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ஆண்டுறிக் கை
ANNUAL REPORT

2017



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இலங்கை ஒலிபரப்புக் கூட்டுத்தாபனம்
Sri Lanka Broadcasting Corporation

SRI LANKA BROADCASTING CORPORATION

**ANNUAL REPORT
&
STATEMENT OF ACCOUNTS
2017**

From 01st January 2017 to 31st December 2017

Hon. Minister of Finance and Mass Media
Ministry of Finance and Mass Media
Colombo

Hon. Minister,

In terms of Section 14 (i) of the Finance Act No.38 of 1971, I present the Annual Report of the Corporation comprising of the following documents for the year ended 31 December 2017.

1. Administrative Report on the functions executed by the Sri Lanka Broadcasting Corporation from 01 January 2017 to 31 December 2017.
2. Statement of Accounts of the Corporation for the Accounting Year from 01 January 2017 to 31 December 2017.
3. Report of the Auditor General on the final accounts for the year ended 31 December 2017.
4. Comments of the Corporation on the Report of the Auditor General for the year 2017.

Yours Faithfully,

Chairman
Sri Lanka Broadcasting Corporation
Colombo 07

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Sri Lanka Broadcasting Corporation

VISION

To be the leading Sri Lanka Broadcaster.

MISSION

Guiding the media of broadcasting in such manner to enhance knowledge, attitude and skills to brighten the lives of listeners by elevating their living condition to a higher plane by means of diverse spheres affecting the life of the listener such as economy, culture, morality, education, entertainment, etc.

OBJECTIVE

01. Functioning as the broadcaster maintaining the highest listenership for Sinhala, Tamil and English radio channels.
02. Acting as the premier Sri Lankan broadcaster that provides balanced information promptly with responsibility.
03. Producing and presenting high quality creative programmes for the advancement of indigenous culture.
04. Providing training required for creating a self-motivated staff replete with knowledge, attitude and skills.
05. Updating production and transmission technology appropriately to provide a clear broadcast output to local and overseas listeners.
06. Functioning as the pioneering institution to generate a meaningful broadcasting media culture.
07. Making an imaginative creative contribution as the national radio network to create awareness amongst people on state policies and the implementation of development programmes.
08. Maintaining sound financial control and human resources management.
09. Winning the competitive market through strategic measures.

ADMINISTRATIVE REPORT

2017

ADMINISTRATIVE REPORT - 2017

INTRODUCTION

Sri Lanka Broadcasting Corporation was established by Ceylon Broadcasting Corporation Act No. 37 of 1966 and came into operation on 05 January 1967.

This Annual Report covers the 12 month period from 01st January to 31st December 2017.

During the period under review, the following members served as members of the Board of Directors.

From January 2018

- | | |
|--|---------------------------------------|
| 1. Mr. Nanda Muruththettuwagama, Attorney at Law | - Chairman / Corporation Board Member |
| 2. Mrs. S.A.C. Kulathilaka | - Representative of the Treasury |
| 3. Dr. (Mrs.) Arundathi Sri Renganathan | - Corporation Board Member |
| 4. Mr. Kithsiri Samarasinghe | - Corporation Board Member |
| 5. Mr. W. Jayasiri | - Representative of the Treasury |
| 6. Visharada Deepika Priyadarshani Pieris | - Corporation Board Member |

From July 2018

- | | |
|--|---------------------------------------|
| 1. Mr. Sudarshan Wickramkasingha Gunawardhana, Attorney at Law | - Chairman / Corporation Board Member |
| 2. Mr. Dhanushka Ramanayake | - Corporation Board Member/ W. D |
| 3. Mr. M. J. R. Devid | - Corporation Board Member |
| 4. Mr. Siddhi M. Farook | - Corporation Board Member |
| 5. Mr. W. Jayasiri | - Corporation Board Member |

From December 2018

- | | |
|--------------------------------|---------------------------------------|
| 1. Mr. Siddhi M. Farook | - Chairman / Corporation Board Member |
| 2. Mr. Dhanushka Ramanayake | - Corporation Board Member/ W. D |
| 3. Mr. Sudharshana Gunawardana | - Corporation Board Member |
| 4. Mr. M. J. R. Devid | - Corporation Board Member |
| 5. Mr. W. Jayasiri | - Corporation Board Member |
| 6. Mr. B. K. R. Balasooriya | - Representative of the Treasury |

ADMINISTRATIVE REPORT

Sri Lanka Broadcasting Corporation, the pioneering media institution in the state electronic media sector operated 6 national channels, 6 regional services and on community radio in the year 2017. Discharging its duties by the people as a people's media institution, it played a pioneering role in expanding the horizons of its audiences in the spheres of knowledge, understanding and taste during the year.

■ National Service

The Sinhala National Service is the flagship national service of the Sri Lanka Broadcasting Corporation. As in previous years, the National Service, while maintaining its unique identity, aired a variety of programmes on a wide range of subjects in the year 2017 with a view to bestowing ethical media tradition on the nation.

With the aim of addressing the psyche of the people through aesthetic media such as songs, literature, arts, cinema and drama, the National Service introduced a host of new programmes in the year 2017 including 'Gee Harasaniya', 'Rupana', 'Ran Gee Sara', 'Ulpath Asala' and 'Vishwa Madhura'. Prominent amongst other programmes lined up by the National Service in 2017 are 'Sankathana' - a discussion forum, 'Wari Mandapaya' programme for promoting irrigation technology, 'Thirasara Govithanak Surakshitha Hetak' for the promotion of toxin free local farming, 'Kantha Prabodhaya' programme for expanding socio economic and political horizons of women, 'Sameepa Rupa' programme to reach out to the audience through a different perspective, 'Amathithumagen Ahanna' live programme through which issues and problems in the health sector are referred to the Minister of Health and 'Dannawanam Uganwanna Dan Nathtnam Igena Ganna' to teach Tamil language and 'Dehemi Parapurak Mathin Nidahas Ratak - a programme broadcast from Raja MahaVihara's to create awareness among children on drug prevention.

Promotional programmes aired by the National Service included 'Swadeshiya Rata', 'Sarasavi Handa', 'Prabudhdha Gee', 'Lo Ethambula', 'Himav Arana', 'Nawa Gee Pada Sankalpana' and 'Sathyekshanaya'

In addition, nearly 30 programmes for targeted groups of listeners broadcast over a long period of time such as 'Guwan Viduli Ranga Mandala', 'Lokawalokanaya', 'Rasanjali', 'Alochana', 'Sambhavana', 'Irida Sangrahaya', 'Awarjana', 'Govithenata Peyak', 'Mihithalaya', 'Thirasara Diyawara', 'Induru Dora' and 'Vishwaye Vindaneeya Horawa' continued to be popular among our listenership.

■ Education Service

As in previous years, airtime of the National Service from 3.00 p.m. to 4.00 p.m. daily and additional 30 minutes on Saturday and from 5.00 p.m. to 5.30 p.m. over the Tamil National Service at five weekdays was allocated for the broadcasting of programmes of the Education Service of the SLBC. Political Science programme for the Advanced Level syllabus was a new programme introduced in the year 2017. The Education Service conducted seminars targeting students sitting the G.C.E. (Advanced Level), G.C.E. (Ordinary Level) and Grade 5 scholarship examinations during the year under review. Noteworthy achievements of Educational Service in the year 2017 are to change the airtime of Education Service to a time more convenient for students, presenting educational programmes to cater to the needs of different strata including school children, school leavers, students pursuing higher education and adults, designing various educational programmes outside the premises of the SLBC with focus of schools in remote areas, providing special educational services to schools located in remote areas and working in partnership with the National Institute of Education.

■ Commercial Service

The Commercial Service of the SLBC affirmed the right of its audience to information by airing a slew of current affairs and aesthetic programmes in 2017. 'Dawase Pibidena Geethaya' with comments from an intellectual to enliven the mind of the listener prior to commencing his daily chores, "Obe Namin Gee" to cater to requests of individual listeners, 'Geetha Sambhavanawa' for listeners enjoying different types of musical genre and "His Masters Voice" for the enjoyment of listeners willing to listen songs of yesteryear and 'Swara Wasanthaya' targeting the audience with preference to Northern Indian Hindi songs were some of the innovative programmes lined up in the year 2017.

"Arogya Parama Labha" is a programme conducted with the participation of medical specialists to enhance knowledge on health of listeners while training them on good health habits for a wholesome lifestyle. Other health related programmes aired by the SLBC included "Suwa Arana" health education programme and discussion programme 'Weekly Health Clinic'.

“Salaru Seya” - a programme specially designed for local film enthusiasts, variety entertainment programme “Sonduru Sevana”, “Nomiya Minisun” - a programme on artistes who have left a trail of immortal memories, “Sathutu Kedella” - a programme highlighting successes and life experiences of talented artistes and “Sarasa Rangamandala” - a drama programme presented by undergraduates based on short stories of veteran authors are other programmes that struck a responsive chord with listeners.

■ **City FM Service**

City FM Service of the SLBC driven by the ambition of becoming the most fruitful and popular commercial radio service overcoming the challenges posed by complex social setting broadcast a series of programmes in the year 2017 with the aim of strategically surmounting the competitive market, presenting a balanced view on local and global current affairs with emphasis on responsibility and credibility and producing imaginative programmes for the advancement of local cultural values and norms through the creation of an audience with elevated artistic taste.

The new building of the SLBC was declared open by His Excellency the President Maithreepala Sirisena to coincide with the 50th anniversary of the SLBC commemorated on 5th January which is the Sri Lanka Broadcasting Day and the over night pirith chanting held parallel to the celebration was broadcast live over City FM on 05.01.2017.

The current affairs programme ‘Seethala Eethala’ based on timely and topical issues, monthly entertainment programme ‘Mihira Manaram’ were two popular programmes of the service and new programmes aired during the year included “Café Kaivaruwa, Ahas Gawwa, Sahurdha Geetha Dahaya, Kalabara Hendewa, Nesena Gee 10, Kollywood Sihina and News Print”.

In addition, City FM took action to broadcast programmes relating to all nationally important events and religious festivals such as Sinhala and Tamil New Year, Vesak festival and Christmas as and when they were held during the year 2017.

■ **Tamil National Service**

Preserving the cultural identity of Tamil speaking people, the Tamil National Service contributed immensely in 2017 as in preceding years to keep them abreast with socio economic, cultural and educational developments while improving their artistic taste.

Special programmes including Saraswathi Poojas were broadcast on Thaipongal Day, the most important cultural festival of the Tamil Hindu community. Tamil community includes people of different faiths such as Hinduism, Catholicism and Christianity and Tamil programmes highlighting the importance of religious and cultural festivals associated with these faiths were relayed during the periods of such events. Amongst the special religious programmes exclusively for the Tamil community were the biblical programme ‘Yavai Thirakadharshanam’ and “Theepam” Christian religious programme. In addition special programmes were broadcast for Vesak and Poson Festivals. A special programme was also transmitted for the Haj festival.

Special programmes based on nationally, internationally and socially important days were broadcast during the year under review and national ceremonies held in connection with them were given wide coverage. Examples for these included ‘Rata Vata Avurudu - Sinhala and Hindu New Year programme’, Independence Day celebrations, May Day commemorations, National Drug Prevention Programme, International Children’s Day Programme and International Women’s Day Programme.

■ **Thendral Service**

Thendral is an entertainment based radio channel for Tamil listeners and its target audience is the Tamil speaking youths. Thendral Service broadcast special programmes throughout 2017 to mark events and days of national, religious and social significance. Accordingly, programmes specifically produced for Thaipongal Day and Saraswathi Pooja were broadcast and as in previous years special events were organized at the SLBC premises to coincide with the important cultural festivals. Special programmes were aired for Sinhala Hindu New Year, Ramazan Day, Haj festival, Independence Day, International Women’s Day and International Day of Children.

A programme that became an instant hit with Tamil listeners was ‘Pattakk Patta’ entertainment music programme. Highly popular fun - filled entertainment show with an assortment of songs, dramas and comedies were aired in the year 2017.

Similarly, during the Madu and Thalawila festivals revered by Catholic devotees, several special programmes and situational reports were aired. Several other Christian and Catholic programmes sponsored by clients were also broadcast during the year over Thendral Service.

■ **Muslim Service**

The Muslim Service of the Sri Lanka Broadcasting Service which has rendered a dedicated service of over 67 years is the only radio channel dedicated to Muslim culture and Islam. It is not only popular among the Sri Lanka Muslim community but among the Muslim Community of South India as well. The programmes are accessed by the Muslim community across the world over the Internet and nearly 85% of the programmes are sponsored programmes. Though it specifically targets a particular ethnic group, the programmes are designed to promote and foster harmony and coexistence among all communities.

The service also produced and aired programmes specially designed for children and women, musical programmes and dramas, programmes for youth, quiz programmes etc. A radio journal programme for Malay and Urdu speaking communities was also aired and 80% were sponsored programmes.

■ **English Service**

English Service, the trailblazing first radio channel of the SLBC is known for its unique musical programmes that dominate most of its airtime and has a vast collection of programmes including songs of yester year and dramas. As English listenership of the country is heavily inclined towards entertainment programmes, the channel has designed its programme to cater to this segment. In addition, it also produced current affairs and news programmes and programmes specially designed to children and women in the year 2017. The English Service made arrangements to produce programmes to coincide with major religious and national festivals. Shouldering the national responsibility of fostering and expanding international relations, programmes based on special days of foreign countries were produced and broadcast. Programmes have also been produced on topical issues with the participation of resource persons with authoritative knowledge on the relevant field. Programmes highlighting the importance of internationally designated days were aired in the year 2017 as well.

