



# 2014

லார்கல லார்கல  
வருடாந்த அறல்கக  
**ANNUAL REPORT**



சலகலசன  
ஸலலசன  
**SELACINE**

SELACINE TELEVISION INSTITUTE

**SELACINE TELEVISION INSTITUTE**

**ANNUAL REPORT  
&  
ACCOUNT STATEMENTS**

**From 01<sup>st</sup> January 2014 to 31<sup>st</sup> December 2014**



Hon Minister of Finance & Mass Media  
Ministry of Finance & Mass Media  
Colombo 5.

Hon. Minister,

**Annual Report - 2014**

According to the Clause no. 14 (1) of the Public Corporations (Financial Control) Act No.38 of 1971, I hereby present the Annual Report for the year 2014 of the Selacine Television Institute.



**Shantha Bandara Jayawardhane**

Chairman  
Selacine Television Institute  
Colombo 07.



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## Vision

To become the foremost organization in the advertising and promotions sphere through the creative communication of development and operational activities of State machinery and all business spheres.

## Mission

Actively contributing to Sri Lanka's economic, social and political development and supplying and providing the best communication and other creative publicity services for State and private sector institutions employing the assistance of skilled, more creative and bold personnel and creatively using strategy as well as high level technology.

## Objectives

- Increasing financial status
- Increasing market share
- Using strategy to increase customer satisfaction
- Developing employees and leaders of the organization



**Shantha Bandara Jayawardhane**  
Selacine Television Institute



I am pleased to send this message to the Annual report of 2014 which was a period prior to my appointment as the Chairman of Selacine.

During an era of a journey amidst many obstacles to achieve a brighter tomorrow, steps must have been taken in 2014 too.

It is praiseworthy that tangible efficiency is visible in the activities of Administration and Finance. Effort has been taken to forward accounts conforming to stipulated accounting standards and this is borne out by the positive response of the Auditor General even on the previous years of the organization.

Selacine Institute was given greater responsibility during the implementation of events of great importance such as “CHOGAM” and “RANMIHITHANNA”. It must be praised that these activities were concluded successfully.

For many years the Graphics Division contributed immensely to channel the maximum number of advertisements to Lake House. Media Division has done a good job of scheduling this huge number of advertisements.

Production Division has contributed significantly and the Marketing Division has been able to obtain more advertisements by grabbing more customers than before.

The income in 2014, in comparison to 2013 has come down by Rs.203.1 Million from Rs. 653.1 Million to Rs. 450.0 Million. The direct contributory factor for this was the building of “Dayata Kirula” exhibition stalls in 2013 and the receipt of a great number of advertisements relating to these stalls resulting in the increase of income and the inability to participate in such projects in 2014.

Continuing this journey through so many obstacles and problems in the past, it is commendable indeed that the Institute possesses such strength and courage to march forward facing challenges resourcefully”



## ADMINISTRATION STRUCTURE - 2014

### SENIOR MANAGEMENT

Pradeep Edirisinghe - Chairman  
Ranjan Ekanayake - General Manager (acting)

### MANAGEMENT

Pushpa Bamunuarachchi - Manager (Human Resources & Administration)  
Sunanda Weerasinghe - Manager (Production)  
Prasanna Opatha - Consumer Services Director  
Nalin Alahakoon - Manager (Media)  
K. D. J. De Lazall - Manager (Finance)  
Sujith Pushpakumara - Manager (Acting) (Graphic)

### AUDITORS

Department of Government Audit

### BANKERS

Bank of Ceylon

## CONTACT DETAILS

### ADDRESS

Sri Lanka Broadcasting Corporation Training Institute Building, Independence Square, Colombo 07

### TELEPHONE

011 2688744 / 011 5767979 / 011 5235480

### FAX

011 2688745

### E-MAIL

selacine@gmail.com

### WEB SITE

www.selacine.lk

## CORPORATE INFORMATION

**NAME OF INSTITUTION** : Selacine Television Institute

### **LEGAL FORM AND NATURE OF PAST ACTIONS :**

- 01<sup>st</sup> February 1982 - Launched under the purview of the Ministry of Plan Implementation.
- 1982 to 1989 - Carrying out the task of edifying the general public of Sri Lanka about the Accelerated Mahaweli Development Programme under the human and financial resources of the State Timber Corporation under the Ministry of Land Irrigation & Mahaweli Development.
- 1989 - Carrying out the publicity work of the Janasaviya Programme.
- The Selacine Rupavahini Institute was placed under the Ministry of Youth Affairs, Sports and Rural Development by the Extra-Ordinary Gazette Notification No. 832/15 of 19<sup>th</sup> August 1989. (This is the first transfer done by gazette notification regarding this institution)
- Placed under the Ministry of Posts, Telecommunications and Media by the Extra-Ordinary Gazette Notification No. 979/2 of 09<sup>th</sup> June 1997.
- Placed under the Ministry of Mass Communications by the Extra-Ordinary Gazette Notification No. 1215/14 of 20<sup>th</sup> December 2001.
- Named as an institution belonging to the Ministry of Information and Media by the Extra-Ordinary Gazette Notification No. 1338/9 of 28<sup>th</sup> April 2004.
- Established as an institution belonging to the Ministry of Mass Media and Information by the Extra-Ordinary Gazette Notification of 08<sup>th</sup> December 2005.
- A communiqué dated 26<sup>th</sup> March 2008 was dispatched to the Cabinet of Ministers to make Selacine Rupavahini Institute a wholly government-owned company under the Companies Act No. 07 of 2007.

### **TASKS OF THE INSTITUTION**

- To operate as the publicity and production institution of the government.
- The under mentioned tasks were included into the tasks of the institution by the Extra Ordinary Gazette Notification No. 1380/15 of 16<sup>th</sup> May 2005.
  - i. Producing print/electronic media advertisements
  - ii. Publicity work edifying people of the development processes of the government
  - iii. Producing publicity programmes of the government
- After observations regarding the Cabinet communiqué of the Hon. Minister of Mass Media and Information, approval was given by Cabinet Paper No. 08/2253/338/043 of 24<sup>th</sup> December 2008 to make mandatory the implementation of all advertisements and publicity programmes of all Ministries and institutions under them through the Selacine Rupavahini Institute.
- Producing audio visual creations such as television and radio advertisements, radio programmes and television documentary programmes.
- Creating newspaper advertisements of varied nature and scheduling them in print and electronic media.
- Event Management and Printing.

## HUMAN RESOURCES & ADMINISTRATION DIVISION

The most important resource of any establishment is their human resource. Therefore Salacine gave priority to encourage Human Resource. It has become clear that by promoting the quality of Human resource, better and more fruitful service can be obtained.

It has also been shown in the year 2014 that providing external consultation services targeting Human Resource worked for the betterment of the establishment as well as for the individual welfare of the workers.

Loan facilities, festival advance, gift vouchers during festive season and bonus payments were provided for the welfare and betterment of the employees. Opportunities were given for employees to obtain necessary individual training that help the welfare of the establishment.

The attendance incentive scheme to encourage employees is continued.

As a step to increase the productivity of the establishment, latest equipment such as camera, computers, laptops and office equipment, requested by the workers was provided as far as possible.

In the future too, this Division is dedicated to provide psychological and technical factors for the encouragement of the human resource.

## SALES & CONSUMER AFFAIRS DIVISION

Compared to last year, a significant improvement was managed to achieve through this Division. A very special feature was the fact that a number of workshops to improve the abilities of marketing officers was concluded successfully. With the help of all managers it was possible to gradually increase the sales income to Rs. 450 Million and it was remarkable that this target was achieved with the election environment in the island.

## FINANCE DIVISION

Compared to past period, the Finance Division had to face many challenges in the year of 2014. One of the main challenges was the unexpected decrease in sales revenue. In this adverse environment the establishment had to incur the same expenditure as in the years past and everyone had to exercise caution when taking decisions.

On the establishment of the Internal Audit Division, plans and procedures were put in place to carry out financial activities of the Establishment properly. Consequently it was possible to send reports to the Ministry expeditiously. Arrangements have been made to provide the financial reports requested by the Ministry and the installment of the Computer Package for the purpose has made the work more efficient.

Financial Statements have been updated to show the corrections to items pointed out in the Auditor General's report and to show true and fair statement of financial activities and cash flow as at 31.12.2014, conforming to the Sri Lanka Accounting Standards.

Everyone in the Financial Division has taken great effort to complete their job of work correctly and on time.

Although work in the Financial Division was a little slow in 2014 due to a shortage of officers, through being able to accomplish the necessary work and by providing financial data properly, the Financial Division was able to show progress.

