you have pointed out, from the year 2014 to the year 2022, within a period of 09 years, arrangements have been made restate the statement of financial position. | Errors relating to prior periods should be corrected in accordance with accounting standards. |
| **g)** | According to the provisions of paragraphs 5.5.13 to 5.5.16 of Sri Lanka Financial Reporting Standard No. 09, if the credit risk of a financial asset has increased significantly since the initial recognition, the adjustments should be done according to the expected credit loss approach for the impairment losses. Total debtor value of Rs. 301,638,624 shown in the financial statements ,64 percent or Rs. 195,774,141, including risky debtor balances exceeding 05 years and debtors who have exceeded 90 days had been considered as the policy of the institution to make | I will further discuss the company's provision for bad debt policy and make the necessary arrangements to deal with the financial reporting standard as well. | Adjustments for impairment losses should be made in accordance with Sri Lanka financial reporting standards. |

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| | provisions for bad debts as 5 percent . | | |
| **h)** | The institution had made an initial payment of Rs. 21,000,000 in relation to the building which was acquired under the lease hold system to run its administrative activities and due to posting that value an advance payment account instead of recognizing as part of the right to use asset according to Sri Lanka Financial Reporting Standard 16, Current assets were overstated in the financial statements. | As you have pointed out, I will make the relevant disclosures in the accounts and financial statements according to Sri Lanka Financial Reporting Standard 16. | In accordance with the Sri Lanka Financial Reporting Standard, the building acquired under the leasehold system should be recognized as part of the asset with right to use. |

### 1.5.3 Accounting Deficiencies

| | Audit Observation | Comments of the Management | Recommendation |
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| **a)** | Due to the advance amount of Rs.1,294,095 and Rs.150,000 not being credited to the advance account for 02 transactions that took place between 01 January 2023 and 30 September 2023, the debtor balances as at the end of the period under review are understated by Rs.1,444,095. | Accounts Records have been corrected. | Debtor value should be accurately identified and disclosed in the financial statements. |
| **b)** | A balance of Rs. 755,272, which is a debtor's receipt, was deducted from the trade debtor's balance in the financial statements from the year 2021 due to non-confirmation from which debtors, and no steps were taken to identify and settle those receipts in the year under review**.** | I will further check and correct these debtor receipts. | Receipts from the debtors should be accurately identified and should shown in the financial statements. |
| **c)** | Only the amount of Rs. 4,662 which could not be recovered for the month of September 2023 For the new health insurance system which was started by the institution should be recognized as staff debtors, but due to the fact that the amount of | Under the new health insurance policy initiated during the period from 01 September to 31 August 2023 amount of Rs. 3,184,405 | Debtor balances and advance payments should be accurately identified and accounted for. |

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| | Rs.720,926 which should be recovered in next 09 monthly installments was shown in the individual debtor balances and therefore the debtors were overstated by Rs.716,265. Moreover, according to the audit calculations, the relevant insurance expense for the period under review was Rs.265,367, but Rs.773,231 had been paid to the insurance company as the first installment and Rs.507,863 had been overpaid. Due to the fact that it was shown as Rs.2,189,509 in the financial statement and therefore prepayments were overstated by Rs.1,681,646 . | revised as indicated by you. | |
| **d)** | The current liabilities shown in the financial statements were overstated by Rs.2,410,175 due to crediting the total insurance cost of Rs.3,184,405 to a creditor account in the name of the insurance company for the period from 1 September 2023 to 31 August 2024. | It will amended as shown by you. | Expenses and creditors should be accurately identified and accounted for. |
| **e)** | Although the interest income to be adjusted to the pre-tax net loss of Rs.18,647,694 for the period ending 30 September 2023 was Rs.3,106,210 and the cash flow statement had shown only a value of Rs.3,006,454 as interest income. As a result, the interest income was under adjusted by Rs.99,756 and the interest income from cash under investment activities was understated by Rs.35,286. | I will prepare the revised statement of cash flows with the impact of the matters pointed out by you. | Interest income should be correctly identified and shown in the cash flow statement. |
| **f)** | Although Rs.278,640 should be shown in the financial statements as provision for gratuity related to the period under review, the profit of the year was under-recognized by Rs.344,545 due to showing that value as Rs.623,185. And although the gratuity expense paid in cash during the period was | Rs. 344,545 gratuity over- provision was recognized in this year and the period related gratuity expenses of Rs. 278,640 was also corrected using the | Gratuity expense and provision should be accurately identified and disclosed in the financial statements. |