■ **Rajarata Service**

Rajarata Service which is the regional radio channel broadcasting programmes covering the Rajarata area produced and aired a number of special programmes during the year 2017. Many prominent artistes who rose to prominence in the field were products of the Rajarata Service. With the contribution of these artistes, the service presented meaningful and enjoyable programmes for its listeners during 2017.

The service served as the official broadcaster of special religious ceremonies centered on the Anuradhapura sacred area throughout the year 2017. In particular, a host of programmes were produced to mark Poson festival and programmes associated with other Poya days and peraheras were aired and it also served as a sponsor of the Vesak zones.

A new launched in the year was the “Police and You” with the participation of the Inspector General of Police.

Another new feature commenced in 2017 was production of programmes on current affairs and for the first time voice clips were aired during news bulletins.

Programmes designed specifically to mark ceremonies of national importance were broadcast and those included programmes for Independence Day, May Day, New Year Festival and Christmas.

A commemorative programme of personalities who have rendered valuable service to the country was also aired in 2017.

■ **Wayamba Handa**

Wayamba Handa is the regional radio service of the SLBC for the Northwestern Province. Wayamba Handa mainly focused its programmes on regionally and nationally important events in the year 2017 while airing programmes for the entertainment and promotion of knowledge. Programmes were produced on topical issues such as cardiac diseases, kidney disease, drugs, disaster management committee of Kurunegala, environmental week, anti-smoking day, disposal of electronic waste, etc. Programmes on special personalities such as Vijaya Kumaratunga, H. R. Jothipala, Vijaya Nandasiri, S. W. R. D. Bandaranaike and Sunil Dayananda Konara. Other standout programmes during the year includes the programme on students of Maliyadeva College who achieved

excellence results at the G.C.E. (Advanced Level) examination, programme for introducing art song to school children, programme of traditional dance forms. The service also served as the media sponsor of ‘Malidev Mela’ exhibition organized by past pupils association of the Maliyadeva College. In addition, celebrating the 8th anniversary of the channel, several special programmes were aired.

■ **Radio Dambana**

Radio Dambana is the only radio channel in Sri Lanka that targets the indigenous community of Sri Lanka concentrated in Dambana area and is operated without any commercial interest. Considering the preservation of identity, beliefs, art forms and customs of the indigenous community as a national responsibility, Dambana Radio broadcast many programmes in year 2017 connected with and important to their lifestyle. The production of a compact disc based on folk songs of indigenous community titled “ Vanayen Esena Gee’ in collaboration with the publication unit of the Corporation was a notable achievement in the year. Organizing ceremonies to mark International Day of the World’s Indigenous Peoples, communication training for children of the coverage zone, celebrating the 9th anniversary of Radio Dambana, media coverage for the annual pageant of the Sri Sumana Saman Devala of Mahiyangana Raja MahaVihara were other prominent activities carried out in the year 2017.

■ **News and Current Affairs Division**

The primary role and function of the News Division is the reporting of more accurate news to the people with responsibility and credibility. Accordingly, 04 main news bulletins were presented in three languages. With the aim of enhancing the credibility of news voice cuts were aired during news bulletins. In addition, the news division edited the hourly news, news diary, children’s news and Buddhist news.

‘Subahrathi’, a daily current affairs programme with focus on a sensitive social issue, ‘Ethul Peththa’ a programme for creating awareness among public on government’s development programmes, ‘Sathyekshanaya’ on the theme of right path through conflicts crises and opinions were the important programmes produced by the Current Affairs Division. The live broadcast of Parliamentary proceedings which commenced in the year 2015 continued in the year 2017.

■ **Development Division**

The Development Division was in charge of giving media coverage to and conducting pre-publicity campaigns regarding various ceremonies and functions attended by His Excellency the President Maithreepala Sirisena from 01.01.2017 to 31.12.2017. Conservation of the speeches made by the President at those functions too is a responsibility of the Development Division. Reporting the heads of state meeting of Indian Ocean Rim Association attended by His Excellency the President, the Australian tour of H. E. the President, the 72nd General Assembly of the United Nations attended by H. E. the President and broadcasting the speeches made by H. E. the President therein were carried out by the Development Division.

■ **Music Division**

The Music Division made the maximum contribution for the production of high quality musical programmes for all channels of SLBC and it has presented a large number of classical programmes, general classical programmes, creative programmes and analytical programmes. “Miyurusara” musical programme with euphonious instrumentals, educational musical programmes continued from previous years such as folk songs, old Nadagam Gee and Noorthi Gee and virindubaila, ‘Sarasa Ravaya’ based on North Indian classical music, ‘Hela Gee Siththam’ focusing on traditional folk songs, ‘Avarajana’ programme to mark death anniversaries of departed music maestros, Shradhdhanhali Bodu Gee Saraniya’ an analytical programme on devotional Buddhist songs broadcast every Poya Day and ‘Dhamma Padha Song’ programme containing new songs based on ‘Dhamma Padhaya’ were some of the prominent musical programmes produced by the Music Division in 2017.

In addition, ‘Sevaka Sangrahaya’, ‘Vishwaye Vindaneeya Prathirava’ ‘Sarala Gee’, ‘Punchi Punchi Tharu Wage’, Independence commemoration poems, ‘Sangeeth Anandaya’, ‘Ahasin Eha’, ‘Geeyaka Asiriya’ are also the productions of the Music Division and were aired during the year 2017 as in previous years.

■ Publications Division

The Publications Division of the SLBC produces music compact discs and journals for sale and generate income through their sale. The new music CDs produced in the year 2017 were ‘Sinidu Sudu Mudu Thalawe’, ‘Walakulin Besa’, ‘Seethala Pini Matha’, ‘Uthuru Salu Enda’, ‘Jeewithe Amadara’, ‘Asuru Sanin’ and ‘Lihiniye’. CDs produced by SLBC were sold at special functions in the year 2017 as in previous years. Further, cassettes CDs and publications of SLBC were sold at the sales outlet at the corporation premises and through its network of country wide sale agents. The Publications Division made arrangements to produce and broadcast a programme over the Commercial Service named ‘Himav Arana’ in which new songs selected by a song review panel are presented and a musical entertainment programme called ‘Panhinda’ in which a veteran lyricist talks about his/her songs.

■ Audio Research Division

The researches conducted by the Audio Research Division are given below.

1. Research for assessing the audience satisfaction about the local services of the SLBC.
2. A survey on the listeners’ response as regards the quality of the audio reception of local channels of the SLBC.
3. Listeners’ response regarding the programmes of local services of the SLBC.

Qualitative and quantitative appraisal of radio programmes, provision of important information, provision of information to the academic publication to mark the golden Jubilee of the SLBC, collection of information and photographs required for the SLBC museum and preparation of handbill on SLBC are important functions carried out by the Publications Division in 2017.

■ Central Operations Division

This Central Operations Division is in charge of studio operational activities and recordings of the SLBC. One of its primary functions is to deploy working assistants to coordinating studios, conservation studios and recording studios and provision of other facilities. In the year 2017 too, it made a significant contribution to maintain the quality of the programmes by deploying suitable working assistants as per the nature of the programme. The main responsibility of the working assistants is to maintain a credible broadcast without any interruption to service.

The Central Operations Division contributed to the recording of songs as well as programmes to the best possible quality using stereo technology. The Division also handles the hiring of the Ananda Samarakoon Studio No.4 and 5 on fee levying basis to external parties and individuals.

■ Training Institute

Activities carried out by the Institute during year 2016 are as follows.

- Radio programme production and communication certificate course for 20 external trainees.
- Production and communication certificate course for 25 members of the army.

Other services rendered by the Institute includes media training for 25 students of Medirigiriya Central College, training for 10 regional marketing executive officers, training for undergraduates of the University of Performing Arts, Sabaragamuwa University and Sri Palee Faculty, training of relief announcers of SLBC and training of technical officers of SLBC, language usage training for Tamil announcers.

■ Engineering Division

The projects implemented by the Engineering Division of the SLBC during the year 2016 are as follows.

1. Implementation of the second phase of the project for updating Faputale FM transmitting station - The value of the project is Rs. 91.75 million.

Activities carried out under the project

- Purchasing and installing the antenna system
- Purchasing and installing 250 KW generator

2. Second phase of the updating continuity studios (C1 to C12) - The value of the project is Rs 40 million. Under the second phase of the project for updating continuity studios C1 - C6 studios have been updated.
3. Implementation of the first phase of the project for upgrading information technology facilities. The value of the project is Rs.70 million.
4. Project for updating Kandurata Service- the value of the project is Rs. 10 million.

■ **Marketing Division**

An upswing in the income generated from the sale of airtime was witnessed in the year 2017. The major contributory factor for the increase was the live radio commentaries of the ICC World Cup and other cricket tournaments. Sponsorships could be secured for the announcement of auspicious times of the Sinhala and Hindu New Year. Revenue was generated during the year through Vesak Zones, Dalanda Perahera, Saman Devala Perahera of Sabaragamuwa. 'Group Songs' musical extravaganza organized in the year 2017 was a new experience in musical entertainment and contributed the boost the revenue.

STATEMENT OF ACCOUNTS
2017

Sri Lanka Broadcasting Corporation
Statement of Financial Position
(All Amounts in Sri Lanka Rupees)

	Note	31 December 2017	31 December 2016
ASSETS			
Non - Current Assets			
Property, Plant and Equipment	9	2,293,423,537	2,229,394,908
Deferred Tax Assets	8	6,536,768	1,277,887
Software	9	1,251,063	
Capital Working Progrees	10	54,762,028	187,241,019
Investment	11	1,000,000	1,000,000
		2,356,973,395	2,418,913,814
Current Assets			
Inventories	17	27,677,332	25,907,733
Trade and Other Receivables	12	251,158,960	241,475,741
Goods in Transit	Sh 18	93,202,706	30,512,997
Cash and Cash Equivalents	13	351,718,918	320,286,094
		723,757,917	618,182,565
Total Assets		3,080,731,312	3,037,096,379
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital		307,386,085	307,386,085
Capital Reserve		19,997,092	
Revaluation Reserves		14,421,999	14,421,999
Retained Earnings	14	(36,060,404)	(108,694,335)
		305,744,772	213,113,749
Non - Current Liabilities			
Defined Benefit Obligations	Sh 19	224,904,536	241,582,628
Deferred Income (Japan Grant)		70,849,537	75,218,347
Government Grant		863,445,527	722,868,845
Grant Trinco		1,128,190,137	1,283,596,811
Deferred Tax Liabilities	8	79,401,520	70,970,003
		2,366,791,257	2,394,236,634
Current Liabilities			
Trade and Other Payables	15	266,335,226	257,847,404
Non Financial Liabilities	16	141,860,056	171,898,592
Total Liabilities		408,195,282	429,745,996
Total Equity and Liabilities		3,080,731,312	3,037,096,379

The Director Finance certifies that the financial statements have been prepared in compliance with the requirements of the Sri Lanka Financial Reporting Standards, Finance Act. No: 38 of 1971 and Sri Lanka Broadcasting Corporation Act No.37 of 1966.

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Director Finance

Date : 2016

The Board of Directors is responsible for the preparation and presantation of these Financial Statements. These Financial Statements were authorized by the Board of Directors on

.....
Chairman
Date : 2016

.....
Board of Director
Date : 2016

The notes on pages 05 to 25 form an integral part of these finaceial Statements.

Sri Lanka Broadcasting Corporation
Statement of Comprehensive Income
(All Amounts in Sri Lanka Rupees)

	Note	31 December 2017	31 December 2016
Sales	1	694,202,792	663,142,415
Cost of Sales	2	619,161,702	621,764,705
Gross Profit		75,041,090	41,377,710
Other Operating Income	3	325,836,839	292,596,221
Distribution Costs	4	5,361,316	5,743,906
Other Operating Expenses	5	336,245,865	321,745,130
Administrative Expenses	6	329,451,940	317,162,912
Operating Profits		(270,181,192)	(310,678,018)
Finance Costs	7	5,952,777	5,555,448
Profit / (Loss) before Govt. Grant		(276,133,969)	(316,233,466)
Govt. Grant	3.1	350,690,000	365,000,000
Profit / (Loss) after Govt. Grant		74,556,031	48,766,534
Differed Tax	8	(3,172,636)	6,450,961
Profit after Tax		71,383,395	55,217,495
Total Comprehensive Income		71,383,395	55,217,495

Sri Lanka Broadcasting Corporation
Statement of Changes in Equity
(All Amounts in Sri Lanka Rupees)

	Note	Stated Capital	Capital Reserve	Revaluation Reserve	-	Retained Earnings	Total
Balance at 01 st January 2016		307,386,085		14,421,999		-	321,808,084
Comprehensive Income							
Comprehensive Income for the Year						55,217,495	55,217,495
Revenue Reserve Adjustment - 2016						(163,911,830)	(163,911,830)
Balance at 31st December 2016		307,386,085	-	14,421,999		(108,694,335)	213,113,749
Comprehensive Income							
Comprehensive Income for the Period			19,997,092			71,383,395	19,997,092
Revenue Reserve						(107,443,799)	71,383,395
Balance at 31st December 2017		307,386,085	19,997,092	14,421,999		(36,060,404)	305,744,772

SRI LANKA BROADCASTING CORPORATION
Cash Flow Statement

(All amounts in Sri Lanka Rupee)

Description	2017		2016	
Cash Flow From Operating Activities				
Net profit before interest and tax		74,556,031		50,960,289
Adjustment For				
Amortisation of government grant	(77,916,361)		(67,476,968)	
Amortisation of grant Trinco	(155,406,674)		(155,406,674)	
Depreciation	62,529,891		45,687,595	
Depreciation Trinco	159,297,421		158,236,740	
Provision for gratuity	25,814,868		21,300,257	
Provision for bad debts	5,361,316		5,743,906	
Gain / (Loss) on Exchange	129,895		265,004	
Lease Interest			176,345	
ESC	3,398,792	23,209,146	916,796	9,443,001
		97,765,177		60,403,290
Revenue Reserve Adjustment		(362,500)		867,406
Operating Profit Before Working Capital				
Increase / Decrease in Inventories	(1,769,599)		1,121,071	
Increase / Decrease in Trade & Other Receivables	(12,217,155)		(41,105,579)	
Increase / Decrease in Goods in Transit	(62,689,709)		(25,660,928)	
Increase / Decrease in Trade & Other Payables	8,487,821		22,362,706	
Increase / Decrease in Non Financial Liabilities	(30,038,536)	(98,227,178)	30,409,515	(12,873,215)
Gratuity Paid		(42,492,960)		(19,039,367)
Net Cash From Operating Activities		(43,317,461)		29,358,114
Cash Flow From Investing Activities				
Government Grant (Capital - 2017)	185,612,000		165,629,400	
Government Grant (Capital - 2016)	28,696,671			
Purchase of Property, Plant and Equipment	(86,952,149)		(67,720,498)	
Capital Work in Progress	(52,606,237)		(53,946,740)	34,962,162
Net Cash Used in Investing Activities		74,750,285		
Cash Flow From Financial Activities				
Payment of Lease Rental			(4,885,634)	
Net Cash Used in Financial Activities		-		(4,885,634)
Net Increase / Decrease in Cash and Cash Equivalents		31,432,824		59,434,642
Cash and Cash Equivalents at Beginning of Period		320,286,094		260,851,452
Cash and Cash Equivalents at End of Period		351,718,918		320,286,094
(Note 13)				

Notes to the Financial Statements

1. General information

1.1 Reporting Entity

Sri Lanka Broadcasting Corporation, a Corporation duly incorporated and established under the Sri Lanka Broadcasting Corporation Act No.37 of 1966 having its registered office at Independence Square, Colombo 07 and principal place of business is situated at Independence Square, Colombo 07.