## CREATIONS & GRAPHIC DIVISION

Design and Graphic Division was crowned the winner in the Inter Divisional Performance Appraisal Contest held in 2011 and 2013.

This Division, manned by capable, professional Graphic Designers who are capable of doing their job professionally without keeping their eyes on the office clock, is also called upon for their contribution for urgent work.

Design and Graphics Division is also the center for designing newspaper advertisements, 3-D, -3D animations, annual reports and production of various publications, designing of posters and banners as well as translation of main languages.

Salacine Television Institute, that designs most of the daily newspaper advertisements published by Lake House, has given over that responsibility to the Design and Graphic Division.

The responsibility of designing advertisements attractively and on time is given to Designing and Graphics Division and the uninterrupted flow of income show that in 2014 Design and Graphics Division was able to do this job very well.

## PRODUCTION DIVISION

Production Division which is the heart of Salacine was able to gain appreciable progress in 2014 by putting out many meaningful and creative productions. To make various audio-visual productions including Rupavahini Documentaries, Radio and Television Advertisements, the effort every artist of the Production Division contributed was immense indeed.

From the birth of a concept, to making an artistic copy of it and to accomplish a successful end product after editing, the dedication, brotherhood and talent the artists of the Production Division contributed were beyond words. The fruits of their labour were proudly reaped by Salacine in the year 2014.

Advertisements regarding outer circular road, documentary programme produced for the Ministry of National Heritage, documentary programme produced for the National Council for Road Safety, advertisement regarding population census for the Department of Census and Statistics, documentary programme on waste water management and advertisement regarding Colombo-Katunayake express way are creations that are still fresh in the hearts of viewers.

We, of the Production Division of Salacine, constantly honing creative talents and stepping hand in hand with the latest techniques, are ready for a meaningful, qualitative media contribution in the future.

## MEDIA DIVISION

The primary role of the Media Division is the scheduling of advertisements in the print and electronic media and audio visual creations. Every year the highest income is generated by the Media Division due to scheduling of these productions. This was done very efficiently in the year 2014 too. The total investment was Rs. Million. (Rs. 334,587,229/-)

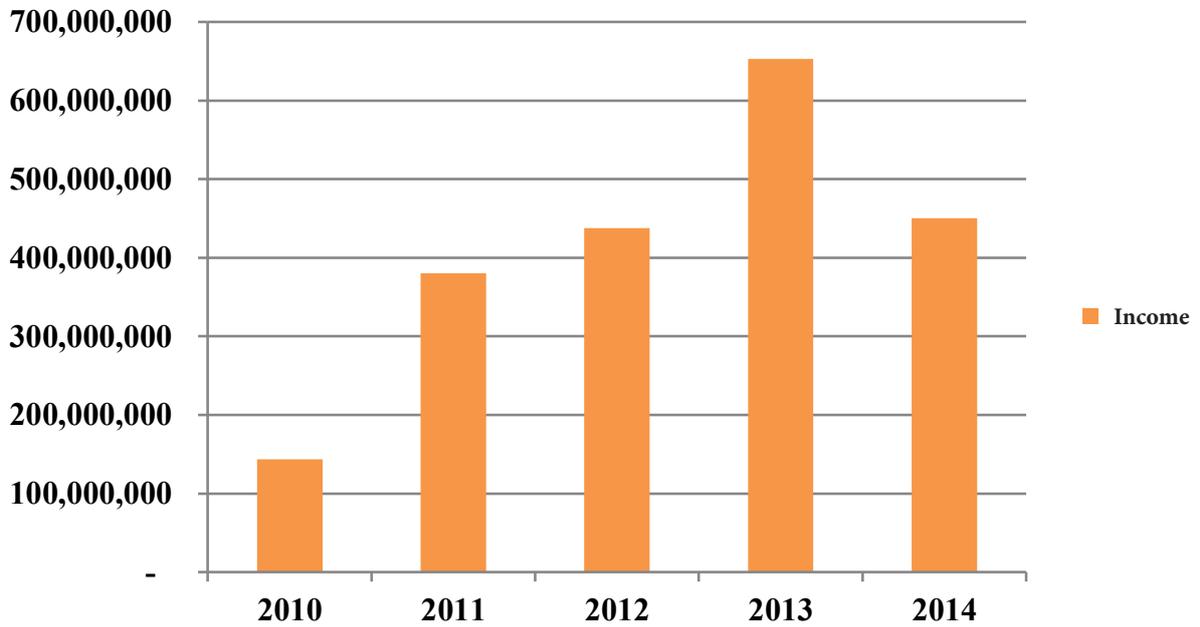
In 2014 as well, the most number of advertisements were given to Lake House.

We consider it a major victory that advertisements and creations made in 2014 regarding Colombo Outer Circular Road, Southern Highway Project and Foreign Employment Bureau made it possible for our employers to achieve their goals by planning media programmes as required.

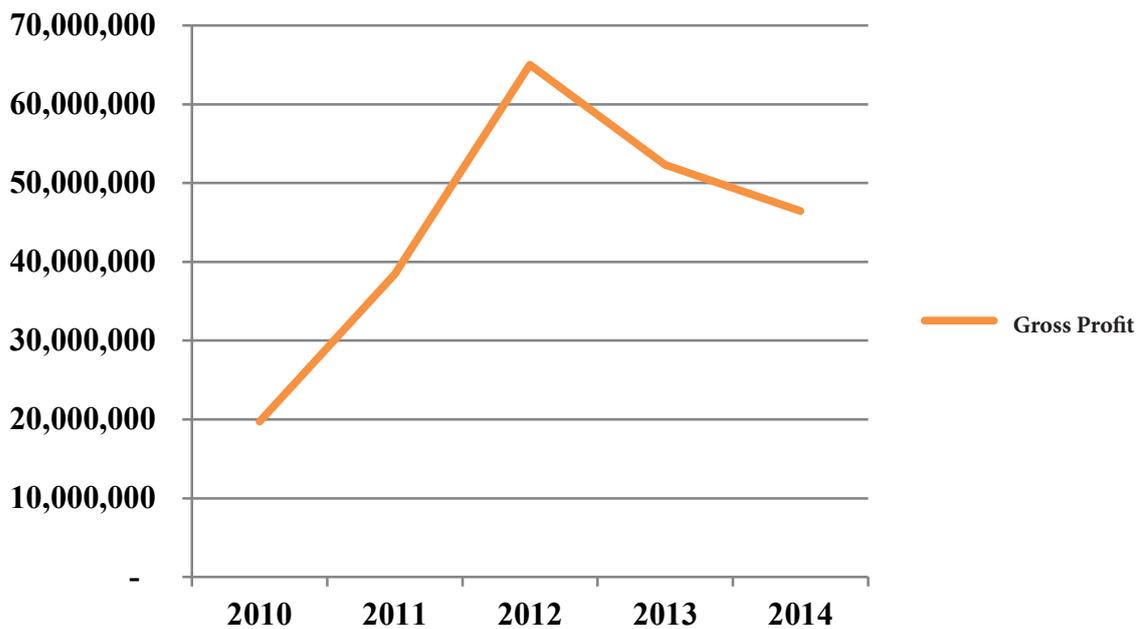
Accordingly, it shows that as a front-line advertising agency in Sri Lanka, Salacine possesses abilities not only for creative work but also for marketing as well.

