



இலல் கா சகலா஢ிஃ ஃலாஃகாஃக
நிதி ஢ற்றும் வெகுசன ஁டக அ஢ைச்சு
MINISTRY OF FINANCE AND MASS MEDIA

செலசீன
செலசீன
SELACINE
SELACINE TELEVISION INSTITUTE

2015

லர்சீக லர்லால
வருடாந்த அறிககை
ANNUAL REPORT

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

Hon. Sir,

Annual Report 2015

According to the Section 14 (1) in Finance Act No 38 of 1971, I am forwarding herewith the Annual Report of Selacine Rupavahini Institute for the year ending 31st December 2015.

Thank you.
Yours faithfully,



Chairman
Shantha Bandara Jayawardana
Selacine Television Institute
Colombo 7.

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Vision

To be the leader of the advertising field through creative communication of progress in all business fields, developments and operations of the state mechanism.

Mission

Using talented creative and dedicated personal help and resourcefully using latest technology creatively to provide state and private institutions communication and other creative advertising services of the highest standards and thereby actively contributing to the economic, social and political development of Sri Lanka.

Objectives

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



Chairman's Review

I am fortunate to be given the opportunity to contribute this message to the 2015 annual report of Salacine Rupavahini Institute as its Chairman.

Compared to 2014, the income of 2015 showed a decrease but this was due to the impact of the adverse changes in the economic environment.

Looking back over the period of the past 33 years, victories gained by the Institute are many. Substantial improvements gained by the Administration and Finance Divisions of the Institute are special indeed.

Accuracy of the accounts work of Salacine, preparation of these according to of Accounts Reports has been noted in Financial Statements. The high recommendation of the mentioned in the Auditor General's Reviews of 2011, 2012 and 2015 is a good example for this. Accounts Division is working with dedication to maintain this standard in the future.

Human Resource Division is constantly working for the development of human resources. By arranging training for employees, providing facilities to overcome their difficulties, getting medical insurance benefits for them and providing for picnics and excursions, Human Resource Division has prepared the background for the development of the human resource of the Institute.

The relationship with Lake House has further strengthened and it is indeed a victory that Lake House became the institution to provide the highest number of advertisements to Salacine. This was due to the designing of suitable advertisements by the Graphics Division and the competency shown by the Media Division in scheduling them. In 2015, under extremely difficult conditions Marketing Division paid more attention to develop marketing activities. The cooperation extended by the Marketing Division in Event activities must be appreciated.

The back-ground needed to build up the image of the institute was prepared by the Production Division by production of attractive tele-dramas such as "diyaniya", participating in electronic media advertising such as "Ranaviru" commemorations to make the general public aware.

The contribution of the newly formed Event Management Division to the revenue of the Institute must be appreciated. It must be mentioned that completion of activities necessary for important events such as "Awareness workshop for kidney patients, National awards ceremony sponsored by CIDA" were part of these special activities.

Newly formed division of Information Technology has begun the preliminary work to build up the image of the Institute. It has made every effort to complete work on the preparation of Salacine website, web portal for the Ministry of Local Government, .lk pages, Mansala project for preparation of web sites for state organizations etc.

Widening of our responsibilities as the only state institution for advertising to suit total economic pattern, cannot be avoided. Facing such challenges for a fruitful contribution will be the role of this era.

Shantha Jayawardene
Chairman
Salacine Rupavahini Institute

Corporate Information

Name

Selacine Television Institute

Legal form and nature of past activities

- ❖ On 1st February 1982, started under the authority of the Ministry of Plan Implementation.
- ❖ From 1982 to 1989, carrying out the job of making the general public aware of the Accelerated Mahaveli Project through the Human and Financial Resources Department of the Timber Corporation which was then under the purview of the Mahaweli Development Ministry.
- ❖ Carrying out the propaganda work for “Janasaviya” programme in 1989.
- ❖ By the Gazette Notice Extraordinaire of No. 832/15 of 19.08.1989, Salacine Institute was brought under the purview of the Ministry of Youth Affaires, Sports and Rural Development. (This is the first time transfer of this institute was done through a gazette notice.)
- ❖ By the Gazette Notice Extraordinaire of No. 979/2 of 09.06.1997, Salacine Institute was brought under the purview of the Ministry of Posts, Telecommunication and Mass Media.
- ❖ By the Gazette Notice Extraordinaire of No. 1215/14 of 20.12.2001, Salacine Institute was brought under the purview of the Ministry of Mass Media.
- ❖ By the Gazette Notice Extraordinaire of No. 1338/9 of 28.04.2004, Salacine Institute was named as an institute belonging to the Ministry of Information and Mass Media.
- ❖ By the Gazette Notice Extraordinaire of No. 1422/22 of 08.12.2005, Selacine Television Institute was established under the Ministry of Information and Mass Media.
- ❖ On 26.03.2008 memorandum was forwarded to the Cabinet of Ministers to convert Salacine as a government-owned Public Company according to the rules and regulation under Companies Act No. 07 of 2007.

Establishment role

- ❖ To become operative as the state media advertising and production institute.
- ❖ Through the gazette notification extraordinaire of 16.05.2005, the following were brought under the scope of Salacine.
 - i. Production of print / electronic media advertisements
 - ii. Propaganda work to make the general public aware of the development activities of the government
 - iii. Production of government advertising programmes
- ❖ After the observation regarding the message of the Hon. Minister for Mass Media and Information dated 02.12.2008, by the Cabinet Paper No. 08/2253/338/043 dated 24.12.2008, approval was granted to make it mandatory for all commercial advertisements and advertising programmes of all ministries and institutions under them to be done through Salacine Rupavahini Institute.
- ❖ Production of audio visual creations such as rupavahini documentaries, radio programmes as well as rupavahini and radio advertisements
- ❖ Creation of various newspaper notices and scheduling them on print and electronic media.
- ❖ Event management and printing work.