1.2 Principal Activities and Nature of Operations

During the year, the principal activity of the Corporation is sale of airtime.

1.3 Date of Authorization for Issue

Financial Statements of Sri Lanka Broadcasting Corporation for the year ended 31st December 2017 was presented for approval on 23rd March 2018.

1.4 Number of employees

The number of permanent employees at the end of the year was 803
And the number of Contract staff at the end of the year was 85
(31.12.2016 - 921)

2. Basis of preparation and adoption of Sri Lanka Financial Reporting Standards ('SLFRS')

The Corporation prepares its financial statements in accordance with the Sri Lanka Accounting Standards ('SLFRS') issued by the Institute of Chartered Accountants of Sri Lanka and Sri Lanka Accounting and Auditing Standards Act No.19 of 1995.

The institute of Chartered Accountants of Sri Lanka issued a new volume of Sri Lanka Accounting Standards ('SLFRS') and to require enterprises to apply these standards effective for years beginning on or after 1 January 2012.

3.1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1.1 Basis of preparation

The financial statements of Sri Lanka Broadcasting Corporation have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS). The financial statements have been prepared under the historical cost and other specific measurements which are explained in the succeeding notes.

No adjustments have been made for inflationary factors affecting the financial statements.

The preparations of Financial Statements in conformity with SLFRS require the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the corporation's accounting policies. The areas where assumptions and estimates are significant to the financial statements are disclosed in Note 04. The reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the report of amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

3.1.2 Going Concern

The directors have made an assessment of the Corporation's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

3.1.3 Post Balance Sheet Events

All material events occurring after the balance sheet date have been considered and where necessary adjustments have been made to / or disclosed in the financial statements.

3.1.4 Comparative Information

The Accounting policies, which have been consistently applied by the Corporation, are unless otherwise stated, consistent with those used in the previous years. Previous year's figures and phases have been rearranged to confirm to the presentation.

3.1.5 Foreign currencies

(a) Functional and presentation currency

Items included in the Financial Statements of the Corporation are measured using the currency of the primary economic environment in which the entity operates ("The Functional Currency"). The financial statements are presented in Sri Lankan Rupees, which is the Corporation's functional and presentation currency.

(b) Foreign Currency Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

3.2 Other Significant Accounting Policies

3.2.1 Assets and Bases of Their Valuation

Assets classified as current assets in the Balance Sheet are cash and those which are expected to be realized in cash, during the normal operating cycle of the Corporation's business, or within one year from the Balance Sheet date, whichever is shorter. Assets other than current assets are those which the Corporation intends to hold beyond a period of one year from the Balance Sheet date.

3.2.1.1 Property, plant and equipment

Land and buildings comprise mainly head office, regional and transmission station. All the property, plant and equipment are stated at historical cost. The cost of PPE is the cost of purchase with any incidental expenses incurred in bringing the assets to its working conditions, for its intended use. Expenditure incurred for the purpose of acquiring, extending or improving assets of permanent nature has been treated as capital expenditure. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably.

3.2.1.2 Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant and Equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognized as an expense when incurred.

3.2.1.3 Depreciation

Land is not depreciated. Provisions for depreciation for other assets are calculated by using a straight-line method on the cost / revalued amounts of all fixed assets. The principal annual rates used for this purpose are:

Buildings	2.5%
Plant and machinery	7.5%
Audio Frequency Equipment	7.5%
Furniture and fixture & Equipment	10%
Transmitter	7.5%
Motor vehicles	25%
Musical Instruments	10%
Computer Equipment	50%
Record Tapes	33.33%
Loose Tools	50%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

3.2.2 Capital Work - in -Progress

Capital work - in - progress represents the accumulated cost of materials and other costs directly related to the construction of an asset. Capital work-in-progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

3.2.3 Financial Assets

3.2.3.1 Classification

3.2.3.2 Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Corporation's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position. (Notes 3.8 and 3.9).

3.2.5.4 Recognition and Measurement

Financial assets carried at fair value through profit or loss is initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred substantially all risks and rewards of ownership. Available - for - sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income.

3.2.5.5 Impairment of Financial Assets

(a) Assets Carried at Amortized Cost

The Corporation assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in

interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Corporation may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

3.2.5.6 Trade receivables

Trade receivables are carried at anticipated realizable value. A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income within distribution cost. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivable. Subsequent recoveries of amounts previously written-off are credited against distribution cost in the income statement.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

3.2.6 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a purchase price basis. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

3.2.7 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

3.2.8 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.2.9 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current Taxation

Current tax liabilities arise to the Corporation in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto. These liabilities are provided for in the Financial Statements applying the said provisions which the management believes reflect actual liability. There can be instances where the stand taken by the Corporation on transaction is contested by the Revenue Authority. Any additional costs on account of these issues are accounted for as a tax expense at the point of liability is confirmed on the Corporation.

Current tax assets and liabilities for the current year and prior periods are measured at the amounts expected to be recovered from or paid to Revenue Authority. Tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date. The provision for current tax is based on the elements of income and expenditure as reported in the Financial Statements.

(b) Deferred Tax

Deferred tax is recognized using the Balance Sheet method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is not recognized for the temporary differences arising in the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investment subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by reporting date. Deferred tax assets and liabilities are offset if there is a legal enforceable right to set off current tax liabilities and assets, and they relate to income taxes levied by the same tax authorities on the same taxable entity.

A deferred tax asset is recognized only to the extent that it is probable that future profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.2.10 Employee benefits

3.2.10.1 Retirement Benefit Obligations

(a) Defined Benefit Plan - Retirement Gratuity Provision

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in the financial statements in respect of defined benefit plan is the present value of the defined obligation at the reporting date. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows.

Using interest rates that are determined in currency in which the benefits will be paid and that have term to maturity approximating to the terms of the related liability.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 (Revised 2006) on retirement

benefit costs. However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded. The key assumption by the Management includes the followings,

- (1) Rate of Interest of 11%
- (2) Rate of Salary increment of 5%
- (3) Retirement age of all employees 60 Years

(b) Defined Contribution Plans - “Employees Provident Fund” & “Employees Trust Fund”

All employees who are eligible for “Employees Provident fund” contribution and “Employees Trust Fund” contribution are covered by relevant contribution funds in line with respective statutes and regulations. Employer’s contribution to the defined contribution plans are recognized as an expense in the Income Statement when incurred.

3.2.11 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the corporation will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non - current liabilities as deferred government grants and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

Amortization Rates are given below,

Buildings	2.5%
Plant and machinery	7.5%
Audio Frequency Equipment	7.5%
Furniture and fixture & Equipment	10%
Transmitter	7.5%
Motor vehicles	25%
Computer Equipment	50%

3.2.12 Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3.2.13 Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the corporation or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that can not be measured reliably. The corporation does not recognize a contingent liability but discloses its existence in the Financial Statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the corporation. The corporation does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3.2.14 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.2.15 Finance Lease Obligations

Property, plant and equipment on finance leases which effectively transfers to the corporation substantially all the risks and benefits incidental to Ownership of the leased items are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payment at inception of the, less accumulated depreciation

The total interest payable is accounted as interest in suspense. The corresponding credit is recorded lease as an amount payable to lesser. The installments paid are used to reduce the liability.

The Interest charge of the year is transferred from the interest suspense account to the Income Statement.

3.2.16 Income Statement

3.2.16.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for service supplied, stated net of discounts and value added taxes. The corporation recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the corporation's activities, as described below the Corporation bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) **Sale of Air time**

Revenue comprises the sale of air time. Revenue from the sale of air time is recognized when advertisement are aired.

(b) **Interest income**

Interest income is recognized as the interest accrued on the time basis (taking into account the effective yield on the asset) unless collectability is in doubt.

(c) **Net Gains and Losses on Disposals of Property, Plant & Equipment**

Net gains and losses on disposal of an item on Property, Plant & Equipment are determined by comparing the net sales proceeds with the carrying amount of Property, Plant & Equipment and are recognized in the Income Statement.

(d) **Other Income**

All other incomes are recognized on an accrual basis.

3.2.17.1 Expenditure Recognition

a) **Operating Expenses**

Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running in the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit / (loss) for the year. Provisions have also been made for bad and doubtful debts, all known liabilities and depreciation on Property, Plant & Equipment.

b) Finance Expenses

Interest expenses are recognized on an accrual basis. Borrowing costs are recognized as an expense in the period in which they are incurred.

3.2.18 Comparatives

Where necessary, comparative figures have been adjusted to conform with change in presentation in the current year.

4. Critical accounting estimates and judgment

Judgments, estimates, and assumptions that affects the application of accounting policies and reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcome that require material adjustments to the carrying amounts of assets or liabilities effected in future periods.

The judgments, estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments, estimates and assumptions about the carrying amount of assets, liabilities and contingent liabilities that are not readily identified from other sources.

The judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments, estimates and assumptions made by the management in application of LKASs that could have a significant effect on the Financial Statements.

(a) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The corporation determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the corporation considers the interest rates of corporate bonds. Other key assumptions for pension obligations are based in part on current market conditions.

(b) Income taxes

The corporation is subject to income taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5. Financial Risks Management

5.1 Financial risks factors

The corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Corporation's overall risk management program focuses to minimize potential adverse effects on the Corporation's financial performance.

Risk management is carried out by a Finance department under the policies approved by the board of directors.

(a) Market Risks

(i) Foreign exchange risk

The Corporation imports required equipment internationally and it is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollars. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, corporation enters in to agreement with local agents.

(ii) Price risk

The group is exposed to commodity price risk. Corporation minimizes the risk by entering agreement with the main suppliers.

(iii) Credit risks

Credit risk is exposing mainly from trade receivables and corporation is responsible for managing and analyzing the credit risk for each of their new clients before delivering the service.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customer's receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilization of credit limits is regularly monitored.

(iv) Liquidity Risks

Cash flow forecasting is performed by the corporation and reviewed regularly to ensure the corporation's liquidity requirement. Such forecasting takes into consideration the corporation's debt financing plans, covenant compliance. Surplus cash held by the corporation over and above balance required for working capital management are transferred to the time deposit to earn interest income with appropriate maturities to meet the obligation.

6. Related Party Transactions

<i>Name of the Relationship</i>	<i>Designation</i>	<i>Nature of the Transaction</i>
Mr. Siddik M. Faruk	Chairman	No
Mr. Sudharshana Gunawardana	Board Member	No
Mr. M. J. R. David	Board Member	No
Mr. W. Jayasiri	Board Member	Artist
Mr. B. K. R. Balasooriya	Treasury Member	No
Mr. Dhanushka Ramanayaka	Board Member	No

Note - 1**Revenue**

Description	2017	2016 Adjusted	Adjustment	2016 Approved
.Sale of Air Time Asia Service	9,995,273	11,891,588		11,891,588
Sale of Air Time T.W.R.	87,213,294	87,816,670		87,816,670
Sale of Air Time Local Service	447,967,196	411,490,841	(1,625,640)	413,116,481
Production Charges - Local Service	5,797,736	4,986,309		4,986,309
Revenue Trincomalee Project	136,055,907	140,731,469		140,731,469
Obituary Notices	4,015,157	4,096,908		4,096,908
Sale of Air Time FEBA	3,158,229	2,128,630		2,128,630
	694,202,792	663,142,415	(1,625,640)	664,768,055

Note - 2**Cost of Sales**

Description	2017	2016
Salaries, Wages & Allowances	311,412,493	313,401,377
Employee Provident Fund	33,642,153	32,696,029
Employee Trust Fund	6,231,252	6,253,413
Traveling and Subsistence	594,179	729,201
Programme Expenditure	8,096,193	15,332,877
Relief Staff	5,993,254	6,213,542
Vehicle hiring Charges	7,016,262	3,975,371
Maintenance cost	7,154,606	4,742,199
Linking Charges	4,685,473	6,111,988
Electricity	168,280,801	168,462,025
Business promotion expenditure	4,008,371	4,312,221
Commission on Sale of Air Time (Local)	61,209,216	58,729,448
Commission on Sale of Air Time (Foreign)	837,449	805,014
	619,161,702	621,764,705

Note - 3**Other Operating Income**

Description	2017	2016 Adjusted	Adjustment	2016 Approved
Interest on Loans	6,867,807	5,187,266	977,626	4,209,640
Miscellaneous Income (Other)	72,534,847	52,989,091	1,698,618	51,290,473
Fines from Advertising Agents for Returned Cheques	48,967	469,884		469,884
House Rent	136,671	111,863		111,863
Income from Circuit Bungalow	559,089	435,000		435,000
Special Recording	933,353	546,683		546,683
Licensing of Importers, Dealers	7,979,249	7,890,389		7,890,389
Sale of Cassettes	3,037,992	1,852,360		1,852,360
Fine Account	-	1,900		1,900
Income from Circuit Bungalow-Ambewella	389,725	172,596		172,596
Sales of Publication	26,104	55,545		55,545
Sub Total	92,513,803	69,712,579	2,676,244	67,036,335
Amortisation of government grant	77,916,361	67,476,968		67,476,968
Amortisation grant Trinco	155,406,674	155,406,674		155,406,674
Sub Total	233,323,036	222,883,642	-	222,883,642
Grand Total	325,836,839	292,596,221	2,676,244	289,919,977

Note - 3.1**Government Grant**

Description	2017	2016
Govt. Grant for Licence Fees	350,690,000	365,000,000
	350,690,000	365,000,000

Rs.350.69 million received from the government as grant in lieu of radio license.