# FINANCIAL REPORT - 2014

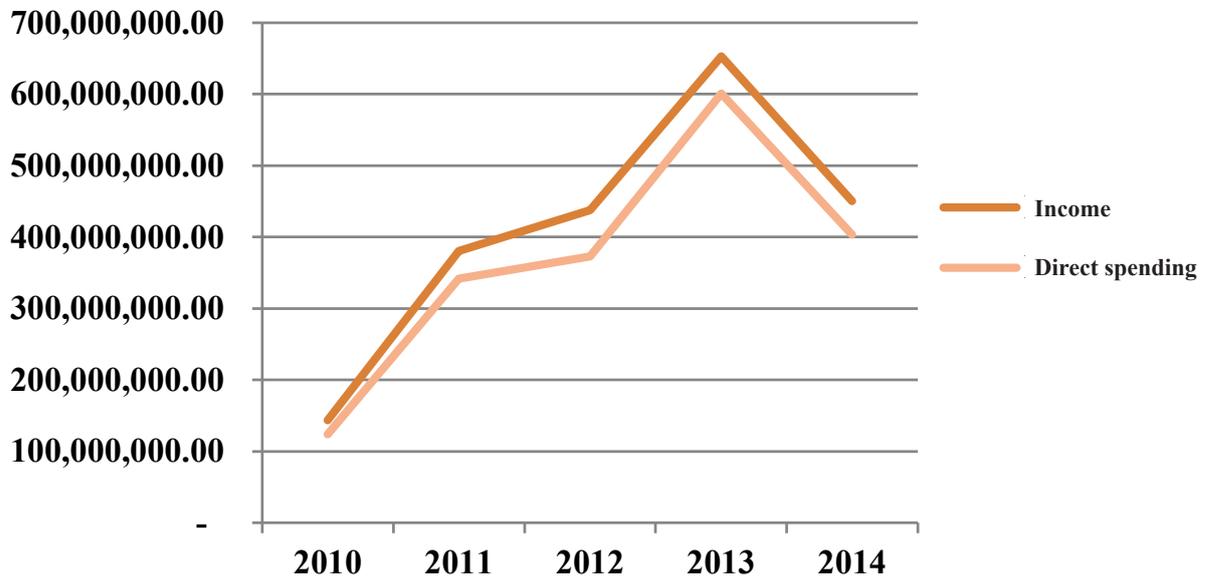
## REVENUE GROWTH



## INCOME AND EXPENDITURE FOR LAST FIVE YEARS



## THE TREND BETWEEN CORPORATE INCOME & DIRECT EXPENDITURE BETWEEN 2010 & 2014



FOR THE YEAR ENDING IN 31<sup>ST</sup> DECEMBER 2014  
ACCOUNTING POLICIES

**1. General**

**1.1 Corporate Information**

Selacine Television Institute (hereinafter referred to as Selacine) has been integrated to the Ministry of Mass Media and Information by the Special Gazette Notification No. 1422/22 of 08.12. 2005.

**1.2 Principal Activities and Nature of Operation**

Principal activities of Selacine consist of advertising activities, production of television and radio programmes and event management.

**1.3 Number of Employees**

There were 14 permanent and 41 contracted employees as at 31. 12. 2014.

**2. Summary of Significant Accounting Policies**

**2.1 General Policies**

The Financial Statements are prepared in accordance with Sri Lanka Public Sector accounting standards (SLPSAS) issued by the Institute of Chartered Accountants of Sri Lanka. The Financial Statements, which are presented in Sri lankan Rupees, are prepared on going concern basis.

**2.2 Consistency and Comparability**

The accounting policies, adopted in the current year, are consistent with those used in previous years.

**2.3 Borrowing Costs**

Borrowing costs are recognized as an expense in the accounting period in which they are incurred.

**3. Valuation of Assets and their Measurement Bases**

**3.1 Property, Plant & Equipment**

Property, Plant and Equipment are recorded at cost or revalued amounts.

**3.2 Trade and Other Receivables**

Trade receivables are stated at the amounts they are estimated to realize.

**3.3 Trade and Other Payables**

The tax in default from 2011 to date is deposited in fixed deposits showed in financial statements. The total amount for the said period will be subsequent to the incorporation of selacine under companies act. A Tax Relief for the years before 2011 is requested from Inland Revenue and the discussion is still at discussion level.

**3.4 Cash & Cash Equivalent**

Cash and cash equivalent comprise cash in hand, demand deposits in banks.

**3.5 Leased Assets**

Leases in terms of which Selacine assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

**3.6 Depreciation**

Depreciation is recognized in the Income Statement on a straight- line basis over the estimated useful life of each asset. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of the equivalent owned assets. Depreciation percentage are amended for fixed assets.

The estimated useful live for the curret and comparative periods are as follows:

Furniture & Fittings	2-10 Years
Computer Equipment	3-5 Years
Office Equipment	10 Years
Motor Vehicles	05 Years
Cameras & Filming Equipment	10 Years
Computer Software	10 Years

#### **4. Liabilities and Provisions**

4.1 Liabilities classified as current liabilities in the balance sheet are those, which fall due for payment on demand and/or within one year from the balance sheet date. Items classified as long-term liabilities fall due for payment one year after the balance sheet date.

##### **4.2 Retirement Gratuity**

Provision has been made for retirement benefits from the first year of service for all employees in conformity with SLAS 16 ( Revised 2006) - Employee Benefit. However, under Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

##### **4.3 Defined Contribution Plans - Employees "Provident Fund and Employees" Trust Fund**

Employees are eligible for employer's contribution to Employees' Provident Fund and Employees' Trust Fund in line with respective statutes and regulations. Selacine contributes 15% and 3% on gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

#### **5. Income Statement**

##### **5.1 Turnover**

The turnover of Selacine is from art work, shedulin, event management and production of television and radio programmes.

##### **5.2 Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

##### **5.3 Expenditure Recognition**

Expenses are recognized in the income statement on the basis of direct association between the cost incurred and the earnings of specific items of income.

#### **6. Related Party Transactions**

There had been no related party transactions during the period the financial statements refer to.

#### **7. Events Occurring after the Balance Sheet Date**

There had been no material events occurring after the Balance Sheet date that require adjustment or disclosure in the Financial Statements.

8. The Rs.300,00 deposited in Pramuka Bank was transferred to Sri Lanka Savings Bank due to the Instruction of Central Bank.

9. Bad and Doubtful debtors have been provided as 2.5% for debtors. Fully provisions were made for unidentified debtors.

## REVENUE STATEMENT

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2014

IN SRI LANKAN RUPEES

	Note	2014	2013	2012
		Rs.	Rs.	Rs.
Revenue	11	450,068,680.36	653,144,763.00	437,939,421.00
Less :				
Direct Cost	12	<u>403,588,539.17</u>	<u>600,839,302.00</u>	<u>372,938,887.00</u>
Gross Profit		46,480,141.19	52,305,461.00	65,000,534.00
Other Operating Income	13	<u>5,482,485.88</u>	<u>4,932,810.00</u>	<u>810,873.00</u>
		51,962,627.07	57,238,271.00	65,811,407.00
Less : Administrative Cost	14	49,072,706.67	37,282,389.37	-
Distribution Cost	15	<u>2,904,277.17</u>	<u>4,078,808.00</u>	<u>26,169,495.00</u>
Profit from Operating Activities		(14,356.77)	15,877,073.63	32,249,640.00
Less : Finance Cost	16	269,073.78	642,617.35	1,208,428.00
Other Cost	17	<u>403,516.67</u>	<u>2,023,714.65</u>	<u>1,449,410.00</u>
Net Profit / (Loss) before Taxes		(686,947.22)	13,210,741.63	29,591,802.00
Net Profit / (Loss) after Taxes		<u>(686,947.22)</u>	<u>13,210,741.63</u>	<u>29,591,802.00</u>
<b>Net Profit / (Loss) for the Year</b>		<b><u>(686,947.22)</u></b>	<b><u>13,210,741.63</u></b>	<b><u>29,591,802.00</u></b>

## BALANCE SHEET

FOR THE YEAR ENDING 31<sup>ST</sup> OF DECEMBER 2014

IN SRI LANKAN RUPEES

	Note	2014	2013	2012
		Rs.	Rs.	Rs.
<b>Assets</b>				
<b>Non - Current Assets</b>				
Property, Plant and Equipment	18	20,900,866.22	19,985,876.00	20,144,197.00
Building Rent		<u>9,210,310.22</u>	-	-
		30,111,176.44	19,985,876.00	20,144,197.00
Fixed Deposits	19	<u>78,411,550.41</u>	<u>62,713,488.00</u>	<u>20,800,000.00</u>
		<u>108,522,726.85</u>	<u>82,699,364.00</u>	<u>40,944,197.00</u>
<b>Current Assets</b>				
Trade and Other Receivable	20	211,844,899.05	311,839,772.00	131,503,883.00
Deposits and Prepayments	21	65,000.00	65,000.00	100,000.00
Cash and Cash Equivalents	22	<u>14,848,009.71</u>	<u>25,606,496.00</u>	<u>45,554,440.00</u>
		226,757,908.76	337,511,268.00	177,158,323.00
<b>Total Assets</b>		<b><u>335,280,635.61</u></b>	<b><u>420,210,632.00</u></b>	<b><u>218,102,520.00</u></b>
<b>Equity and Liabilities</b>				
<b>Capital &amp; Reserves</b>				
Accumulated Profit/(Loss)		<u>82,161,325.48</u>	<u>35,066,159.00</u>	<u>26,194,953.00</u>
		<u>82,161,325.48</u>	<u>35,066,159.00</u>	<u>26,194,953.00</u>
<b>Non Current Liabilities</b>				
Funded By State Institution				
Accrued Gratuity Allowances	23	5,490,466.65	4,430,647.00	4,053,061.00
Lease Loans		-	6,786.00	1,375,041.00
Treasury Loan		<u>3,720,000.00</u>	<u>5,580,000.00</u>	<u>9,300,000.00</u>
		<u>9,210,466.65</u>	<u>10,017,433.00</u>	<u>14,728,102.00</u>
<b>Current Liabilities</b>				
Interest on Lease Due	24	686,596.63	-	-
Trade & Other Payables	25	240,606,949.21	372,531,547.00	177,053,214.00
Treasury Loan		1,860,000.00	129,552.00	126,252.00
Advances Received		<u>755,296.00</u>	<u>1,860,000.00</u>	-
Total Liabilities		243,908,841.84	374,521,099.00	177,179,466.00
<b>Total Equity and Liabilities</b>		<b><u>335,280,633.97</u></b>	<b><u>420,210,631.00</u></b>	<b><u>218,102,521.00</u></b>

These financial statements have been prepared in according to the requirement of the Sri Lanka Public sector accounting standard as laid down by the institute of chartered accountants of Sri Lanka and finance Act No.38 of 1971.