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| | Rs.4,599,423 and it was stated as Rs.4,899,921 in those notes. Also, the value of gratuity provision to be adjusted to the pre-tax net loss in the cash flow statement should be Rs.278,640, but due to the fact that a value of Rs.623,185 was adjusted, the gratuity provision were over adjusted by Rs.344,545. | relevant account notes as indicated by you. I will work to submit it with the 2024 financial reports. | |
| **g)** | A net amount of Rs.289,222 prior period error correction which does not generate a cash flow adjusted to retained earnings during the period under review was shown under cash flows generated from financing activities in the cash flow statement. | Submitted with corrected financial statements. | Cash flow statement should be prepared correctly. |
| **h)** | When money is received in relation to any work provided to a client institution, the work should be identified under the regulatory number and the receipt of money should be recorded, but without doing so, the receipt of money related to the client institution was recorded and it was shown as negative balance of Rs. 960,520 and due to this negative balance, the debtor balances are reduced twice the same value and the debtor age analysis had the effect of showing an incorrect value. Furthermore, when making provisions for impairment losses, the accounting system automatically calculates impairment loss based on the negative balances related to these cash receipts, so it was not possible to correctly present the impairment loss provisions in the financial statements. | Arrangements have been made to correct the error. | The debtor balance should be properly identified and accounted for. |
| **i)** | According to the audit calculations the interest expense of Rs.3,806,797 included in the monthly lease installments for the building that was acquired under the lease system, should be recognized in the income statement, but the entity recognized the total lease installment of Rs.6,125,000 in the income statement as building | I will proceed as indicated. | Interest expense should be correctly identified and accounted for. |

rent expenses for the period under review and therefore loss of the year was overstated by Rs.2,318,203.

### 1.5.4 Lack of Written Evidence for Audit

| | Subject | Amount | Audit evidence not provided | Comments of the Management | Recommendation |
|---|---|---|---|---|---|
| **a)** | Property plant and equipment | 38,767,209 | Equipment cost of Rs.38,767,209 acquired in the years 2002-2014 including in the property plant and equipment cost of Rs.54,896,417 shown in the financial statements as of 30 September of the year under review , Any description had not been included in the fixed asset register and necessary evidence to verify those values had not been submitted to audit. | I will find the details for that cost and submit it with the financial reports. | Fixed asset register should be updated. |
| **b)** | Adjustments made to retained earnings | 37,791,090 | Journal vouchers and source documents | It is instructed to act as per your instructions. | Journal vouchers related to transactions should be |

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| | | relating to adjustments of Rs.11,988,000 and total value of Rs.25,803,090 related to cash fraud adjusted to retained earnings for the period of 09 months ending 30 September, 2023. | prepared accurately. |

## 1.6 Accounts Receivable and Payable

### 1.6.1 Accounts Receivable

| | Audit Observation | Comments of the Management | Recommendation |
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| **a)** | The trade debtor balance as on the last date of the period under review was Rs.301,638,624 and out of which Rs. 195,774,141 from debtor balances exceeding 05 years and Rs.36,778,240 comprised of debtors between 1-5 years, but no action was taken to recover the respective balances during the reviewed period. | A committee has been appointed to speed up the debt recovery and a proper procedure has been initiated to recover the debtor balances that have been pending for many years. Arrangements have been made to issue letters signed by the Secretary of the Line Ministry and in addition to the reminder letters, legal action is also being taken. | Debt recovery should be done promptly. |
| **b)** | According to Section 3(1) of the Economic Service Charges Act No. 13 of 2006, the economic service charges paid by a person can be offset against the income tax payable by that person for the relevant quarter of the relevant | An economic service fee of Rs. 3,599,749 balance as prepaid advance tax payment in the Inland Revenue Department | Accounts receivable must be accurately identified and accounted for. |

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| assessment year. However in the background of not having paid taxes since 1982 for almost 11 years, a balance of Rs. 3,599,749 which was not entitled to claim was shown under trade and other receivables in the statement of financial position as economic service charges receivable, so current assets were overstated by that value. | and confirmed that the same amount is in our name. | |

### 1.6.2 Accounts Payable

| | Audit Observation | Comments of the Management | Recommendation |
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| **a)** | As of the last day of the period under review, the trade creditor balance of the Salacine Rupavahini Institute was Rs.222,939,260, of which the balance over 5 years was Rs.43,088,779. The respective creditor balance included the creditor balances with a negative aggregate value of Rs.1,304,787 which was carried forward for more than 04 and 05 years. | In the settlement of trade creditor's balance, it is the company's traditional policy to settle the trade receivables balance after the receivable balances are received. Also, the balance confirmation letters were obtained from several creditor institutions and I am working to get the creditor balance confirmation letters from all the creditor institutions. The amount of Rs. 4,725,000, to be paid to the National Film Corporation of Sri Lanka due from the previous few years has been reduced to Rs. 3,022,645 has been written off against the expenditure incurred in the year 2013 and | The creditor balances should be verified and settled immediately. |