Note - 4**Distribution Cost**

Description	2017	2016 Adjusted	Adjustment	2016 Approved
Provision for bad and doubtful debts	5,361,316	5,743,906		5,743,906
	5,361,316	5,743,906	-	5,743,906

Note - 5**Other Operating Cost**

Description	2017	2016 Adjusted	Adjustment	2016 Approved
Contribution to Outside Broadcasting Organisations	976,347	788,302		788,302
News Service & News Summaries	213,650	954,240		954,240
Advertising and Publicity	710,130	910,724		910,724
Electricity and Power	4,872,410	5,793,040	460,585	5,332,455
Postage & Telephones	12,937,963	14,183,473		14,183,473
Printing & Stationery	3,673,618	3,835,166		3,835,166
Motor Vehicle Running Expenses	13,318,357	13,123,058		13,123,058
Repairs & Maintenance of Broadcasting equipment	10,686,070	10,869,464		10,869,464
Repairs and Maintenance of Musical Instruments	5,550	140,000		140,000
Repairs and Maintenance of Furniture fix & fittings	5,065,010	3,957,408		3,957,408
Repairs and Maintenance of Building & Garden	18,256,946	9,158,706		9,158,706
Depreciation	62,529,891	46,187,595	500,000	45,687,595
Depreciation Trinco	159,297,421	158,236,740		158,236,740
Trinco Expenses	22,301,224	28,017,049		28,017,049
Cassettes expenditure	423,842	-	-	-
Taxation (ESC)	3,398,792	3,200,569	2,283,773	916,796
NBT Expenses	10,484,554	9,477,157		9,477,157
Vehicle hiring Charges	605,350	3,152,698		3,152,698
Stamp Duty	66,665	46,550		46,550
Radio frequency Charges	6,422,076	9,713,193	-	9,713,193
	336,245,865	321,745,130	3,244,358	318,500,772

Note - 6**Administrative Cost**

Description	2017	2016 Adjusted	Adjustment	2016 Approved
Allowances - Chairman & Members of the Corp	1,507,320	977,000		977,000
Salaries, Wages & Allowances	172,603,708	177,644,083		177,644,083
Employee Provident Fund	24,247,104	23,370,923		23,370,923
Employee Trust Fund	4,942,682	4,965,963		4,965,963
Overtime to Staff	20,502,348	21,287,568		21,287,568
Relief Staff	11,900,981	11,556,015		11,556,015
Emoluments to Contract Staff	40,589,644	37,881,678		37,881,678
Staff training Charges (Local)	8,800	25,500		25,500
Traveling and Subsistence (Foreign & Local)	2,611,444	2,848,980		2,848,980
Holiday Pay	2,604,961	1,960,928		1,960,928
Gratuity	25,814,868	21,300,257		21,300,257
Entertainment by Chairman	439,876	472,773		472,773
Entertainment by Director General	101,605	104,740		104,740
Welfare	1,960,129	1,737,466		1,737,466
Medical Service	132,958	191,023		191,023
General Charges	1,600,529	964,946		964,946
Private security Service	5,526,700	538,050		538,050
Rent Rate & Taxes	6,328,397	6,078,588		6,078,588
Insurance	3,401,400	443,912		443,912
Audit fees	550,000	550,000		550,000
Legal Fees	1,474,415	1,108,418		1,108,418
Publications & Periodicals	416,400	692,063		692,063
Penalty for Gratuity, Court Cases & Other etc.	185,672	462,037		462,037
	329,451,940	317,162,912	-	317,162,912

6.1) The Corporation had incurred Rs.680,938.50 in respect of Broadcasting Obituary notice of relatives staff members for the year 2017. These notice were Broadcast in accordance with the approved scheme in force. This was the practice adopted by the corporation every year.

Pending Legal Cases - 2017

There are two cases pending at Supreme Court.

th The status of one case is as follows - it is an appeal filed by the Corporation to set aside a judgment of the D. C. Case No: 23089/MR - regarding awarding of Rs.10,000,000/- with legal interest for the plaintiff of the D.C Case. One case in pending at court of Appeal. Filed by Corporation to set asid a judgment of case in pending at court of Appeal. Filed by Corporation to set asid a judgment of the M.C Case No : 64296/-.

Two cases are pending at High Court. Five cases are pending at District Count and Status of two Cases is follows - one case demands 8 million + interest and the other demands Rs.5,917,275 + interest and 10% commission from US \$ 26775.Four cases are pending at magistrate Count, and three cases at Labour Department Arbitration.

Note - 7**Finance Cost**

Description	2017	2016 Adjusted	Adjustment	2016 Approved
Bank Charges	458,770	461,014		461,014
OD Interest	5,425,308	4,600,117		4,600,117
Gain/(Loss) on Exchange	(2,952)	256,004		256,004
Credit Card Commission	71,650	52,969		52,969
Lease Interest	-	176,345		176,345
	5,952,777	5,555,448	-	5,555,448

Note - 8**8 (i) Income Tax**

Description	2017	2016
Net Profit / Loss as per Accounts	(276,133,969)	(316,233,466)
Add :		
Disallowable Expenses		
Depreciation	62,529,891	46,187,595
Depreciation Trinco	159,297,421	158,236,740
Provision for bad debts	5,361,316	5,743,906
Provision for Gratuity	25,814,868	21,300,257
Entertainment	541,480	577,513
Economic Service Charges	3,398,792	916,796
	256,943,767	232,962,807
Less :		
Allowable Expenses		
Capital Allowance	221,309,776	182,631,352
Lease Rental	-	4,885,634
Gratuity payment	42,492,960	19,039,367
	263,802,736	206,556,353
Taxable Profit / (Loss)	(282,992,938)	(289,872,012)
Tax Losses brought forward	(3,395,727,025)	(3,105,900,013)
Total Tax Losses carried forward	(3,678,719,963)	(3,395,727,025)
Provision for Income Tax		

The corporation is liable for income tax at the rate of 28% on profit derived from the income. A provision has been made in these financial statements on account of income taxes in view of adjusted taxable profits of the corporation.

8 (ii) Deferred Taxation compute & consider the recognition of deferred taxation as per LKAS 12**Differed Tax Assets & Liabilities**

Description	2017	2016
Financial Position		
Differed Tax Liabilities	79,401,520	79,401,520
Differed Tax Assets	(6,536,768)	(6,536,768)
Net Differed Tax Assets	72,864,752	72,864,752
Statement of Comprehensive Income		
Differed Tax Liabilities	8,431,518	8,431,518
Differed Tax Assets	(5,258,882)	(5,258,882)
Net Differed Income Tax Income/(Expenses)	3,172,636	3,172,636

Note- 9**Property, Plant & Equipment S.L.B.C**

Gross Carrying Account At Cost	Balance as at 01.01.2017 (Rs.)	Additions/ Transfers (Rs.)	Disposals/ Transfers (Rs.)	Balance as at 31.12.2017 (Rs.)	Provision for Depreciation 01.01.2017 (Rs.)	Charge for the Period (Rs.)	Previous Year Adjustment	Provision for Depreciation 31.12.2017 (Rs.)	NBW As at 31.12.2017
Land	7,764,234		(2,908)	7,761,326			-		7,761,326
Building	173,629,897	209,408,759		383,038,656	129,375,673	6,820,256	-	136,195,929	246,842,727
Plant & Machinery	641,774,226	6,832,192		648,606,419	488,618,372	8,664,777	-	497,283,149	151,323,270
Musical Instruments	7,241,190	-		7,241,190	6,821,962	68,092	-	6,890,054	351,136
Motor Vehicles	76,715,695	11,850	(22,613,870)	54,113,675	72,879,104	1,611,568	(22,613,870)	51,876,802	2,236,874
Assets on finance leases - Motor Vehicles						-	-		
Furniture, Fixtures &	133,786,196	10,551,425		144,337,621	115,456,415	4,251,804	-	119,708,219	24,629,402
Records & Tapes	24,924,749	63,500		24,988,249	24,888,820	40,472	-	24,929,292	58,957
Audio Frequency	885,333,519	36,368,347		921,701,866	744,205,781	10,916,099	-	755,121,880	166,579,986
Transmitters	1,509,832,026	23,464,431	(8,996,000)	1,524,300,457	991,446,361	23,860,412	-	1,015,306,773	508,993,684
Computer equipment	43,709,462	4,954,594		48,664,056	35,676,506	6,277,056	-	41,953,562	6,710,494
Library Books	451,590		(250)	451,340		-	-		451,340
Loose Tools	146,384			146,384	118,086	19,354	-	137,440	8,943
	3,505,309,170	291,655,099	(31,613,028)	3,765,351,240	2,609,487,080	62,529,891	(22,613,870)	2,649,403,100	1,115,948,140

Property, Plant & Equipment Trinco

Gross Carrying Account At Cost	Balance as at 01.01.2017 (Rs.)	Additions/ Trinco assets (Rs.)	Disposals/ Transfers (Rs.)	Balance as at 31.12.2017 (Rs.)	Provision for Depreciation 01.01.2017 (Rs.)	Charge for the Period (Rs.)	Previous Year Adjustment	Provision for Depreciation 31.12.2017 (Rs.)	NBW As at 31.12.2017
Plant & Machinery	178,847,308		-	178,847,308	67,035,477	13,413,549	-	80,449,025	98,398,282.82
Motor Vehicles	4,344,000	3,200,000	-	7,544,000	4,344,000	400,000	-	4,744,000	2,800,000.00
Furniture, Fixtures &	2,839,794		-	2,839,794	1,064,923	212,985	-	1,277,908	1,561,886.32
Office Equipment	7,782,753		-	7,782,753	3,891,378	778,275	-	4,669,653	3,113,100.31
Generators	206,429,150		-	206,429,150	77,409,868	15,482,186	-	92,892,054	113,537,095.96
Audio Frequency	53,354,383		-	53,354,383	19,246,348	4,001,579	-	23,247,927	30,106,456.17
Transmitters	1,502,945,613		-	1,502,945,613	552,660,901	112,720,921	-	665,381,822	837,563,790.83
Computer equipment	52,624,075		-	52,624,075	52,624,075	-	-	52,624,075	-
Loose Tools	4,632,471		-	4,632,471	1,737,176	347,435	-	2,084,611	2,547,859.87
Equipment	159,206,556		-	159,206,556	59,419,140	11,940,492	-	71,359,632	87,846,924.36
	2,173,006,103	3,200,000	-	2,176,206,103	839,433,285	159,297,421	-	998,730,706	1,177,475,396.64

Intangible Asset

Description	Balance as at 01.01.2017 (Rs.)	Additions/ Trinco assets (Rs.)	Disposals/ Transfers (Rs.)	Balance as at 31.12.2017 (Rs.)	Provision for Depreciation 01.01.2017 (Rs.)	Charge for the Period (Rs.)	Previous Year Adjustment	Provision for Depreciation 31.12.2017 (Rs.)	NBW As at 31.12.2017
Computer Software - Trinco Project	12,124,157	1,435,500	-	13,559,657	12,124,157	184,438	-	12,308,595	1,251,063

Note - 10**Capital Working Progress**

Description	2017	2016 Adjusted	Adjustment	2016 Approved
Capital Working Progress	54,762,028	187,241,019	(584,178)	187,825,197
	54,762,028	187,241,019	(584,178)	187,825,197

Note - 11

The Corporation Invested Rs. One Million in Lanka Puwath Ltd.