The Board of Directors is responsible for the preparation and presentation of these financial statements signed for and an behalf of the Board by,

Signed by,



**Chairman**

Selacine Television Institute

## CASH FLOW STATEMENT

FOR THE YEAR ENDING 31<sup>ST</sup> OF DECEMBER 2014

IN SRI LANKAN RUPEES

	2014	2013
	Rs.	Rs.
<b>Cash Flow Operating Activities</b>		
Surplus before Taxation	(686,947.22)	13,210,740.00
<b>Adjustments for :</b>		
Interest Expense	170,566.58	175,005.00
Interest Income	(3,944,376.12)	(4,757,611.00)
Depriciation on Property, Plant and Equipment	4,348,682.00	3,655,509.00
Provision for Retiring Gratuity	1,130,377.29	599,328.00
Prior year Adjustments to Accumulated Fund	47,782,113.70	(4,339,534.00)
Loss on Disposal of Property, Plant and Equipmnet	-	(24,822.00)
<b>Operating Surplus before Working Capital Changes</b>	<b>48,800,416.23</b>	<b>8,518,615.00</b>
(Increase) / Decrease in Trade and Other Receivable	99,944,772.95	(180,335,889.00)
(Increase) /Decrease in Deposits and Prepayments	-	35,000.00
(Increase) /Decrease in Provisions for Building Expenses	(9,210,310.22)	-
(Increase) /Decrease in Trade and Other Payables	(131,924,596.79)	195,478,334.00
(Increase) /Decrease in Advances Received	625,744.00	3,300.00
<b>Cash Generated From/ (Used in) Operation</b>	<b>8,286,129.81</b>	<b>23,699,359.00</b>
Gratuity Paid	(70,557.68)	(221,742.00)
Interest Paid	-	(175,005.00)
Acquisition for Property, Plant and Equipment	(5,263,673.22)	(3,998,559.00)
Cash Proceed from Disposal of Property	-	526,195.00
Investment is Fixed Deposit	(15,698,072.41)	(41,913,488.00)
Interest Income	3,944,376.12	4,757,611.00
<b>Net Cash Used in Investing Activities</b>	<b>17,017,361.05</b>	<b>(40,628,241.00)</b>
<b>Cash Flow From Financing Activities</b>		
Treasury Loan Recived / (Repayment)	(1,860,000.00)	(1,860,000.00)
Repayment of Loan	(528,675.97)	(762,314.00)
Error correction of Lease	431,978.56	-
<b>Net Cash Generated from / (Used in) Financing Activities</b>	<b>(1,956,697.41)</b>	<b>(2,622,314.00)</b>
<b>Net Inceas / (Decrease) in Cash and Cash Equivalents</b>	<b>(10,758,486.29)</b>	<b>(19,947,944.00)</b>
<b>Cash and Cash Equivalents at the beginnig of the year</b>	<b>25,606,496.00</b>	<b>45,554,440.00</b>
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>14,848,009.71</b>	<b>25,606,496.00</b>
<b>(Note A) Money and Money are the same</b>		
Bank of Ceylon - Current Account (2323299)	7,311,326.85	18,599,600.00
Bank of Ceylon - Saving Account (2329765)	6,988,582.86	6,736,471.00
Production Advances	373,100.00	135,425.00
Other Advances	175,000.00	135,000.00
	<b>14,848,009.71</b>	<b>25,606,496.00</b>

## NOTES FOR FINANCIAL STATEMENT

### FOR THE YEAR ENDING 31<sup>ST</sup> OF DECEMBER 2014

IN SRI LANKAN RUPEES

	2014	2013	2012
	Rs.	Rs.	Rs.
<b>11. Income from Services</b>			
Production	39,809,755.67	40,541,319.00	27,611,388.00
Graphic	24,569,248.77	27,525,225.00	38,617,520.00
Scheduling	334,587,225.95	307,668,222.00	328,408,933.00
Events	-	-	-
Miscellaneous	103,028,945.78	277,409,997.00	43,301,580.00
Less : Income Tax on Sales	(51,926,495.81)	-	-
	<b>450,068,680.36</b>	<b>653,144,763.00</b>	<b>437,939,421.00</b>
<b>12. Direct Cost</b>			
Production Expenses	26,091,223.36	35,610,274.00	14,015,088.00
Graphic Expenses	18,524,177.70	23,771,275.00	31,884,512.00
Scheduling Expenses	275,960,848.63	277,726,680.00	286,912,288.00
Event Expenses	-	-	-
Miscellaneous Expenses	118,290,681.55	263,586,163.00	40,126,999.00
"Call Center" Project	-	114,910.00	40,000.00
Less : Income Tax on Sales	(35,278,392.07)	-	-
	<b>403,588,539.17</b>	<b>600,839,302.00</b>	<b>372,978,887.00</b>
<b>13. Other Operational Income</b>			
Staff Loan Interest	92,230.84	65,835.00	34,612.00
Bank Interest	3,944,376.12	4,757,611.00	683,273.00
Other Income	572,467.20	42,542.00	24,988.00
Registration of Supplier	873,411.72	42,000.00	28,000.00
Artwork Charges	-	-	-
Vehicle Charges	-	24,822.00	-
	<b>5,482,485.88</b>	<b>4,932,810.00</b>	<b>770,873.00</b>
<b>14. Administrative Expenses</b>			
Salaries and Wages	18,143,731.32	16,619,293.80	14,499,759.00
EPF	1,729,198.60	1,562,712.80	1,422,470.00
ETF	345,839.96	310,347.54	284,264.00
Staff OT and Bata	2,189,593.59	1,596,083.63	835,764.00
Telephone	498,026.48	541,853.97	432,285.00
Staff Welfare	1,873,981.52	2,222,640.00	1,369,735.00
Postage	43,135.00	23,271.00	34,101.00
Printing & Stationery	1,310,442.60	1,120,647.00	1,413,498.00
Audit Fee	250,000.00	30,000.00	-
Training Programme Charges	41,500.00	770,710.00	657,078.00
Vehicle Rent	585,000.00	780,000.00	1,185,000.00
Electricity	290,032.73	108,528.24	418,502.00
Bonus	720,687.00	542,500.00	669,249.00
Gratuity	1,130,377.29	599,327.67	745,953.00
Directors' Emoluments	676,275.00	650,000.00	600,000.00
Water Charges	92,331.76	61,435.20	119,926.00
Registration Fee	16,413.60	43,570.00	73,589.00
Repairs and Maintenance - Office Equipment	1,094,668.00	1,210,447.97	481,565.00
Repairs and Maintenance - Office	335,866.80	495,543.00	226,229.00
Newspaper Expenses	70,370.60	128,705.00	40,965.00
Religious and Cultural	-	29,757.75	115,780.00
Social Welfare	295,146.86	283,000.00	212,853.00