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| | | 2014 for upgrading of National Films Corporation. | |
| **b)** | According to the financial statements of the Salacine television Institute as on 30 September 2023, Independent Television Network Limited had a trade and payable balance of Rs. 5,679,084, but according to the financial statements of Independent Television Network Limited, the balance due from Salacine on that day was Rs.4,340,100, which was a difference of Rs.1,338,984 and the management had failed to review and settle this difference. | The accounts department was advised to review the balances that have been coming for many years and look into the necessary arrangements for settlement. | Accounts payable should be accurately identified and shown in the financial statements and settled promptly. |

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

| | With Reference to Laws, Rules, Regulations etc | Non-Compliance | Comments of the Management | Recommendation |
|---|---|---|---|---|
| **a)** | Treasury Circular 842 dated 10 December 1978 and Public Finance Circular No. 359 dated 04 August 1998 and Management Audit Circular No. DMA/2009 (2) dated 01 September 2009 | In order to confirm the strength of the internal control related to fixed assets, to confirm the accuracy of the fixed asset value shown in the financial statements, to facilitate the verification of fixed assets, and to maintain physical control over the corporate asset utilization process, the fixed asset register should be updated and maintained by the institution but Asset register was not updated and maintained properly. | The fixed asset register is maintained through the computer system. | Fixed asset register should be updated. |

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| **b)** | Management Services Circular No. 02/2016 dated 25 April 2016 and Section 5 of Chapter VII of the Establishment code | Contrary to these provisions, as on 30 September 2023, the institution had been paid excess of Rs. 1,414,857 for o4 officers as salary. | I agree to be corrected in relation to this audit query. Paper No. 2024/01-05 was submitted to the Board of Directors held on 23 January 2024 regarding these matters and it was decided that these salary revisions were made subject to the approval of the Board of Directors held in the respective periods , so that no change should be made. | The circular provisions should be followed. |

## 2. Financial Review

### 2.1 Financial Results

The operating result for the period of 09 months under review was a loss of Rs. 18,647,695 and the corresponding previous year loss was Rs.14,299,930. Accordingly, deterioration of Rs.4,347,765 in the financial result was observed . With compare to the previous year the income was decreased by Rs.160,841,352 or 49 percent was the main reason for the deterioration.

### 2.2 Trend analysis of major Revenue and Expenditure Objects

The income of the previous year was Rs.323,094,325 and the period under review it was Rs. 163,237,758 which was a decrease of Rs.159,856,567 or 49 percent with compared to the previous year. Other income was Rs.4,282,416 in the period under review and Rs.5,267,201 was in the previous year. It is a decrease of 18 percent with compared to the previous year. Direct expenses including production expenses which was Rs.243,981,574 in the previous year was Rs.127,267,175 in the period under review which is a decrease of 47 percent. Selling and distribution expenses which was Rs.4,709,514 in the period under review was Rs.7,949,229 in the previous year and it was decreased by 41 percent with compared to the previous year. Previous year administrative expenses was Rs. 88,998,658 and in the year under review it was Rs. 52,876,360 that is decreased by 41 percent with compared to the previous year. During the period under review, other expenses which was Rs.869,286 and in the previous year it was Rs.1,486,144, which is a decrease of 41 percent with compared to the previous year.

## 3. Operational Review

### 3.1 Management Inefficiencies

| Audit Observation | Comments of the Management | Recommendation |
|---|---|---|
| As the institution had not employed an officer in the position of producer, it was not possible to direct the staff of that section for production activities. During the year 2023, only 02 productions had been carried out by the production section of the institution and the institution had incurred the production cost of Rs. 2,319,427. Similarly, 22 production activities had been carried out through external institutions and the cost for that was Rs. 11,396,913 had been paid to external institutions. Out of these 22 production activities, 07 production activities with a total value of Rs. 2,995,000 had been given to a single institution. | Due to the limited number of production tasks received in the year 2022, the company is only performing tasks that can be performed under minimum estimates and at higher profit, using the company's human and physical resources. Also, for tasks that are given a high price estimate by the company, price estimates have been obtained from the company's registered suppliers and tasks that can be performed at lower prices have been performed by external suppliers. | Human resources should be utilized so that production tasks can be carried out effectively. |

## 3.2 Operational Inefficiencies

| Audit Observation | Comments of the Management | Recommendation |
|---|---|---|
| Considering the financial results of the reviewed period and last 05 years, the institution incurred a profit of Rs. 8,300,209 in the year 2019 and the financial result of the year 2020 was a loss of Rs. 29,339,593. The loss after tax in the year 2021 was Rs.6,841,002 and with compared to the year 2020, an increase of Rs.22,498,591 was observed in the financial result. And the loss in the year 2022 was Rs. 14,695,458 with compared to the previous year, the financial result had deteriorated by Rs. 7,854,456 or 115 percent. The loss for the period under review was Rs.18,647,695 which was a deterioration of 30 percent with compared to the previous year. | Not commented. | Management should pay attention to avoid deterioration of the financial position. Action should be taken to increase the income. |