Investment

Description	2017	2016
Investment in Lanka Puwath Ltd.	1,000,000	1,000,000

Note - 12**Trade and Other Receivables**

Description	2017	2016 Adjusted	Adjustment	2016 Approved
Debtors Airtime	233,610,423	221,673,715	(1,490,694)	223,164,409
Less: Impairment of Financial Assets	(112,091,242)	(109,557,306)		(109,557,306)
Loans to Staff	3,324,093	3,104,409	(4,011,805)	7,116,214
Other Advances to Staff	1,010,767	360,061	(7,684,737)	8,044,798
Staff Debtors E.P.F.	283,755	306,530		306,530
Payments in Advance	-	1,071,399		1,071,399
Advance Payment to Suppliers	4,408,911	8,000,713		8,000,713
Sundry Debtors	20,250,728	19,138,364	(3,613,149)	22,751,513
P.M.G. Current A/C - Obituary Notices	-	0	(7,997,854)	7,997,854
Branch Account with Lakhanda	12,807,862	12,807,862		12,807,862
G.S.T. Control Account	237,267	237,267		237,267
Receivable Income (Other)	44,079,742	41,475,962	1,898,618	39,577,344
With Holding Tax (Income)	33,874,191	33,499,303		33,499,303
P.M.G. Current A/C Radio Licence Fees	-	0	(195,700)	195,700
Other Deposits	9,362,462	9,357,462		9,357,462
	251,158,960	241,475,741	(23,095,321)	264,571,062

Note - 13**Cash and Cash Equivalents**

Description	2017	2016 Adjusted	Adjustment	2016 Approved
Bank of Ceylon - Matara	18,878	48,457		48,457
People's Bank International Division	53,466,272	190,426		190,426
Bank of Ceylon - Torrington - Main Account.	(5,699,421)	21,118,762		21,118,762
State Bank of India	402,609	402,609		402,609
Bank of Ceylon - Anuradhapura	-	(18,590)		(18,590)
Bank of Ceylon - Kandy	249,773	(290,954)		(290,954)
Nations' Trust Bank	11,175,433	16,392,792		16,392,792
Bank of Ceylon - Torrington - Radio Licences	31,999,146	8,527,932		8,527,932
Bank of Ceylon - Torrington - F M Project	27,088	27,088		27,088
Cash Imprest	111,708	88,577		88,577
Bank of Ceylon - Torrington- Cassette Sales	7,886,948	13,188,431		13,188,431
Bank of Ceylon - Madras	1,610,446	1,164,445		1,164,445
Cash book Trincomalee Project	33,970,423	47,321,241		47,321,241
Bank of Ceylon - Savings	96,394	92,621		92,621
Fixed deposits	63,368,597	58,499,697		58,499,697
Sanasuma	15,053	60,053		60,053
Margin A/C (People's Bank)	153,019,572	153,472,508		153,472,508
	351,718,918	320,286,094	-	320,286,094

Note - 14**Retained Earnings**

Description	2017	2016
Opening Balance	(108,694,335)	(126,541,868)
Revenue Reserve before 2016		
+ Adjustment	42,026,922	(31,817,813)
(-) Adjustment	(8,015,353)	47,985,402
Comprehensive Income	71,383,395	(53,537,552)
	(32,761,032)	55,217,495
Total	(36,060,404)	(108,694,335)

Note - 15**Trade and Other Payables**

Description	2017	2016 Adjusted	Adjustment	2016 Approved
Creditors Sale of Airtime	12,749,748	5,075,315	(165,537)	5,240,852
Miscellaneous Deposits Refundable	5,458,716	4,680,695		4,680,695
Accrued Expenses	240,372,845	232,503,730	5,846,709	226,657,021
E.P.F.	3,744,899	3,513,074		3,513,074
Sundry Creditors	2,869,945	7,275,313	562,500	6,712,813
Current Account Regional	354,980	21,500	21,500	
ME's Security Deposit	566,754	576,347		576,347
Sanasuma - Tsunami	15,053	60,053		60,053
Traning Course for O.P. - Kothmale Academy	-	590,283		590,283
Creditors Control A/C	-	3,438,710		3,438,710
Rajarata Circuit Bunglow	202,285	112,384		112,384
	266,335,226	257,847,404	6,265,172	251,582,232

Note - 16**Non Financial Liabilities**

Description	2017	2016 Adjusted	Adjustment	2016 Approved
N S L	15,007,806	15,007,806		15,007,806
Save the Nation Fund	(12,418)	(12,418)		(12,418)
Payee Tax	102,229	149,526		149,526
VAT Contrall A/C	42,176,103	46,477,679		46,477,679
ESC	53,563,211	55,785,351	2,283,773	53,501,578
NBT	30,327,431	53,794,953		53,794,953
National Defence Fund	2,835	2,835		2,835
Provision for Income Tax	692,759	692,759		692,759
Stamp Duty Payable to Inland Revenue	100	100		100
	141,860,056	171,898,592	2,283,773	169,614,819

Note - 17**Inventory**

Description	2017	2016
Inventory (Cassettes & CDs)	3,729,602	3,536,443
Consumable Items	23,947,730	22,371,290
	27,677,332	25,907,733

**REPORT OF THE AUDITOR GENERAL ON THE
ACCOUNTS OF THE CORPORATION FOR THE YEAR
ENDED 31ST DECEMBER 2017**



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. } MED/A/SLBC/1/17/477
My No.

ඔබේ අංකය
உமது இல. }
Your No.

දිනය
திகதி } 19 November 2018
Date

The Chairman,
Sri Lanka Broadcasting Corporation.

Report of the Auditor General on the Financial Statements of Sri Lanka Broadcasting Corporation for the year ended 31 December 2017 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 27 of the Sri Lanka Broadcasting Corporation Act No.37 of 1966 and Section 13(1) of the Finance Act No.38 of 1971. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14 (2) (c) of the Finance Act appear in this report.

1.2 Management's Responsibility for Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements 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 Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub Sections (3) and (4) of Section 13 of the Finance Act No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Broadcasting Corporation as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following non-compliances were observed in audit.

(a) Sri Lanka Accounting Standard 01

According to Paragraph 15 of the Standard, Government grants should have been identified as a separate entity under equity in the statement of financial position. However, grants from the Government of Germany amounting to Rs. 1,128,190,137, Japanese grants amounting to Rs. 70,849,537, and Government grants amounting to Rs. 863,445,527 had been shown under non-current liabilities.

(b) Sri Lanka Accounting Standard 19

(i) Despite being stated that the projected unit credit method had been used for estimating post employee benefits, the actuarial assumptions used had not been disclosed in terms of Paragraph 75 of the Standard, and no actuarial profit or loss had been identified relating to the year.

(ii) According to Paragraph 83 of the Standard, the discount ratio should be decided based on the rate of Treasury bonds to discount the benefits after the service. However, the Corporation had used 11 per cent as the discount ratio without any basis whatsoever.

(c) Sri Lanka Accounting Standard 21

(i) The foreign debtors of the Corporation amounting to US \$ 20,035 and Indian Rupees 3,346 relating to the period from the year 2007 up to 31 December of the year under review had been shown after being converted based on the exchange rates as at the last date of the year in which the debtors had come into effect, instead of being shown as Rs. 3,070,427 in the financial statements by converting under the exchange rates prevailed as at 31 December of the year under review in terms of Paragraph 23 (a) of the Standard. Accordingly, the foreign debtors of the

year under review had been understated by Rs. 417,416 in the financial statements.

- (ii) In terms of Paragraph 23 (a) of the Standard, the financial items in foreign currencies should be converted based on the exchange rates prevailing as at the end of the period of reporting. However, as the balance of Indian Rupees 676,658 in the account of Bank of Ceylon in Chennai had not been converted based on the exchange rate prevailed on 31 December 2017 being Sri Lankan Rs. 2.3854 per Indian Rupee, the said balance had been understated by Rs. 3,654 in the statement of financial position. Due to the matters mentioned above, the favorable value of Rs. 3,654 owing to the fluctuations in foreign exchange had not been identified in the computation of profit.

2.2.2 Accounting Policies

The following observations are made.

- (a) According to the policy followed by the Corporation and Paragraph 7 of Sri Lanka Accounting Standard 07, only the investments of which the period of maturity should be less than 03 months since the acquisition, should be shown under cash and cash equivalents. However, fixed deposits valued at Rs. 63,368,597 with a maturity period of over 03 months had been shown under cash and cash equivalents in the statement of financial position as at 31 December 2017.
- (b) According to the policy identified by the Corporation, the overdraft should be shown under current liabilities by considering it as a loan. Contrary to that, the bank overdraft of Rs. 5,699,421 existed as at the end of the year under review had been shown as a minus value under cash and cash equivalents. As such, the current assets and current liabilities had been understated by that amount in the statement of financial position.

2.2.3 Accounting Deficiencies

The following observations are made.

- (a) The interest income receivable from 04 fixed deposits with maturity periods of 06 months had been calculated using the annual interest rate instead of half-yearly interest rate. Accordingly, the interest income and the receivable interest had been overestimated by a sum of Rs. 344,481.
- (b) The capital profit of Rs. 19,997,092 incurred following the sale of a portion of the land in Seeduwa belonging to the Corporation in the year 2005, had been credited to the Capital Reserves Account instead of Retained Earnings Account.
- (c) The instrument named "Power Logger" being used in surveying valued at Rs. 425,000 had been misplaced in the year 2016, but action had not been taken even up to the date of audit, 03 September 2018, to eliminate the said instrument from the Machines and Equipment Account. As such, the balance in the Machines and Equipment Account had been overstated by that amount as at 31 December of the year under review.
- (d) The sum of Rs. 250,000 paid to the institution, Markfed in respect of the ownership of the building obtained on lease in the year 1979, had been debited to the Buildings Account. Although the said lease agreement had expired on 01 June 2015 with the ownership thereof transferred to the Divisional Secretary of Nuwara Eliya, action had not been taken to eliminate the said value along with relevant allocations on depreciation from the Buildings Account. As such, the value of buildings shown in the financial statements as at 31 December of the year under review had been overstated by that amount whilst the allocations for depreciation had been overstated by a sum of Rs. 250,000.
- (e) The total taxable income that should have been taken into consideration in computing the Nation Building Tax for the year 2017, had been Rs. 536,777,714, but the value taken into consideration by the Corporation had only been Rs. 524,226,609. Accordingly, the Nation Building Tax for the year 2017 was understated by a sum of Rs. 251,022.
- (f) Due to failure in taking into consideration the income received from the sale of 04 vehicles valued at Rs. 5,722,380, in the computation of income liable to

Value Added Tax, the payment on Value Added Tax for September 2017 had been made less Rs. 858,357. The said vehicles had been purchased on lease with input tax reimbursed.

- (g) The bank reconciliation statement prepared for a current account of a state bank had shown a sum of Rs. 122,529 under cash in hand not deposited in the bank as at 31 December 2017 as unrealized deposits in the bank reconciliation by recording in the cash book as monies deposited in the bank instead of being debited to a cash in hand account.
- (h) A land acquired on 29 May 1959 had been vested in the Divisional Secretary of Homagama in the year 2009 for a playground without taking action to eliminate the book value of Rs. 186,563, the value of buildings thereon amounting to Rs. 247,441, and depreciation on buildings amounting to Rs. 235,069, from the books.
- (i) The sales cost of Rs. 22,301,224 pertaining to the sales income of the relay station in Trincomalee, had been shown under other operating expenses. As such, the gross profit of the year 2017 had been overstated by that amount.
- (j) The sum of Rs. 122,614,833 payable to the Government with respect to the lands obtained by the Corporation from various Government institutions on long-term leases, had not been brought to accounts.

2.2.4 Contingent Liabilities

The Corporation had made appeals to the Supreme Court, Appellate Court, and High Court against 03 verdicts demanding the payments of Rs. 10 million, Rs. 1,783,587, and Rs. 80,311 be made to the plaintiff. However, no provision had been made in the accounts for those cases.

2.2.5 Unreconciled Control Accounts

The following observations are made.

- (a) The balance of the schedules relating to airtime creditors presented along with the financial statements of the year under review, amounted to Rs. 12,824,165, but the balance in the airtime creditor control account of the Accounts Division amounted to Rs. 12,749,748. Accordingly, a difference of Rs. 74,417 was

observed between the balances of airtime creditor control account and schedules of creditors.

- (b) The balance of the schedules relating to airtime debtors presented along with the financial statements of the year under review, amounted to Rs. 226,557,638, but the balance in the airtime debtor control account of the Accounts Division amounted to Rs. 233,214,273. Accordingly, a difference of Rs. 6,656,635 was observed between the balances of debtor control account and schedules of debtors.

2.2.6 Unexplained Differences

The following observations are made.

- (a) The comparison between the balances of financial statements and schedules made available to Audit in regard to foreign trade debtors and receivable deposits revealed that the balances of the said schedules had been equated to that of the financial statements by including the unidentified balances totalling Rs. 35,720,721.
- (b) It was revealed in the audit conducted on the account of State Bank of India in the year 2016 that the balance of the said bank account amounted to Indian Rupees 179,278 in accordance with the verification of bank balances. However, the said balance amounted to Indian Rupees 182,176 as per accounts of the Corporation.

2.2.7 Lack of Evidence for Audit

The evidence shown against each of the following assets, liabilities, and payments shown in the accounts, had not been made available to Audit.

Item of Account	Value	Evidence not Made Available
-----	-----	-----
	Rs.	
(a) Lands	7,764,234	Register of Fixed Assets Physical Verification Reports
(b) Buildings	168,923,977	Physical Verification Reports Register of Fixed Assets Files relating to the assets received from foreign countries as donations.
(c) New Building of the Head Office	189,338,449	Approved plan, expenditure estimates, work-done certificates, and invoices relating to construction of the building.
(d) Trade Debtors of the Lakhanda Branch	12,807,802	Schedules detailing out the files and values.
(e) Payments	33,613,157	45 vouchers relating to payments.
(f) Balance in the account of the State Bank of India	182,176	Confirmation of Balances.
	<u>412,629,795</u>	

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) The sum of Rs. 149,420,035 payable to the Telecommunications Regulatory Commission as at 31 December of the year under review included balances that remained unsettled over a period of 36 years from the year 1981.



- (b) Action had not been taken adequately to settle the loans older than 10 years amounting to Rs. 59,692,746 included in the foreign debtor balances totalling Rs. 62,267,095 as at 31 December of the year under review.
- (c) Letters of verification of balances had been sent to 136 trade debtors with an aggregated value of Rs. 82,612,880 as at 31 December of the year under review. Only 07 of them valued at Rs. 1,063,687 had sent replies confirming that they had no balances to be paid to the Corporation.