	2014	2013	2012
	Rs.	Rs.	Rs.
Building Expenses	2,302,577.55	1,367,500.00	17,562.00
Professional Fees	407,875.00	682,500.00	195,000.00
Counseling Fees	15,000.00	-	-
Security Service Charges	657,600.00	-	-
Tender Fee	2,500.00	20,500.00	17,500.00
Translation Fee	37,200.00	253,300.00	98,070.00
Office Equipment - Loss	-	1,024,447.10	2,800.00
Staff Insurance	2,105,263.72	74,500.00	-
Web Site Expence	5,850.00	300,848.50	-
Internet Expenses	253,449.27	110,000.00	-
Foreign Travel	1,103,121.00	1,103,121.00	-
Board Meeting Fee	247,500.00	247,500.00	-
Accommodation	138,340.00	-	-
Advertisements	-	241,600.00	-
Building Rent	3,150,000.00	-	-
Cleaning Expenses	62,320.00	-	-
Computer Repair Expenses	27,450.00	-	-
Aid	165,000.00	-	-
Food Costs	127,500.00	-	-
Party	252,000.00	-	-
Gift Expenses	267,000.00	-	-
T-shirts	49,720.00	-	-
Office Expenses	943,164.38	-	-
Depreciation	247,500.00	110,000.00	-
Bad Loans	1,436,924.31	1,362,910.00	-
	<b>49,072,706.67</b>	<b>37,282,389.37</b>	<b>26,169,495.00</b>
<b>15. Sales and Distribution Costs</b>			
Fuel	1,196,220.65	1,464,716.00	1,229,499.00
Motor Vehicles Repairs and Maintenance	595,944.54	855,201.00	560,742.00
Travelling, Transport and Parking	582,242.07	193,536.00	82,184.00
Sales Promotion	66,500.00	919,977.00	4,610,740.00
Seles Commission	251,262.41	645,377.00	894,170.00
Insurance - Loss	212,107.50	-	14,938.00
	<b>2,904,277.17</b>	<b>4,078,808.00</b>	<b>7,392,272.00</b>
<b>16. Finance Costs</b>			
Bank Charges	98,507.20	224,561.73	37,955.00
License and Insurance	-	243,050.38	826,976.00
Lease Interest	170,566.58	175,005.24	343,497.00
	<b>269,073.78</b>	<b>642,617.35</b>	<b>1,208,428.00</b>
<b>17. Other Costs</b>			
Miscellaneous Expenses	163,516.67	-	515,278.00
Legal Expenses	240,000.00	198,000.00	429,475.00
Other Expenses	-	1,806,789.65	504,657.00
Surcharge Expenses	-	18,925.00	-
	<b>403,516.67</b>	<b>2,023,714.65</b>	<b>1,449,410.00</b>
<b>18. Depreciation</b>			
Furniture and Fittings	161,512.00	100,235.00	124,558.00
Computer Equipment	735,979.00	465,483.00	311,625.00
Office Equipment	245,797.00	113,900.00	199,433.00
Motor Vehicles	1,567,165.00	1,098,698.00	1,102,802.00
Cameras and Filming Equipment	1,173,779.00	1,684,734.00	46,160.00
Accounting Software	209,134.00	192,459.00	150,000.00
Network System	255,316.00	-	-
	<b>4,348,682.00</b>	<b>3,655,509.00</b>	<b>1,934,578.00</b>

**FOR THE YEAR ENDING 31<sup>ST</sup> OF DECEMBER 2014**

**18. Property, Plant & Equipment**

	<b>Balance as at</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance as at</b>
<b>18.1 (A)</b>	<b>01. 01. 2014</b>			<b>31. 12. 2014</b>
Furniture and Fittings	1,676,879.00	636,749.50	-	2,313,628.50
Computer Equipment	4,966,952.00	826,067.00	-	5,793,019.00
Office Equipment	2,771,987.00	306,206.00	-	3,078,193.00
Motor Vehicles	9,080,824.00	-	-	9,080,824.00
Cameras and Filming Equipment	14,512,900.00	-	-	14,512,900.00
Accounting Software	2,060,000.00	75,000.00	-	2,135,000.00
Network System	-	3,419,650.72	-	3,419,650.72
	<b><u>35,069,542.00</u></b>	<b><u>5,263,673.22</u></b>	<b><u>-</u></b>	<b><u>40,333,215.22</u></b>
<b>18.2 (B) Depreciation</b>				
Furniture and Fittings	1,018,042.00	161,512.00	-	1,179,554.00
Computer Equipment	3,020,148.00	735,979.00	-	3,756,126.00
Office Equipment	1,699,068.00	245,797.00	-	1,944,865.00
Motor Vehicles	4,047,928.00	1,567,165.00	-	5,615,093.00
Cameras and Filming Equipment	4,806,022.00	1,173,779.00	-	5,979,801.00
Accounting Software	492,459.00	209,134.00	-	701,593.00
Network System	-	255,316.00	-	255,316.00
	<b><u>15,083,667.00</u></b>	<b><u>4,348,682.00</u></b>	<b><u>-</u></b>	<b><u>19,432,349.00</u></b>
<b>Net Book Value</b>	<b><u>19,985,875.00</u></b>			<b><u>20,900,866.22</u></b>

		2014	2013	2012
		Rs.	Rs.	Rs.
<b>19. Fixed Deposits</b>				
Bank of Ceylon - Acc. No. 742656		500,000.00	500,000.00	500,000.00
Bank of Ceylon - Acc. No. 73404		10,000,000.00	10,000,000.00	10,000,000.00
Bank of Ceylon - Acc. No. 73405		12,306,821.41	11,706,959.00	10,000,000.00
Pramuka Bank - Acc. No. 103009002920 (Sri Lanka Savings Bank)		-	300,000.00	300,000.00
Bank of Ceylon - Acc. No. 74798		12,135,172.00	12,135,172.00	-
Bank of Ceylon - Acc. No. 74401		26,000,000.00	26,000,000.00	-
Bank of Ceylon - Acc. No. 75021610		2,071,357.00	2,071,357.00	-
Bank of Ceylon - Acc. No. 76055217		15,000,000.00	-	-
Sri Lanka Saving Bank		398,200.00	-	-
		<b>78,411,550.41</b>	<b>62,713,488.00</b>	<b>20,800,000.00</b>
<b>20. Trade &amp; Other Receivables</b>				
Trade Debtors	20.1	180,923,769.64	295,705,548.00	118,166,373.00
Festival Advance		141,500.00	144,000.00	75,000.00
Staff Loan		1,959,742.00	1,947,144.00	945,130.00
Salary Advance		21,000.00	5,000.00	-
WHT		4,556,283.00	4,556,283.00	4,556,283.00
ESC		3,599,744.00	3,913,602.00	3,913,602.00
Upali Newspapers		10,695.00	10,695.00	10,695.00
ANCL		2,500,181.00	2,500,181.00	3,528,092.00
Wijaya Newspapers		172,245.00	172,245.00	172,245.00
EAP		3,004.00	3,004.00	3,004.00
Commission Receivable SLRC		63,558.00	63,558.00	-
Refundable Deposits		200,000.00	100,000.00	100,000.00
Ceylinco Insurance		62,050.00	62,050.00	33,458.00
Interest Income to be Received		5,643,127.41	2,656,462.00	-
Debt to be Charged - Financial Fraud	20.2	11,988,000.00	-	-
		<b>211,844,899.05</b>	<b>311,839,772.00</b>	<b>131,503,883.00</b>
<b>20.1 Trade Debtor</b>				
Trade Debtor As At 2014		188,505,962.64	303,287,741.00	124,385,656.00
Less :				
Provision for the Bad Debtors		7,582,193.00	7,582,193.00	6,219,283.00
		<b>180,923,769.64</b>	<b>295,705,548.00</b>	<b>118,166,373.00</b>
<b>20.2 Money Frauds by Employees</b>				
This represents the funds taken by some of the employees of the company without any authorisation and investigations are Carried.				
<b>21. Deposits and Pre - Payments</b>				
Pre-Paid Car Rental		65,000.00	65,000.00	-
Bank Guarantee		-	-	100,000.00
		<b>65,000.00</b>	<b>65,000.00</b>	<b>100,000.00</b>
<b>22. Cash and Cash Equivalents</b>				
Bank of Ceylon - 2323299		7,311,326.85	18,599,600.00	18,892,885.00
Bank of Ceylon Saving Account - 2329765		6,988,582.86	6,736,471.00	26,661,555.00
Production Advance		373,100.00	135,425.00	-
Other Advance		175,000.00	135,000.00	-
		<b>14,848,009.71</b>	<b>25,606,496.00</b>	<b>45,554,440.00</b>