## 3.3 Idle or Underutilized Property, Plant and Equipment

| Audit Observation | Comments of the Management | Recommendation |
|---|---|---|
| It was observed that the property, plant and equipment belonging to the production section of the institution had been idle for a long time and several of them had become inoperable due to the fact that the computers used for editing were constantly inactive . The anti-virus software (Virus Guard) | At the beginning of 2024, steps were taken to update the anti-virus software on the computers. | The well-being and security of the resources owned by the institution should be ensured. |

installed in the operating computers was not updated.

## 4. Accountability and Good Governance

### 4.1 Corporate Plan

| | Audit Observation | Comments of the Management | Recommendation |
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| a) | According to the 2022-2026 Corporate plan, in the year 2023 an income of Rs. 903,000,000 was targeted, but the income earned was Rs. 233,328,718 and the target was achieved by 26 percent. Also, with compared to the year 2022, the sales income of the year 2023 had decreased by 28 percent or Rs. 89,765,607. None of the strategies established by Salacine to achieve sales targets in 2022 and 2023 were met during those periods. Also, there was no effort to identify variances between plans and actual results and take necessary corrective actions. | Due to the severe financial crisis in the country in the year 2023, there was a huge decrease in the sales revenue due to the reduction of the advertising costs carried out for the advertising activities of the government agencies. Difficulty in meeting the company's desired sales targets. Therefore, there were variations between the planned targets and the actual sales targets due to the inability to reach the established targets. In the year 2024, the management of the organization follows the necessary measures to reach the planned goals. | Realistic plans should be made and set goals should be achieved. |
| **b)** | Although it was planned in 2022 to increase the productivity of the organization by using other professional skills of the production department staff | During the time when there was no work in the editing room 02, the | Human resources should be utilized in a way that can increase the productivity of the |

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| | by the end of 2023 and the audit observed during the field inspection that the production department staff is underutilized in the organization by the end of 2023 and the editing rooms are in an underutilized state. Meanwhile, in the year 2022, the attention of the management was not focused on the need to efficiently and effectively implement the stages of the management process of organizing, directing and controlling employees for the expected plans. | computers were running idle and other electrical equipments were running idle, as the institution had to pay the electricity bills which were difficult to bear, the officials had been given verbal instructions to keep the electrical equipments off when there was no work and they had ordered to shut them down completely in any case. In addition to this, due to the information received through the officers of the production department that the officers of those editing rooms are conducting private business activities, daily schedules were used to be aware of the day-to-day duties of those departments in order to control the situation. The Job Card system was implemented for that. | organization. |
| **c)** | The information related to the planned procurements in the manufacturing sector in the year 2022 the procurement description, estimated cost, funding sources were not specified in the procurement plan. | I will look into this in detail and make relevant corrections. | The procurement plan should be formally prepared by including information related to the procurement. |

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| **d)** | Although a targeted program with effective from 2022, has been established by the 2022-2026 Corporate Plan to recover the debts that have been collected since 2012, But the Salacine Intitution had not been able to recover the outstanding balance as at 31 December 2022 from 21 debtor balances over one million totaling Rs.172,420,860 receivable from the period of 2014- 2021 even by 31 December 2023. | I declare that a committee has been appointed for debt recovery and the debt recovery officers are continuing to recover the debt that has been going on for several years. | Actions should be taken to achieve the established objectives |

**4.2 Annual Action Plan**

| Audit Observation | Comments of the Management | Recommendation |
|---|---|---|
| The Action Plan was not prepared in line with the Coporate Plan and although the Action Plan had established targets for engaging private sector clients with Salacine Institution in the year 2023, those targets had not been met by 30 September 2023. | The annual action plan is prepared based on the previous year sales targets. Accordingly, variations have arisen between the sales targets specified in the corporate plan and the sales targets specified in the action plan. In the year 2023, there was no possibility of attracting new clients as expected. Focused on getting business opportunities in the year 2024. | Action plan should be prepared in accordance with the corporate plan. |

**4.3 Internal Audit**

| Audit Observation | Comments of the Management | Recommendation |
|---|---|---|
| In terms of Section 40(1) and Sub-Section 2(1) of the National Audit Act No. 19 of 2018, No internal auditor has been appointed till the date of this report. | It has been referred to the Department of Public Enterprises to get an internal auditor approved. | The provisions of the Act should be followed. |