2.4 Non-compliances with Laws, Rules, Regulations, and Management Decisions

The following non-compliances with Laws, Rules, Regulations, and Management Decisions were observed in audit.

Reference to Laws, Rules, and Regulations, etc.	Non-compliance
(a) Nation Building Tax Act, No. 09 of 2009 amended as at 30 April 2013	In terms of Sections 4(i), and (ii) of the said Act, the tax for the relevant month should be remitted to the Department of Inland Revenue on or before the 20 th day of the ensuing month. The tax reports relating to each quarter should be sent to the Department of Inland Revenue on or before the 20 th day of the ensuing quarter in terms of Section 8 (d) of the said Act. Nevertheless, the Corporation had paid the NBT after a lapse of over 02 months from the specified date. Furthermore, the quarterly tax reports had not been furnished to the Department of Inland Revenue on time.



(b) Financial Regulations of the
Democratic Socialist Republic of
Sri Lanka.

(i.) Financial Regulation 177 The total of the unidentified direct debits of the account amounting to Rs. 1,002,063 as at 31 December 2017 had not been settled even up to 31 May 2018. The said balance included a sum of Rs. 49,318 being brought forward from the year 2016.

(ii.) Financial Regulation 396 Action had not been taken in terms of
(ii), (iii) Financial Regulations with respect to 23 cheques valued at Rs. 918,136 not presented to the bank for payment despite a period of 06 months had elapsed as at 31 May 2018 since the date of expiration.

(c) Sections (a), (b) of Paragraph 4.2.1 of the Government Procurement Guidelines. The main Procurement Plan should be prepared by the procurement entity, and the procurement activities expected for at least 03 years should be listed therein. Nevertheless, the Corporation had prepared a Procurement Plan only for the year 2017.

(d) Paragraph 2.11 of Schedule 03 of the Treasury Circular, No. 842, dated 19 December 1978. A Register of Fixed Assets had not been prepared in terms of the Circular; instead, such a register had been maintained on computer, but particulars relating to items of importance such as, lands, buildings, vehicles, generators, and transmitters had not been included therein.

(e) Treasury Circular, No. IAI/2002/02, dated 28 November 2002. A Register of Fixed Assets should separately be maintained for computers, accessories, and software. But a Register of Fixed Assets had not been maintained.



(f) Public Enterprises Circular, No.
PED/12, dated 02 June 2003,

(i.) Paragraph 7.2

The Corporation having stocks valued at Rs. 27,677,392 as at 31 December 2017, manually maintained the stock reports. As a computerized accounting software, or at least a spreadsheet software had not been used to maintain stock reports in terms of the relevant regulation, it was observed that a considerable length of time was taken to obtain the final stock reports.

(ii.) Paragraph 7.4.5

The Corporation should have verified the physical existence of every fixed asset by appointing Committees annually. Nevertheless, the vehicles had not been physically verified in the year under review.

(g) Public Enterprises Circular, No.
PED 01/2015, dated 25 May 2015.

(i) For an officer to be entitled to official vehicles or transport allowance, he should belong to the category HM 1-1 or above in terms of Circular, No. MSD 03 issued by the Department of Management Services in the year 2006. Nevertheless, a monthly transport allowance of Rs. 20,000 had been paid from 01 December 2017 to directors of the Corporation who had not been absorbed into the said salary scale.

(ii) Among those whom the said allowance had been paid to, it was observed that there was an officer



officiating in the post of Director who had not been qualified enough to be absorbed into the said salary scale, and produced bogus educational certificates.

- (h) Paragraph 02 of the Public Finance Circular, No. 02/2015, dated 10 July 2015. Action should have been taken to identify and dispose of the condemned vehicles. However, 2 vehicles revalued to have been Rs. 1,300,000 set aside from use after being condemned for 2-10 years, and a vehicle of which the cost could not be identified, had not been disposed of as per Circulars.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the year under review had been a profit of Rs. 71,383,395 as compared with the corresponding profit of Rs. 55,217,495 in the preceding year, thus indicating an improvement of Rs. 16,165,900 equivalent to 29 per cent in the financial result of the year under review. The 33 per cent increase, equivalent to Rs. 22,801,224, in the other operating income had mainly attributed to the increase in the net profit.

The analysis on the financial result of the year under review and 04 preceding years indicated a net loss for the years 2013 and 2014 whereas a net profit had incurred in the years 2015 and 2016. When the employee remuneration, taxes paid to the Government, and depreciation on non-current assets were adjusted to the financial result, the contribution of the year 2016 amounting to Rs. 813,039,252 had decreased to Rs. 812,076,634 in the year 2017.

3.2 Analytical Financial Review

The following observations are made.

- a) According to the numerical values shown in the accounts for the year under review, the current ratio and instant ratio had been 1.77 and 1.71 respectively as compared with the preceding year. However, due to the fact that the debtors shown under the current assets had included the local debtor balances totalling Rs. 53,413,844 continued to exist for 02-42 years along with foreign debtor balances totalling Rs. 61,918,484, it was observed that there was no possibility of recovering the loans, and no liquidity existed.
- b) As compared with the preceding year, the gross profit ratio of the year under review had increased from 6.24 per cent to 10.81 per cent. It was observed that the sales cost relating to the sales income of the station in Trincomalee being shown under other operating cost, had mainly attributed thereto.
- c) As compared with the preceding year, the net profit ratio had increased from 8.3 per cent to 10.82 per cent, and the increase in other miscellaneous income as compared with the preceding year had attributed thereto.

3.3 Legal Cases Instituted by or against the Corporation.

The following observations are made.

- a) Although a case had been filed in the Colombo District Court to recover a sum of Rs. 150,000 in respect of the programmes that the People's Trust Credit Investments Company had broadcast through the Corporation, the case could not be proceeded as the accused had left the place of residence, and hence, the case had been laid aside for a period of over 02 years.
- b) A case had been filed in the Colombo District Court to recover a sum of Rs. 471,715 in respect of the programmes that the Lanka Cement Company had broadcast through the Corporation. However, due to failure of the Corporation to furnish particulars on the assets of the Company in the wake of the order issued by the Court that the assets of the accused be furnished in view of issuing a writ, the case had remained laid by for a period of over 02 years.



- c) In order to recover the sums of Rs. 4,716,813 and Rs. 7,551,750 relating to frauds committed by a Sales Executive Officer in 02 instances, the Corporation had filed 02 cases in the Colombo District Court and Provincial High Court. However, the said cases had remained laid by for a period over 03 years as the accused had left his residence.
- d) The Corporation had made an appeal to the Provincial High Court of Colombo against the verdict demanding the payments of Rs. 80,311 and Rs. 80,311 for contribution and surcharge be made with respect to a lawsuit filed at the Colombo Magistrate Court due to the failure of the Corporation to pay contributions to the provident fund of an employee of the community radio in Girandurukotte. Legal charges amounting to Rs. 245,000, as thrice as the compensation, had been paid up to the end of the year under review.

4. Operating Review

4.1 Performance

4.1.1 Planning

- a) The Internal Audit Plan that should have been presented with the Action Plan in terms of Public Finance Circular, No. 01/2014, dated 17 February 2014, had not been furnished.
- b) A Corporate Plan had not been prepared for the period 2017-2019 in terms of Section 5.1.2 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003. Instead, the Corporate Plan for the period 2012-2016 had been made available to Audit.

4.2 Management Activities

The following observations are made.

- a) As registers had not been maintained in a manner that the cost of assets, either sold or withdrawn from use out of the ones purchased by the Corporation since the year 1974, could be identified, the cost thereof had not been eliminated from accounts. Hence, differences between the balance of fixed assets shown in the



financial statements as at the end of the year under review, and the assets physically existing at the Corporation were observed. No adequate action had been taken by the parties responsible to rectify those differences even up to the date of the report.

- b) Despite being stated in the report of the Board of Survey made available to Audit relating to Stores No. 02 that instructions had been issued to take measures to dispose of several items not in use be disposed of, the items to be disposed of had not been mentioned on the papers used in valuing stocks.
- c) An interest of Rs. 5,419,200 had been paid on the bank overdrafts obtained by the Corporation for the year 2017 whereas as the interest income from the fixed deposits amounted to Rs. 4,868,900. Accordingly, the sum that the Corporation had been deprived of by maintaining overdrafts with surplus funds being invested in fixed deposits, amounted to Rs. 550,300.
- d) The sum of Rs. 144,722 that should have been reimbursed relating to the period 2004 – 2009 from a person who had been resigned from the Corporation and released from time to time to other institution while in service, had not been reimbursed up to the date of audit, 03 September 2018.
- e) Despite being verified that the Corporation had sustained a loss owing to a financial fraud of Rs. 221,965 older than 21 years, and another fraud of similar nature that had taken place in the year 2007 involving a sum of Rs. 281,110, no action had been taken even up to the end of the year under review to settle the relevant losses and damages.
- f) A sum of over Rs. 153 million had been maintained throughout the year in a bank account said to have been opened in view of Letters of Credit, but no interest income whatsoever had been received on that sum. Had that amount been deposited in a general savings account, the Corporation could have earned an interest income of at least Rs. 14,356,565.
- g) A case had been filed at the Colombo District Court by a former Chairman of the Ceynor Foundation saying that he had been defamed in a news item broadcast by the SLBC. Accordingly, the SLBC was ordered to pay a sum of Rs. 10 million.

As such, it was observed in audit that the Corporation had contradicted its objectives of fostering a meaningful broadcast media culture conforming to a Code of Ethics, and providing reliable and balanced, information.

4.3 Operating Activities

The Audit observed the verification of 99 items of stocks on 17 February 2017. Among those items, differences between book balance and physical balance relating to 12 items were observed, but that difference had not been mentioned in the physical stock verification reports furnished to the Audit; instead, the physical stock balance and the book balance had been shown as being equal. Furthermore, 19 unused electrical items in Store No. 01 that had been observed in the audit at the stock verification, had not been shown in the annual report of the Board of Survey.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) The officer who had served in the capacity of Director General of the Corporation, had been released from that position with effect from 19 January 2015. However, the said officer had not been reinstated in the previously held position of Deputy Director General in terms of Section 19 (3) (b) of the Sri Lanka Broadcasting Corporation Act. Instead, he had been positioned in the post of Consultant of the Corporation with effect from 19 October 2015 on the approval of the Board of Directors sans Cabinet approval, but it had been informed that he would not accept that post. Nevertheless, a payment of Rs. 3,227,353 had been made from the year 2015 up to 31 December of the year under review on official residence, official vehicles, fuel, salaries, Employees' Provident Fund, and telephone allowances that a Director General had been entitled to. Once retired, the service of that officer had been extended for 06 months under approval of the Cabinet, and the pre-retirement salary along with other facilities had also been approved without assigning a specific duty.
- (b) According to the Letter of the sales manager of the Spanish supplier, dated 25 January 2017, all expenses of the two officers taking part in the training on audio mixers, would be borne by the Spanish supplier. However, a sum of Rs. 341,848

had been paid as expenses for food for 02 officers based on a letter of the Managing Director of the local agent.

4.5 Apparent Irregularities

Funds had been allocated to purchase 12 Mixer Consoles based on requirements at the time of commencing the renovation project of control rooms C1 – C12 of the Head Office in the year 2016. However, the Corporation had sustained a loss of Rs. 6,452,319 in the wake of taking measures to purchase 06 Mixer Consoles in each of the years 2016 and 2017.

4.6 Underutilization of Funds

Although Government grants amounting to Rs. 214.3 million had been received for capital expenses in the year 2017, only a sum of Rs. 175.6 million had been spent on capital expenses according to the payment vouchers. As such, about 18 per cent of the Government grants received for capital expenses had been saved.

4.7 Idle/Underutilized Assets

The following observations are made.

- a) A Short Wave Transmitter of functional state handed over to the Corporation after being used by the Voice of America in Iranawila, had been stored at the Station in Trincomalee without being used and proper security up to the date of audit, 03 September 2018.
- b) A motor car that could have been made use of after being repaired, had remained idle over a period of 1 ½ years at the premises of Head Office in Colombo.

4.8 Uneconomic Transactions

According to the reports of the Department of Inland Revenue relating to taxes in arrears, economic service charges, Nation Building Tax, and Value Added Tax totalling Rs. 90,054,857 and fines thereon totalling Rs. 51,684,603 had remained payable to the Department of Inland Revenue as at 17 September 2018.

4.9 Identified Losses

A preliminary inquiry had been carried out in March, 2018 on the theft of a part of RF Cable in the premises of the Haputale Station that had belonged to a TV Station with responsibility assigned to the Sri Lanka Broadcasting Corporation for protection thereof. Nevertheless, no action had been taken even up to the date of audit, 03 September 2018 to assess the loss of the said cable in diameter of 3 ½ inches in order to recover the value from the parties responsible.

4.10 Commencement of Projects on Lands / Properties not Vested Properly

The following observations are made.

- a) The land in extent of 2.5036 hectares in Colombo on which the Department of Broadcasting had been maintained and currently used by the Sri Lanka Broadcasting Corporation, is enjoyed since 1949. But, the Corporation has failed to take over the land legally.
- b) In terms of Section 2.3.1 of the Government Procurement Guidelines, it is the responsibility of the officers of the Procurement Committee to verify that the procurement entity has completed the land acquisition when buildings are constructed, and all other procurement preparedness activities as may be relevant to the project, have been executed. However, without obtaining clarifications from the officers responsible, a payment of Rs. 1,579,442 had been made to a contractor as at 31 December 2017 for the construction of a 2-storied building for *Kandurata Sevaya* on a land belonging to the Ministry of Higher Education and located at a distance of 500 meters from the land "*Aniwatta Bahirawakanda*" in extent of 23 perches with an old building that had been fully-owned by the Corporation.
- c) Although a vehicle in running condition provided by the Board of Investment had been brought to accounts after being revalued to the sum of Rs. 2,300,000 in the year 2010, action had not been taken even up to the date of audit, 03 September 2018 to properly vest the ownership thereof in the Corporation.