IN SRI LANKAN RUPEES

	2014	2013	2012
	Rs.	Rs.	Rs.
<b>23. Gratuity Payable</b>			
Balance B/F	-	-	3,516,376.00
Gratuity Expenses for the year	-	-	745,953.00
	-	-	4,262,329.00
Less : Gratuity Payment	-	-	209,268.00
	-	-	<b>4,053,061.00</b>
<b>24. Interest Payable</b>			
Long-term Creditors	686,596.63	-	-
	<b>686,596.63</b>	-	-
<b>24.1 Finance Leases</b>			
Mitsubishi Van	904,567.00	1,376,515.00	1,548,463.00
Add : Corrections	431,978.56	-	-
Less : Repayment	(528,674.51)	(471,948)	(471,948.00)
	<b>8,07871.05</b>	<b>904,556.00</b>	<b>1,376,515.00</b>
<b>24.2 Fine Interest</b>			
Mitsubishi Van	291,841.00	446,617.14	635,870.52
Less : Repayment	170,566.58	154,776.14	189,253.38
	<b>121,274.42</b>	<b>291,841.00</b>	<b>446,617.14</b>

FOR THE YEAR ENDING 31<sup>ST</sup> OF DECEMBER 2014

IN SRI LANKAN RUPEES

	2014	2013	2012
	Rs.	Rs.	Rs.
<b>25. Trade Payable</b>			
Trade Creditor	142,712,254.00	258,071,312.00	106,431,355.00
EPF	264,080.26	15,439.00	6,559.00
ETF	29,836.97	-	-
Staff OT and Bata	-	145,275.00	41,396.00
Sanasa Society	43,120.00	43,120.00	43,120.00
Telephone	47,302.86	17,612.00	33,369.00
Water	67,609.26	-	-
Electricity	334,455.73	125,423.00	637,365.00
Sales Commission	-	18,826.00	386,808.00
VAT	83,799,396.74	94,972,378.00	54,974,145.00
NTB	12,306,863.92	16,905,054.00	10,730,024.00
Building Rent Payable	630,000.00	900,000.00	900,000.00
ESC	-	313,858.00	313,858.00
Metropolitan Office	327,498.00	327,498.00	-
Audit Fee	2,880.00	60,000.00	30,000.00
Fuel	41,651.47	9,811.00	20,351.00
Ministry of mass Media & Info. (Vehicle)	-	-	1,550,000.00
Tax creditors	-	605,940.00	-
	<b>240,606,949.21</b>	<b>372,531,546.00</b>	<b>176,098,350.00</b>

## 26. RELATED PARTY DISCLOSURES ( SLAS 30)

Name	Designation	Nature of the Related Party Transaction	Address
01. Thusitha Jayawardhane	Chairman	No	No.181 East West Mandawila
02. Upul Pallegangoda	General Manager	No	No. 240/15 Kurunduwatta Rd Bokundara Piliyandala

No related party transactions have taken place between Selacine Television Institute and each of the above personal and with any their family members for the financial year 2014.

## 27. Building Repair Expenses

The computer will write of the building repair expenses which is Capital in nature during the 05 years period which is the lease term of the company as mentioned in the lease agreement.

### FOR THE YEAR ENDING 31<sup>ST</sup> OF DECEMBER 2014

IN SRI LANKAN RUPEES

	2014	2013	2012
	Rs.	Rs.	Rs.
<b>28. Prior Year Adjustment</b>			
Audit Fees	-	30,000.00	-
Bank Balance	60,460.12	-	-
Bank Interest 2014	-	-	-
Bank Interest 2015 (Reservations)	-	-	-
Lease Holders	173,961.44	-	-
VAT	27,821,085.00	-	-
NBT	8,338,251.04	-	-
Deduction Taxes 2013/2014	-	-	-
Buildings to be Paid for Rent	270,000.00	-	-
Debtor Ad	11,118,356.10	5,376,506.00	5,742,616.00
Depreciation for the Previous years	-	691,157.00	-
Creditors	-	-	-
Advances	-	-	-
Vehicle Hire	-	-	-
Festival Advance	-	-	3,500.00
Distress Loan	-	65,000.00	6,000.00
	<b>47,782,113.70</b>	<b>6,162,633.00</b>	<b>5,776,166.00</b>

Auditor General's Opinion of  
Financial Activities of year 2014



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்  
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය  
எனது இல. } TM/E/SCTI/6/14/17  
My No. }

ඔබේ අංකය  
உமது இல. }  
Your No. }

දිනය  
திகதி }  
Date }

31 March 2016

The Chairman,  
Selacine Television Institute

**Report of the Auditor General on the Financial Statements of the Selacine Television Institute for the year ended 31 December 2014**

The audit of financial statements of the Selacine Television Institute for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statements of comprehensive income, cash flow statement, statement of changes in equity 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. My comments and observations which I consider should be published with the Annual Report of the Selacine Television Institute appear in this report.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the Sri Lanka Public Sector 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 conducted in accordance with Sri Lanka Auditing standards consistent with international Standards of Supreme Audit Institutions (ISSAI-1000-1810)

අංක 306/72, පොල්දො පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

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#### 1.4 Basis for Disclaimer of Opinion

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As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the statement of financial position, statement of comprehensive income and statement of changes in equity and cash flow statement.

### 2. Financial Statements

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#### 2.1 Disclaimer of Opinion

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Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Accordingly I do not express an opinion on these financial statements.

#### 2.2 Comments on Financial Statements

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##### 2.2.1 Sri Lanka Public Sector Accounting Standards

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Even though according to the Sri Lanka Public Sector Accounting Standard No. 01, financial statements should be prepared on accrual basis, sales of Rs.5,362,247 in the preceding year had been accounted as the sales of the year under review due to accrual basis had not been followed in respect of sales.

##### 2.2.2 Accounting Policies

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Even though, when the determination of depreciation rates of property, plant and equipment, it had been revised as practicably in the preceding year, depreciation had been made based on old depreciation rates again without any reason in the year under review. Due to the changes in the depreciation policy in this manner, depreciations in the year under review had been overstated by Rs.670,048.



### 2.2.3 Accounting Deficiencies

The following observations are made.

- (a) Bank Interest receivable had been understated by a sum of Rs.432,969 and brought to account due to computation errors.
- (b) Building rent and vehicle rent payable for the year under review amounting to Rs.630,000 and Rs.195,00 respectively had not been brought to account. Similarly, the vehicle rent amounting to Rs.65,000 paid in the year 2013 for the year under review had not been brought to account as expenditure of the year under review.
- (c) A sum of Rs.270,000 written off and credited to the prior year profit without any reason during the year under review out of the house rent of Rs.900,000 payable to the Sri Lanka Broadcasting Corporation prior to the year 2013.
- (d) Even though according to the accounting policy of the institute, a provision of 2.5 percent for bad debts should be made from the debtors, over provision of Rs.2,869,544 had been made at the end of the year under review. Even though an unidentified balance of Rs.6,611,743 existed from periods prior to the year 2006 in the balance of debtors, it had not been considered when make provisions for bad debts.
- (e) Depreciation expenditure of the year under review had been overstated by Rs.105,092 due to re-calculation of depreciations had been made considered as purchases made during the years 2011 and 2013 of 3 categories of fixed assets costing Rs.3,048,451 fully depreciated before the year 2003.
- (f) Due to the advances amounting to Rs.6,270,975 received for the sales on which the related transactions had been completed during the year under review had been accounted as advances further more and as such sales income of the year under review had been understated.
- (g) An accurate position on the cash flow of the year had not been reported by the cash flow statement prepared for the year under review. Leasing interest amounting to Rs.170,566 paid in cash had not been identified as a cash flow and interest income amounting to Rs.3,084,865 receivable which was not a cash



flow and journal entries totaling Rs.431,978 used for the rectification of errors had been entered as cash receipts were among several such instances observed.

- (h) Instead of being identified as the income of the year ,the income of Rs.98,200 received when the investments of fixed deposits belonging to the Institute had been converted into debenture investment .

2.2.4 Un- explained Differences  
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A difference of Rs.5,947,445 had been observed in 6 debtors balances when comparison of confirmation letters with the debtors balances stated in debtors schedule.

2.2.5 Lack of Evidence for Audit  
 -----

The following observations are made.

- (a) The following items shown in the financial statements could not be satisfactorily vouched or accepted due to non-submission of evidence for audit indicated against each item.

Item	Value	Documentary Evidence not made Available
-----	-----	-----
	Rs.	
(i) Expenditure	18,219,536	45 paid vouchers and details relating there to .
(ii) Trade Creditors	142,712,254	Ledgers denoting individual creditors , schedules and certificates of confirmation of balances.
(iii) Action Files	3,832,038	03 files related to the activities accepted to be fulfilled.
(iv) Journal Entries	517,693,567	Journal Vouchers and Supporting Documents
(v) Bad Debts	1,436,924	Information relevant to the calculations and documents with the approval





(vi) Adjustments made to the prior year profit	47,512,113	Relevant Subsidiary Documents
(vii) Withholding Taxes Receivable	4,556,283	Certificates of withholding Tax.
Total	735,962,715	

(b) Even though , a sum totaling Rs.17,438,107 had been deducted by 17 credit notes from the debtor balance at the end of the year ,the reasons for that deduction or the approval thereof had not been presented to audit.

### 2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non compliances were observed.

#### Reference to Laws, Rules, Regulations and Management Decisions

#### Non compliance

(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulations 137 and 245(1)

(ii) Financial Regulations 156(5)

(iii) Financial Regulation 395(b)

Approval and the certification of 265 paid vouchers totaling Rs.51,820,329 and 123 paid vouchers totaling Rs.47,941,620 had not been made by the authorized officer .

Certification had not been done, initialed by a responsible officer for the deletions , changes made in the books of accounts and related documents totaling Rs.26,202,237 relevant to 30 instances.

Bank Reconciliation Statements had not been certified by the authorized officer.



- (iv) Financial Regulations 395(c) Bank reconciliation statements of the year 2014 had been prepared and presented to audit in February 2015.
- (v) Financial Regulations 395(h) The officer maintained the cash book of the Institute had prepared the Bank Reconciliations as well.
- (b) Treasury Circular No.842 of 19 December 1978 The Register of Fixed Assets had not been updated and maintained.
- (c) Public Finance Circular No.PF/PE/09 of 27 June 2000 A sum of Rs.10,500,000 had been invested in fixed deposits without the approval of the Treasury.

3. Financial Review

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3.1 Financial Results

---

According to the financial statements presented, the financial results of the Institute for the year ended 31 December 2014 had been a net loss of Rs.686,947 as against the net profit of Rs.13,210,742 for the preceding year thus showing a deterioration in the financial result by Rs.13,897,689 or 105 per cent. Although the income of various activities in the year under review had decreased by 45 per cent, the increase in the administrative expenses by 32 per cent had mainly attributed to this deterioration.

3.2 Legal Actions Instituted against the Institute

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Two external institutions had filed two cases for obtaining their payments relating to creative work and 4 ex-employees had filed 8 cases against interdiction of those officers and the expenditure incurred on these cases as at 31 December 2014 amounted to Rs.285,000.



#### 4. Operating Review

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##### 4.1 Management Inefficiencies

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The following observations are made.

- (a) The value of the seven day's call investment brought forward from the year 2012 had been Rs.65 million as at the end of the year under review representing 83 per cent of the total investment. As those investments were not maintained as fixed deposit investments, interest on investments receivable to the institute had decreased.
- (b) Even though the institute had obtained money for the 03 publicity programmes amounting to Rs.8,348,372 conducted in a Government Institution, due to the activities assumed to be performed had been carried out by giving sub contract and any follow up actions had not been done. Therefore ,the task had not been completed as yet.
- (c) Offering discounts for the activities accepted to be performed ,determination of profit percentage had been decided by the Head of the Institution and a standard basis thereon had not been determined by the Institute.

##### 4.2 Transaction of Contentious Nature

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A sum of Rs.135,000 had been paid by the institute without an approval during the year under review for the foreign travels of the Personal Secretary to the Minster of Mass Media and Information.

##### 4.3 Apparent Irregularities

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A cash fraud of Rs.11,988,000 had been occurred by the officers of the Institution due to the weak financial management ,weakness of the internal control and non – implementation of the internal audit properly .A formal investigation had not been done in respect of the officers responsible for that.



#### 4.4 Utilization of Vehicles

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The following observations are made:

- (a) In terms of the letter No.MF/TR/01/2003 dated 28 March 2003 of the Secretary to the Ministry of Finance and Planning, the maximum rent payable for a hired motor vehicle amounts to Rs.40,000 per month. But, a motor vehicle had been obtained on the basis of a monthly rental of Rs.65,000 contravening the requirement and without following the Government Procurement Guidelines, and the amount paid in excess of that limit in the year under review was Rs.300,000.
- (b) Details relating to the quantity of litres of fuel consumed by each motor vehicle (including hired motor vehicles) during each month of the year under review, value of fuel, details of repairs and maintenance, motor vehicles of other State institutions in the custody of the Institute and the details of motor vehicles of the Institute/ hired motor vehicle made available to other State institutions/ Ministries were not made available to audit.

#### 5. Accountability and Good Governance

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##### 5.1 Establishment of the Institute

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This Institute had been taken over by the Ministry of Mass Media on 20 December 2001. However, provisions had not been made by an Act or by any other laws to determine and enforce its powers with regard to its objectives and functions. Although action had been initiated since 2009 to register this Institute as a public company named as "Selacine Limited" under the Companies Act, such action had not been finalised even by the end of the year under review.



## 5.2 Presentation of Financial Statements

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Even though in terms of paragraph 6.5.1 of Public Enterprises Circular No. PED/12 of 02 June 2003, draft annual report and the financial statements should be presented within 60 days after the closure of the financial year, the financial statements for the year ended 31 December 2014 had been submitted to audit on 01 September 2015 after a delay of 183 days.

## 6. Systems and Controls

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

- (a) Assets Control
- (b) Accounting
- (c) Financial Control

H.M.Gamini Wijesinghe  
Auditor General



## CLARIFICATIONS

### Clarifications on Auditor General's Report Concerning the Annual Report for the year ended on 31<sup>st</sup> December 2014 of Selacine Television Institute

#### 2:2:1 Accounting Standards for Sri Lanka State Sectors

The sales value of Rs. 5,362,247/- not disclosed on cumulative basis according to the Sri Lanka Accounting Standard No. 1 and pointed out by you, will be corrected by adjusting with the profit brought forward from last year.

#### 2:2:2 Accounting Policy

In the future accounting work will be done in conformity to Sri Lanka State Sector Accounting Standard No. 07 and the entry of Rs.670, 048/-shown as a mistake in the Financial Statement will be corrected by adjusting with the profit of the last year.

#### 2:2:3 Short-Comings in Accounting

- a) Due to a miscalculation, a sum of Rs.432,969/- which had not been taken in to account and it will be corrected by adjusting with the last year's profits.
- b) An amount of Rs. 630,000/- which has to be paid pertaining to the year under review will be corrected by debiting to last year's profit and credited to accumulated house rent account. Rs. 195,000/- that was entered as vehicle rentals for the year will be corrected by adjusting with the last year's profits and Rs. 65,000/- brought forward from 2013 as vehicle hire will be corrected by debiting last year's profits and crediting the vehicle hire paid in advance.
- c.) The provision for house rent for the year 2013 was Rs. 900,000/- and deducting Rs. 270,000/- from last year's profit was a mistake and will be adjusted back to profit and corrected.
- d) As before 2.5% has been set aside for bad and doubtful debt and this will be corrected by adjusting with the coming year's profit.  
  
As pointed out by you, steps have now been taken to collect debts more than 90 days old and this process will continue unabated. An amount of Rs. 6,611,743/- highlighted in your letter as unidentified debt before 2006 has been recommended to be deducted from the debtors and has been sent for approval from the Treasury. (Copy of the letter is attached hereto for your information).
- e) Adding cost to three categories of fixed income has had no effect on the fixed income shown in the Financial Status Description. When calculating depreciation relating to these incomes, the cost is added then and there in the schedule and as these costs are shown as deductions, no increase in value will manifest. As pointed out by you, steps will be taken to correct the addition of costs.
- f) As the amount of Rs.6, 270,000/-received for concluded sales has been taken in to accounts as advance, steps will be taken to correct same by adjusting with the profits of last year.
- g) Your observation is correct and it will be corrected by adjusting with the carried forward profit of last year. Long term lease payment expenditure, that had not been deducted when calculating impact generated by operational activities in the cash flow statement, will be deducted and the cash flow adjusted accordingly.
- h) A Fixed Deposit Investment of Rs. 98,200/- that was received as a Debenture Investment will be adjusted to last year's profits

#### 2:2:4 Changes Not Clarified

An invoice has been raised on account of the Sri Lanka Tourist Board and was entered in to our debtors ledger. We are in communication with the debtor by letter and steps will be taken to clear up the matter.

Ministry of Ports and Highways – Rs. 239,097/-

The reason for this discrepancy is a mistake that had been made when publishing a newspaper advertisement and it has now become a problem to make payment for the advertisement. We are working to sort out the problem. Afterwards steps will be taken to correct the mistake.

Water Management – Greater Colombo – The reason to show as due a payment of Rs. 8,164/- is that the client has not taken in to account made for the artwork. The problem has arisen due to this and steps will be taken to rectify the mistake after coming to an agreement with the relevant party.