4.11 Resources of the Corporation Released to other Government Institutions

In terms of Section 9.4 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003, employees of Government Corporations should not be released to other institutions without Cabinet approval. However, a **Grade-I Reporter, and an Administrative Officer (Rural)** had been released to two other institutions sans approval of the Cabinet.

4.12 Staff Administration

The following observations are made.

- a) Approval had not been obtained even up to the date of audit in August 2018, on the Scheme of Recruitment and Promotion in accordance with provisions of the Circular, No. 30 of the Department of Management Services, dated 22 September 2006.
- b) According to the information made available, the permanent cadre of the Corporation had been 803 including 302 excess cadre as at 31 December of the year under review.
- c) Three main executive posts of the Corporation namely, Additional Director General, Deputy Director General (Finance), and Deputy Director General (Engineering) had remained vacant for a period of 03-09 years. Furthermore, 08 vacancies in the posts of Deputy Director General (Engineering), Director Engineer (Studio), Superintendent Engineer, and Engineer had remained vacant for a period of 01-04 years. It was further observed that those vacancies had made a negative impact on the performance of the Engineering Division.
- d) A number of 227 employees had been recruited to 47 unapproved posts of the Corporation in the year under review.
- e) When an internal applicant is appointed to the post of Engineer in terms of Paragraph 06 of the Scheme of Recruitment of the Sri Lanka Broadcasting Corporation, a period of service of 05 years should have been completed in the post of Grade-I Technical Assistant. However, it was observed that in the years 1985 and 2002, two officers who had not completed a service period of 05 years in the said post, had been appointed to the post of Engineer.

4.13 Market Share

According to the report of the Lanka Market Research Bureau Limited (LMRB), the Sinhala National Service maintained among 08 main local Sinhala services by the Sri Lanka Broadcasting Service held the 10th rank out of 29 radio channels by September 2017 whilst the other services remained lower than that. As for the regional services, Ruhunu Service held the 24th position.

5. Sustainable Development

5.1 Achievement of sustainable development goals

The following observations are made.

- a) Every Government institution should comply with the Letter, No. NP/SP/SDG/17 of the Secretary to the Ministry of National Policies and Economic Affairs, dated 14 August 2017, relating to sustainable development, and the 2030 Agenda for Sustainable Development adopted by the United Nations. The Corporation had not been aware as to how to act in regard to the activities under its purview.
- b) As the Board had not been aware of the 2030 Agenda, no action had been taken to identify the sustainable development goals and targets, milestones in reaching those targets, and the indicators to measure the achievement of the targets.

6. Accountability and Good Governance

6.1 Procurement and Contract Process

6.1.1 Procurements

The following observations are made.

- a) An annual Procurement Plan had been prepared only for the procurements made with capital grants from the Government. However, a main Procurement Plan had not been prepared at least for a period of 03 years by including the

procurements to be made from recurrent grants and funds of the Corporation. As such, the procurements relating to projects extending over one year, and the procurements for which recommendations of the Committee had not so far been implemented despite being approved by the Procurement Committee, had not been evaluated at all.

- b) Procurement worth Rs. 80 million and Rs. 193.75 million had been planned in the years 2016 and 2017 for renovating the control room of the Head Office, and FM station in Haputale respectively. However, procurements worth Rs. 43 million and Rs. 88.7 million had only been executed respectively even by the end of the year 2017, thus failing to execute procurements worth Rs. 37 million and Rs. 105.05 million respectively.
- c) Although the Corporation executed procurements worth approximately Rs. 200 million annually, the failure to establish a separate division for procurements had mainly contributed to weaken internal control. Accordingly, systems of internal control such as, policies, practices, and organizational structures had not been introduced in order to minimize the risks of errors in procurements.

6.2 Tabling of Annual Reports

The annual report for the year 2015 had not been tabled in Parliament even up to the date of audit, 31 August 2018.

6.3 Unresolved Audit Paragraphs

The unresolved audit paragraphs mentioned in the audit report for the year 2016 are as follows.

- a) In spite of financial and technical feasibility, the construction work of the antenna tower in Puttur had been assigned to the Handicrafts Board on 16 July 2011 by deviating from the Procurement Guidelines. A sum of Rs. 9,126,933 had been paid to the Handicrafts Board as advance, but the contract had been abandoned with no constructions made. As only a sum of Rs. 4,348,041 had been repaid to the Corporation out of the advance, a loss of Rs. 4,778,892 had occurred.



- b) A sum of Rs. 23,119,683 had been spent in the year 1996 for importing 2 antenna towers in length of 60 m and 100 m. A private institution had been paid a sum of Rs. 2,568,000 as an advance to erect the towers. As locations for installation had not been decided, those towers had not been erected even up to the end of the year under review but remained unprotected at the premises in Ekala.
- c) Action had not been taken to obtain certificates of transfer and properly take over the ownership of 02 houses (Anuradhapura, and Kandy) purchased by the Corporation at a sum of Rs. 860,000.
- d) According to the Paragraph 07 of the Sri Lanka Accounting Standard 16, if the institution receives future benefits from a certain property, and the cost thereof can be computed, it should be identified as an asset. However, the motor vehicle bearing the number 058-6222 with an insurance value of Rs. 2,200,000 received from the Ministry of Mass Media, had been made use of by the Corporation since the year 2014 though, the vehicle had not been identified as a fixed asset and brought to accounts.
- e) The vehicle bearing number 60 ඉ 355 given by the Mahaweli Authority and remaining parked at the premises of the station in Ekala for a period of over 10 years after being withdrawn from use, had been revalued for a sum of Rs. 150,000 and brought to accounts in the year 2010, but due to failure in taking action so far to properly take over the ownership thereof, the vehicle remained without being possible even to be disposed of.
- f) At the conclusion of the projects commenced in the year 1989 under assistance of the NHK of Japan, the building of the transmitter along with all the instruments had been handed over to the Head Office of the Broadcasting Corporation in the year 1993. The said land and building had been assessed to the value of Rs. 960,000,000 as per the assessment report dated 29 July 2011. But, no asset whatsoever had been brought to accounts, and no file relating to the project had been made available to audit as well.



- g) Due to default on lease rent in violation of the agreement, a lawsuit had been failed against the lessee of the “Niwahana” holiday bungalow in Nuwara Eliya thereby evicting the lessee. However, the Corporation had not taken legal action even up to 31 August 2018 to reclaim the legal charges totaling Rs. 2,151,206 incurred from the year 2010 to recover the lease rents totalling Rs. 5,106,500 relating to the period 2005-2014 along with the ownership of the property.
- h) An area of land in extent of about 30 acres within the areas of Nuwara Eliya and Welimada Divisional Secretariats, had been allocated by the Government in the year 1984 for establishing the radio station in Ambewela. Nevertheless, action had not been taken to legally take over the said land through a lease agreement, and the land had not been made use of for the intended purpose even up to 31 December 2017. Although action had been taken to sign the lease agreement with respect to the land of 06 acres therefrom belonging to the Divisional Secretariat, Nuwara Eliya, the Divisional Secretary had taken action to lease out a part of the same land to a private institution named “Vidulanka”. Furthermore, the Corporation had failed to obtain lease rights for the rest of the 24 acres belonging to the Divisional Secretary of Welimada, and only the 02 tourist bungalows at the land had been maintained by the Corporation.
- i) The land in Kalatuwawa in extent of 1.503 hectares purchased in the year 1990 at a sum of Rs. 50,000 for establishing an FM station, had not been made use of for the intended purpose up to the date of audit, 03 September 2018. An extent of 19.77 perches therefrom had been enjoyed by the Lankabell Ltd since the year 2011 by erecting a tower, and although the said company had agreed to pay a sum of Rs. 15,000 monthly in that connection, that lease rent for the land could not be recovered by the Corporation since the year 2011 due to failure in entering into a lease agreement.
- j) The lease period of the property with “Niwahana” holiday bungalow that had been obtained under a lease agreement for 30 years entered into with Divisional Secretary of Nuwara Eliya, had expired in October 2015. The ownership of the property had then belonged to the Divisional Secretary since then, but despite that, the property had been given on lease to a buyer for maintaining a holiday resort for a period of 03 years from 01 June 2015 at a monthly lease rent of Rs. 290,000, and the lease rent in arrears totaled Rs. 725,000 as at 31 December of

the year under review. it was thus observed that leasing out of a property that had not belonged to the Corporation, was a controversial issue.

- k) Although a sum totalling Rs. 3,212,113 had been spent in several instances since the year 2008 on the automation of radio services, the relevant software had become functional only for 03 services even by December 2017 enabling the intended facilities. As such, it was observed that many of the activities had not become automated so far despite the extensive amount spent on the software.
- l) During the period 2000-2001, the Divisional Secretary of Katana had distributed 1027 parcels of land in extents of 10 perches each from the land of 125 acres in Seeduwa belonging to the Corporation, among the people without consent of the Corporation. The rights of the land had belonged to the Corporation up to the date of audit, 03 September 2018 though, no adequate action had been taken to recover compensation.
- m) The equipment named Power Logger valued at Rs. 425,000 that had been in use at the Power Section while in the custody of Security Division, had been misplaced on a day between 19 October 2016 and 27 October 2016. Despite being verified that the equipment had been misplaced whilst being in use at the said Section in accordance with the verbal statement given by the Security Division, the loss had not been recovered from the parties responsible even up to the date of audit, 05 September 2018.

7. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Corporation from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls	Observations
a) Control of Assets	(i) Failure to take action to obtain deeds legally for the lands purchased by the Corporation. (ii) Failure to secure the lands belonging to the

Corporation, and a large extent of lands remained unused.

(iii) External parties encroaching on the lands not enjoyed by the Corporation.

(iv) Failure to physically verify the lands and buildings.

(v) Due to failure in separately identifying the cost and location of many of the fixed assets, a large number of older assets had been sold without eliminating them from the books.

(vi) Failure to conduct a physical verification on vehicles.

b) Accounts
Receivable

(i) Non-recovery of loan balances older than 42 years.

(ii) Failure to identify and reconcile the differences between the Debtor Control Accounts and Schedules.

c) Stock Control

(i) Failure of the Board of Survey to report on the shortages and excesses of stocks identified in the stock verification.

(ii) Due to failure in computerizing the data relating to items of stock, it takes extensive time to obtain stock reports.

d) Accounts Payable

(i) Failure to take action to identify and reconcile the differences between Debtor Control Accounts and Schedules.

(ii) Existence of unpaid accrued expenses relating to period of 02 – 10 years. Failure to analyze and settle the expenses having no actual liability or exceeded the period of liability in regard to those accrued expenses.

(iii) Failure to properly identify the tax liability and the taxes relating to the year thereby settling the tax liability on time. Payment of surcharges on the taxes in arrears.



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|----------------------------|--|
| e) Staff
Administration | (i) Failure to obtain approval on a Scheme of Recruitment.
(ii) Making recruitments continuously for posts not approved resulting in excess employees.
(iii) Despite the interviews held properly, underqualified applicants had been recruited based on cancelled interviews. |
| f) Accounting | (i) Failure to update the accounting policy of the Corporation.
(ii) Observation of accounting deficiencies in the assets, liabilities, income, and expenditure accounts.
(iii) Deficiencies in noting the numbers, values, and remarks of the journal vouchers which had been a main source document in accounting. |
| g) Procurements | (i) Failure to prepare a detailed Procurement Plan.
(ii) Deficiencies in transferring a contract for renovating a radio station. |

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M. Gamini Wijesinghe.
Auditor General.

**COMMENTS OF THE CORPORATION ON
AUDITOR GENERAL'S REPORT - 2017**

Auditor General's Report in terms of Section 14 (2) (c) of the Finance Act No.38 of 1971 On the Financial Statements of the Sri Lanka Broadcasting Corporation (SLBC) for the year ended 31 December 2017.

This is with reference to your draft report 14 (2) (c) No. MED/A/SLBC/1/17/477 dated 20.09.2018 on the above matter.

Additional to the report prepared at the discussion held on 21 and 25.09.2018 by the officials of the Corporation on this report with the audit authority.

In agreement with the matters contained in section 1.2 and 1.3 of the report

2.2.1 The details given in this paragraph are correct according to the final account as at 31.12.2017. However, before the adjustment of government grants of the year 2017, there had been a decline in the operational loss compared to year 2016. The opinion that there is uncertainty over the state radio, which is maintained for the government, as a going concern on account of its dependence on Treasury provisions cannot be acceded to.

2.2.2 Sri Lanka Accounting Standards

(A) Standard No. 01

Action has been taken to transfer the accounts will be disclosed under the inventory item notes in the final accounts of the year 2018.

(B) Standard No. 7

- i. Action will be taken to correct through final accounts of the year 2018.
- ii. Action will be taken to indicate under current liabilities through final accounts of the year 2018.

(C) Standard No. 17

Nuwara Eliya Land

This land located at Ambewela belongs to the Nuwara Eliya Divisional Secretary Division. The said land which is 2.520 hectares in extent had been approved to be handed over to the SLBC on leasehold by the Minister and the estimate had been forwarded to the Nuwara Eliya Divisional Secretary. Accordingly, the initial payment of Rs.1,248,000/- had been paid through Bank of Ceylon cheque No. 072938 dated 21.11.2013. Thereafter, the Divisional Secretary, Nuwara Eliya had notified on 29.08.2014 that this land needed to be resurveyed as 2.3583 hectares of the said land had been leased to Wind Power Private Limited and that only the remaining land could be leased to the SLBC. Upon being informed by the Divisional Secretary of Nuwara Eliya, the SLBC paid a sum of Rs. 59,746.30 through bank of Ceylon cheque No. 686015 dated 04.08.2016 to the Senior Survey Superintendent of Nuwara Eliya. Accordingly, the amount has to be re-estimated upon the basis of the currently available extent of land. The Divisional Secretary is pursuing action in this regard and no communication had been made with regard to any lease in arrears. It is kindly informed that there is no lease in arrears as mentioned in the audit.