#### 2:2:5 Evidence for the Audit is Not

- A) (I) 45 payment vouchers and relevant details – Legal action will be taken against the officers concerned.
- (II) Debtors schedule showing commercial debt amounting to Rs. 142, 712,254/- has been sent to you.
- (III) Inquiries are being made regarding 03 files (value-Rs. 3,832,038/-) and as the officers responsible for these files are not in present service legal action will be taken against them.
- (IV) The relevant journal notes have been sent to you.
- (V) Regarding your letter to separate doubtful debts from debtors, Rs. 1,436,924/- is shown and when separating the doubtful debts for 2014 the amount shown less will be corrected by adjusting with the next year's profit.
- (VI) Adjustments to last year's profit – Rs. 47,512,613/-. The schedule in this regard has been sent to you.
- (VII) Tax receivable is Rs. 4,556,283/-. The relevant tax certificates, certified by the bank are been sent herewith.
- B) Invoices have been sent to debtors for the balance debt amounting to Rs. 405,872/- . Due to various reasons debtors have refused to accept them and revision of these have taken place. Credit notes have been raised for these. Credit notes amounting to Rs. 17,438,107/- have been sent to you

#### 2:3 Non-conformity to rules, regulations and management decisions.

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|--------------------|---|--|
| (A) (I) FR 245 (1) | Although the certifying officer has to certify the relevant payment vouchers, 123 payment vouchers amounting to a total value of Rs. 47,941,620/- have not been certified by the certifying officer.  | Offers responsible for these malpractices are not in service at present and inquiries are continuing. This will not again and fiscal authorization has been made mandatory.  |
| FR 137             | Although the authorizing officer has to authorize the all payment vouchers, 220 payment vouchers amounting to a total value of Rs. 51,820,329/- have not been authorized by the authorizing officer.  | Offers responsible for these malpractices are not in service at present and steps have been taken to initiate legal action against them.   |
| (II) FR 156 (5)    | In an accounting document or any document relating to accounting, no erasure mark must be visible. Value of such documents<br><br>Rs. 26,202,237/-  | These deficiencies resulted due to the absence of an accountant in the Finance Division and due to lack of experienced officers in that division. Officers have been notified to ensure repetition of such shortcomings do not take place in the future.   |
| (III) FR 395 (b)   | A statement called "Bank reconciliation statement" must be prepared to compare with the balance in the Cash Book of the department. Though this has to be certified by the paying out officer and kept ready for inspection by the Audit Department, the afore-mentioned reconciliations were not certified by the paying out officer | These shortcomings resulted due to lack of an accountant and experienced officers. These mistakes have been rectified and by proper distribution of duties, it is ensured that the officers who maintain the cash book do not prepare the bank reconciliations. This way the situation has been rectified. |

(IV) FR 395(c)	Although bank reconciliations regarding financial transaction of each month should be prepared before the 15th of the following month, these reconciliations had not been prepared and audited in 2014.	Bank reconciliations had not been prepared due to the fact that during this period there had been no accountant and experienced officers. This mistake will not occur in the future and bank reconciliations will be prepared on time.
(V) FR 395(h)	The officer maintaining the Cash Book of the department had also prepared the Bank Reconciliations contravening the financial regulations.	This mistake had taken place due to duties not being distributed properly among officers as there had been insufficient number of officers. Presently the official duties have been properly distributed among the officers and steps have taken to prevent such mistakes from happening again.
(B) Treasury Circular No. 842 of 19th December 1978	Fixed Assets Ledger and Fixed Assets Register has not been properly maintained or up dated.	Arrangements have been made to prepare the Fixed Assets Register properly to be sent to you without delay.
(C) Government Financial Circular No. PF/PE 09	Treasury approval had not obtained for the investment of Rs. 10,500,000/- in fixed deposits.	Steps will be taken to obtain covering approval from the Treasury for these investments.

### 3. Financial Reviews

#### 3.1 Financial Results

The loss of Rs. 686,947/- incurred for the year ended 31st December 2014 was due to decrease in revenue by 31% and having to bear a substantial amount of expenditure for our common activities. More than 32% over last year's expenditure had to be incurred specially for the putting up of new buildings, employee welfare activities, balance legal payments for building activities etc. Fierce competition in the market was also a contributory factor. Direct impact of these factors on business financial status resulted in the afore-mentioned loss. However steps have been taken to exercise rigid fiscal control in the future. Every effort will be made to achieve the expected profits and goals.

#### 3.2 Legal incidents initiated against the Institute

Rs. 285,000/- had to be incurred as legal fees for the two court cases filed by two outside institutions demanding money for creative work and 04 employees against termination of their employment.

### 4. Operational Review

#### 4.1 Management inefficiencies.

- (A) In 2014, the amount invested in seven day call cards was Rs. 65 Million. This was a temporary investment until Inland Revenue Department decided on the VAT amount payable to them. It is true that investing in short term fixed deposit could bring in higher interest amount but if VAT payment to Inland Revenue Department was delayed due to difficulty in cashing these fixed deposits, they could freeze all transacting bank accounts and therefore to avoid that risk, money was invested in call-cards where cashing the investment is easy.
- (B) Rs.8, 348,372/- were received by us for the advertising programme shown to you and though proper tender procedure was adhered to, certain deficiencies had occurred in the implementation. Steps will be taken to correct these mistakes in the future.
- (C) Scheduling is one of the ways this institution earns income. From among the institutions who obtain advertisements, main customers are given discount facilities. This is to keep these customers with us on long term basis and to protect revenue sources of the institution. When deciding on the percentage of the discount, the higher management takes in to account the volume of business, the length of the customers' relationship with us etc.

#### 4.2 Factors Leading to Dispute

The travelling expenses of the Private Secretary of the Hon. Minister of Mass Media and Information has to be borne by this institution as that officer has been appointed to the Board of Directors of this institution and has carried out his duties. Arrangements have been made to bear these expenses by this institution.

#### 4.3 **Detected Irregularities**

Preliminary inquiries are being made in to the financial fraud of Rs. 11,988,000/- committed in the institution. Fraud Bureau is also conducting inquiry in to this and at the moment legal action is being taken against the perpetrators.

#### 4.4 **Use of Vehicles**

(A) This institution does not have a vehicle suitable for the Chairman and there a vehicle has been obtain on hire. According to the letter MS/TR/01/2003 dated 28TH March 2003 of the Secretary, Ministry of Finance and Plan Implementation bids were called in to obtain a suitable vehicle, it was possible to do so at the given prices. A suitable vehicle was obtained for this price and as per the circular, necessary covering approval will be obtained as soon as possible.

(B) Details of vehicle use is sent herewith.

### 5. **Accountability and Good Governance**

#### 5.1 **Establishment of the Institute**

Great effort is taken to provide legal provisions for the institute and after being brought under the purview of the Ministry of Mass Media and Information, cabinet approval was obtained to make it a government owned limited liability public company and the cabinet approval has been forwarded to the Ministry of Finance. Discussions are now in progress with the Treasury and solution to the situation will be found very soon.

#### 5.2 **Presenting Financial Statements**

This institute has not been able to forward Draft Annual Report and Financial Statement to the Auditor General and copies to the Ministry and the Treasury 60 days prior to the ending of its financial year as required by Treasury circular PED/12 and Section 6:5:1 of the Circular on State Enterprises dated 12.06.2013 due to the fact that during this period the Institute did not have an accountant to prepare these documents. The accounts had to be prepared by an outside chartered accountancy firm and it took a certain amount of time. These documents had numerous mistakes making it necessary for the documents to be sent back to be corrected, the delay became worse. However, as the vacancies in the cadre have now been filled steps have been taken to ensure these Accounts Reports will be submitted within the stipulated period.

### 6. **Systems and Controls**

A new computer package was introduced to carry out accounts work of the institute more efficiently and it is in force from mid - 2015. Steps will be taken to correct the following mistakes pointed out by you expeditiously.

#### A) **Control of Assets**

As per Treasury Circular No. 842, work will be conducted according to Fixed Assets Control Register.

#### B) **Accounting**

Arrangements have been made to prepare the accounting system to ensure internal checking to prevent mistakes and frauds and for more accurate accounting work. Steps are taken to obtain more accurate accounting data.

#### C) **Financial Control**

Computer technology will be used to strengthen financial control and the latest accounting package is being utilized. Through this it is arranged to prepare accounts of the institute, safeguarding their accuracy and provide necessary information quickly

#### **Chairman**

Selacine Television Institute



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