Kuchchaweli Land

This land has been transferred to the Corporation for maintaining the Deutsche Welle project. In the year 2009, the SLBC made a request for the extension of the lease period. Accordingly, a notice has been sent by the Land Commissioner of the Eastern Province for the payment of lease. A request has been made through the Secretary of the Ministry of Finance and Media to take action to remove this lease rent.

Hunnasgiriya Land

The lease rent indicated in the audit has to be paid to the State Plantations Corporation for this land on which Hunnasgiriya transmission centre is located.

- ii. Since there are no agreements, entering a note on details will be done through the final accounts of 2018.

(D) Standard No. 19

- i. Action has been taking to correct accounts of the year 2018.
- ii. Action has been taken to change the accounts.
- iii. Action will be taken for correction in the year 2018.

(E) Standard No. 21

- i. Action will be taken for correction through the final accounts of the year 2018.
- ii. Action will be taken for correction through the final accounts of the year 2018

2.2.4 Accounting deficiencies

- (A) Has been corrected on 31 August 2018.
- (B) Accounts have been corrected on 31 August 2018.
- (C) This will be corrected by regional offices in January and February 2018 through journal entries. This is a normal process.
- (D) Since an investigation is being conducted n this connection, action is due to be taken to remove from the asset on the recommendations of the investigation report.
- (E) The building has been purchased for Rs.250,000/=. Action will be taken to lease the land on which the building is located from the Divisional Secretary.
- (F) Audit observations are correct.
- (G) This accounting method has been corrected.
- (H) Having identified reasons for the difference in Rajarata current account and the cashbook, corrections were made through journal entries.
- (I) This balance has been included in the cash receipt book in November 2017.
- (J) This difference was identified in April 2018 and was corrected.
- (K) Adjustments have been made correctly in the bank reconciliation in the year 2018.
- (L) This was an error by the bank. The Bank will take the necessary action in this regard. The bank has recovered from the account of the corporation on two occasions. The remaining accounts have been corrected.
- (M) The relevant value (Lands Account) should be removed from the accounts. Will be corrected from the final accounts of 2018.
- (N) Have already been corrected through quarterly accounts of 2018.

2.2.5 Contingent liabilities

Since this is an unresolved legal issue, it is due to be disclosed through a balance sheet note.

2.2.6 Unreconciled control accounts

- (A) Due to be corrected through the final accounts of the year 2018.
- (B) There is no difference between debtor balance in the schedules and the balance in the control account. The reason for this is the existence of the debtor balance of the Trincomalee project.

2.2.7 Unexplained differences

- (A) Following observations, action has been taken for correction by the subcommittee appointed by the Corporation for the correction of accounts.
- (B) It is difficult to settle the loan in the absence of the relevant documents.
- (C) There are no documents relevant to this.

2.2.8 Accounts receivable and payable

- (A) Audit observations are correct.
- (B) Has been submitted to the committee appointed to look into financial issues.
- (C) Whether trade debtors confirm the balances or not, the Marketing Division pursues action to recover the balances as per the accounts of the Corporation.

2.2.9 Lack of evidence for audit

- (A) Lands - The register on the classification of lands belonging to the Department has been submitted to the audit
- (B) Buildings - Buildings register is being prepared.
- (C) New building of the head office - This building was constructed by the National Housing Development Authority and other than the plan; all other documents have been submitted.
- (D) Trade and other balances receivable remain in accounts for more than 10 years (Lakhanda branch account) - Lakhanda has been informed in this regard.
- (E) Payment vouchers - Action has been taken to submit to the audit.
- (F) Balance in the account of the State Bank of India - Bank statement in this connection has been submitted.

2.3 Non - compliances with Laws, Rules, Regulations, and Management Decisions

- (A) These delays are caused due to financial difficulties and delays on the part of regional services.
- (B) Action has been taken to cancel these cheques.
- (C) Procurement plan is prepared annually.
- (D) The fixed assets register is computerized and maintained up to date.
- (E) A separate fixed assets register is maintained on computer accessories and computer software.
- (F) (i) This problem will be solved after the introduction of new computer software on financial sector.
(ii) The vehicles are to be physically inspected by the committee appointed in the year 2018.
- (G) Though H - M salary scheme has been proposed for the directors of the Corporation, salaries are not paid as per the said salary scheme as the scheme of recruitment has not been prepared. But transport facilities have been provided to the directors using vehicles of the corporation. Considering the cost incurred in providing transport facilities to the directors using vehicles of the Corporation, it was decided to not to provide transport facilities to all directors from home to office and from office to home and instead pay only an allowance of Rs.20,000/- with effect from 01.12.2017.
- (H) All vehicles mentioned in the audit have been set aside from use. In terms of the Public Finance Circular 2/2015, the relevant report for the disposal has been submitted to the Secretary of the Ministry of Finance and Media.

3. Financial Review

3.1. Financial Results

3.2. Analytical Financial Review

- (A) It is acknowledged that there is no possibility or liquidity to recover very old loans, and action is being taken to write off unrecoverable loans from books.
- (B) Audit observations are correct.
- (C) Audit observations are correct.

3.3. Legal Cases Instituted by or against the Corporation.

- (A) Audit observations are correct.
- (B) Audit observations are correct.
- (C) Audit observations are correct - Action will be pursued as per the instructions of the Legal Division.
- (D) The case was referred to the High Court wherein it was dismissed.

4. Operating Review

4.1. Performance

- (A) Internal Audit Plan and Action Plan have been submitted as separate documents.
- (B) The Corporate Plan 2016 - 2020 has been prepared and submitted to the Board of the Corporation. Upon the approval of the Board of the Corporation, it will be submitted to the relevant institutions.

4.1.2. Performance and Review

- (A) Action Plan
- (B) Most of the training programmes planned on the accounting software have been conducted.

4.2 Management Activities

- (A) Revaluation activities are carried out from the year 2014 to prevent recurrence of such incidents. Can be corrected by obtaining from the relevant committee and as per the report.
- (B) Prior to the disposal of items not been used since 2018, there cost and depreciation value are to be identified and adjust to the disposal of assets account.
- (C) Audit observations are correct.
- (D) Audit observations are correct.
- (E) An investigation in this regard is underway.

4.3 Operating inefficiencies

This will be looked into and corrective measures will be taken in the year 2018.

4.4 Apparent Irregularities

Though 12 Mixers were planned to be purchased for C1 - C12 Continuity Studios, due to difficulties in renovating all continuity studios used for daily transmission activities (C1 - C12) at the same time, it was carried out in two stages in two years for the convenience of the implementing the plan. Accordingly, tenders were called for studios C1 to C12 as the first stage and control rooms C1 to C6 were modernized under the second stage in 2017. The purchasing of equipment too was carried out at the same time in terms of the conditions of the Procurement Guidelines. On both occasions, specifications were prepared separately. At the second stage, specifications for Mixers were updated.

4.5 Underutilization of Funds

Audit observation is correct. Settlement of expenses was delayed due to practical issues.

4.6 Idle / Underutilized Assets

- (A) It is true that a short wave transmitter used by Voice of America was received as a gift in the year 2017. However, the airtime of the Transmission Station in Trincomalee has to be reduced due to the suspension of programmes by Feeba D. W. Ray, an institution which had hitherto provided programmes. The installation of this transmitter would cost a colossal amount. Therefore this is an uneconomical process.
- (B) The Nissan motor car mentioned in the audit had been manufactured in 1995. It has been proposed to set aside and dispose of this vehicle which is very old.

4.7 Uneconomic Transactions

This amount shown as taxes payable in the books of the Inland Revenue Department is correct. A cabinet memorandum is to be submitted seeking a tax concession.

4.8 Identified Losses

- (A) Since this was not a suspense balance, it cannot be included in the suspense account. Since this is a balance mandatorily receivable to the Corporation, it has been indicated under miscellaneous debtors.
- (B) Deposited in a savings account.
- (C) Inquiries are being conducted.

4.9 Commencement of Projects on Lands / Properties not vested properly

- (A) A cabinet paper has been submitted to vest this land enjoyed by the SLBC through a grant.
- (B) The Kandurata Sevaya had been maintained on this land ever since its inception. Necessary action is being pursued to acquire this land which is a government land to the corporation. As of now, surveying activities have been finalized.
- (C) Action has been taken to hand over this vehicle to the Board of Investment.

4.10 Resources of the Corporation Released to other Government Institutions

Employees have been released to ministries on requests made by the Ministers. Audit observations are correct.

4.11 Staff Administration

- (A) Scheme of Recruitment and Promotion is being prepared.
- (B) A new cadre composition has been approved by the Department of Management Services in the year 2018.
- (C) Recruitment will be made on permanent basis for these posts upon the approval of the scheme of recruitment.
- (D) A new cadre composition has been approved by the Department of Management Services in the year 2018.
- (E) Measures have been taken to recruit to the post of Engineering Superintendent VHF and Studios through interviews and other posts still remain vacant.

4.12 Market Share

Audit observations are correct.

5. Sustainable Development

Achievement of sustainable development goals

- (A) The Corporation broadcasts programmes to create awareness amongst public in this regard.
- (B) The role of the Corporation is positively developed knowledge, attitude and skills of its audience. In the year 2017, the Corporation has acted with relevance to its scope.

6. Accountability and Good Governance

6.1. Procurement and Contract Process

6.1.1. Procurements

- (A) A Procurement Plan projecting expenditure as capital and revenue had been prepared and submitted to the audit.
- (B) Audit observations are correct.
- (C) It is true that the suppliers had supplied items similar to the specifications prepared by the Corporation in the two instances mentioned in the audit. However, the claim that the corporation prepared specifications targeting bidders cannot be accepted.
- (D) The Procurement Board did not request training in preparing specifications. But AEQ company proposed the provision of training. Initially, they proposed to provide only training expenses and lodging free of charge (airfare to be paid by the SLBC), but on a request made by the SLBC, AEQ company agreed to pay airfare as well. The SLBC had to pay only for the food of the participating officers. However at no time, SLBC requested training from AEQ Company.
- (E) In the letter submitted by the Sales Manager of AEQ Company dated 25 January 2017 to the embassy of France, it has been mentioned that the company would bear all the expenses merely for the convenience of obtaining visas. (Visas to Spain are issued by the embassy of France) Hence the officers participating in the training would have to declare minimum income to the French embassy.
- (F) Peoples' Bank had received money in May, 2018.
- (G) A new cadre composition has been proposed.

6.1.2 Delayed projects

The accounting software in this regard is in operation now.

6.2 Tabling of Annual Report

Action has been taken to table 2015 Annual Report in Parliament.

6.3 Unresolved Audit Paragraphs

- (A) Audit observations are correct.
- (B) Audit observations are correct.
- (C) Due to be transferred at the time of granting deeds by the Housing Authority.
- (D) This is a vehicle belonging to the Presidential Secretariat. It has been returned.
- (E) Action has been taken to hand over to the Mahaweli Authority.
- (F) Has not been accounted as documents relevant to the project were missing.
- (G) Action is to be taken by the Legal Division
- (H) Audit observations are correct.
- (I) Agreements are to be signed by the Legal Division.
- (J) Audit observations are correct.
- (K) Project is continued.
- (L) Though compensation has been claimed, not materialized yet.
- (M) An inquiry is being conducted.

6.4 Discharging Social Responsibilities

Audit observations are correct.

6.5 Systems and Controls

- (A)
 - i. Deeds have been obtained for lands purchased privately by the Corporation. But for lands vested by the government for the purposes of the SLBC, the government has not granted deeds to the SLBC. In acquiring lands, the Corporation has paid compensation to land owners on some of the occasions.
 - ii. Even though the Corporation had large extents of lands for maintaining Medium Wave Stations, they have not been used for broadcasting purposes with the discontinuation of MW technology.
 - iii. Though enjoyed by the Corporation for broadcasting purposes, with the conclusion of such tasks
 - iv. There are a large number of lands throughout Sri Lanka enjoyed by SLBC. Their physical verification is not productive since they are not being used for broadcasting purposes.
 - v. The statement to the effect that the Corporation had incurred losses due to shortcomings in assets administration cannot be accepted.
- (B) Due to the difficulty in determining the cost of very old items, the value of eliminated items cannot be adjusted to the accounts.

- (C)
 - i. Due to be eliminated with the approval of the Treasury as basic documents cannot be found.
 - ii. Use to be corrected from final accounts of 2018.
- (D)
 - i. Identified shortages and surpluses in the valuation of stocks have been recorded.
 - ii. Will be corrected subsequent to the implementation of the new computer software system.
- (E) Physical verification of vehicles is to be carried out in the year 2018.
- (F)
 - i. Identified and corrected.
 - ii. Delayed payments have been settled as per the financial situation of the Corporation.
 - iii. Audit observations are correct.
- (G)
 - i. Scheme of recruitment is being prepared.
 - ii. Recruited on service requirement.
 - iii. Work is to be delegated having conducted a study in this regard.
 - iv. Recruited on the basis of formal invitation.
- (H)
 - i. New accounting system has been introduced.
 - ii. Action has been taken to rectify these accounting shortcomings.
 - iii. Action for correction has been taken.
- (I)
 - i. Preparation of an annual procurement plan.
 - ii. Modernization of transmission stations is carried out in terms of procurement rules and regulations.



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