Administration Structure - 2015

Senior Management

Thusitha Jayawardene - Chairman
Upul Pallegangoda

Management

Pushpa Bamunuaarachchi - Manager (Human Resources and Administration)
Sunanda Weerasinghe - Manager (Production)
Prasanna Opatha - Director Cosumer Services
Nalin Alahakone - Manager (Media)
Shantha Lokukatagoda - Manager (Finance)
Sujith Pushpakumara - Manager (Graphics)

Auditors

Government Audit

Bankers

Bank of Ceylon

Contact Details

Address - No.224, Bauddhaloka Mawatha, Colombo7.
Telephone - 011 4320777, 011 4061586
Fax - 011-2058229
Email - selacinegmail.com
Web site - www.selacine.lk

Graphics and Creations Division

Consisting of experienced professionals this Division always stands ready to for any type of creation. Regularly updating themselves on the latest techniques of graphic designing, these professionals look after the responsibility of completing their work accurately and on time.

Creations and Graphics Division is the Centre for the creation of newspaper advertisements, converting to 3D, 3D animations, posters, banners and various other publications. Many accolades are received regularly from satisfied customers.

Salacine, which receives the most number of advertisements from Lake House, turns the responsibility for those on to the Creations and Graphics Division. Completing these creations accurately and on time, Graphics Division sends them on to various relevant divisions to be sent to relevant newspaper establishments for publication.

In this fashion this Division has ended 2015 very successfully by honing its creative abilities and improving efficiency year by year.

Media Division

The main role of the Media Division is the scheduling of advertisements and audio visual productions in print and electronic media. The chief avenue of income in 2015 was the scheduling of media. It has now become the daily routine of the Division.

A special feature is that from the total income in 2015, Rs. 193 Million was received for scheduling. Out of this the maximum amount of scheduling amounting to Rs. 136 Million has been done for Lake House.

A noteworthy amount of advertising work was done for express way projects and a number of rupavahini discussions and advertising programmes were also done. During this period, our work has been carried out efficiently and expeditiously befitting a frontline advertising agency

Sales and Consumer Services Division

Taking in to consideration of the progress of the Consumer Division in2015, it is wished to be mentioned that steps were taken to establish an Event Management Section especially for this Division. Commercial targets of the Institute were drastically affected by the election activities and this year, a marked improvement is shown through scheduling of newspaper advertisements

Human Resource and Administration Division

Human Resource and Administration Division which can be said to be the centre of Salacine, has shown a qualitative improvement in 2015. During this year many services and activities that contribute to the development of the Institute were carried out.

This division was most helpful for it and other divisions to become more productive by introducing and implementing various scientific methods for the improvement of productivity.

Human resources and Administration division has worked to improve employee loyalty by arranging final loan facilities of employees, bonus payments as well as gift vouchers in the festive season for the benefit and welfare of the employees.

Equipment including technical equipment was obtained for the employees to carry out their work easily. All vehicles belonging to the Vehicle Division were repaired to provide for trouble-free official travel.

Vacancies that existed for the positions of accountant and internal auditor and other positions were filled making it possible for duties to be carried out correctly and with responsibility.

An Employee Health Insurance Scheme has been introduced to further strengthen employee loyalty and to safeguard workers. Further to encourage office attendance, Attendance Incentive Scheme is also continued.

Human Resources and Administration Division will always dedicate itself for the welfare of the Institute through further improvement of its welfare and benefits.

Production Division

In 2015, Salacine produced many meaningful productions with creative outlook. These works were made more poignant by the talents, dedication and brotherly unity of the production artists.

The documentary called the Tree of Life made for UNESCO, Documentary made for the Sri Lanka ... Bureau, Documentary made for the Waste Water Project regarding the management of Colombo waste water, Documentary made for the Ministry of Education for the introduction of technical subjects and the advertisements of the Labour Department regarding the Employees Provident Fund are some of the important fruits of Salacine labour.

On the journey of the Creations and Graphics Division of Salacine, taking long steps in creativity every year, there are a number of its productions that are still near and dear to our hearts. We are ready for such contributions in the future too through production of high quality tasteful creations.

Finance Division

Steps were taken by the use of a new accounting package necessary to upgrade the work in the accounts division and to carry out their work more efficiently compared to the previous year. As a result, every effort was taken to provide reports requested by the Ministry and the Audit Division as soon as possible.

Even with many difficulties and obstacles Finance Division carried out payment work precisely and took every effort to collect outstanding payments.

Arrangements are made to make officers of the Finance Division participate in training programmes to improve their performance thereby improving the accounts work of Salacine.

I like to mention that through the preparation of Financial Statement methodically as in 2011 and 2012, the Financial Report forwarded by Salacine for Financial Status as at 31.12.2015 and Financial Activities and Cash Flow for the year ended 31.12.2015 was commended as reflecting true and fair picture as per Sri Lanka Accounting Standards which indeed is a major victory.

When the statement of Auditor General's view is taken in to consideration, I wish to state that the Finance Division has been able achieve substantial improvement in its accounts work.

Event Management Division

There was no separate division for Event Management and identifying the need in 2015 a separate division was set up for Event Management.

This Division worked with Marine Environmental Authority regarding The National Programme to Clean Coast and was able to complete the task successfully. Apart from this, necessary first steps for "Puravara Aruna" Trade Exhibition and Fair were taken.

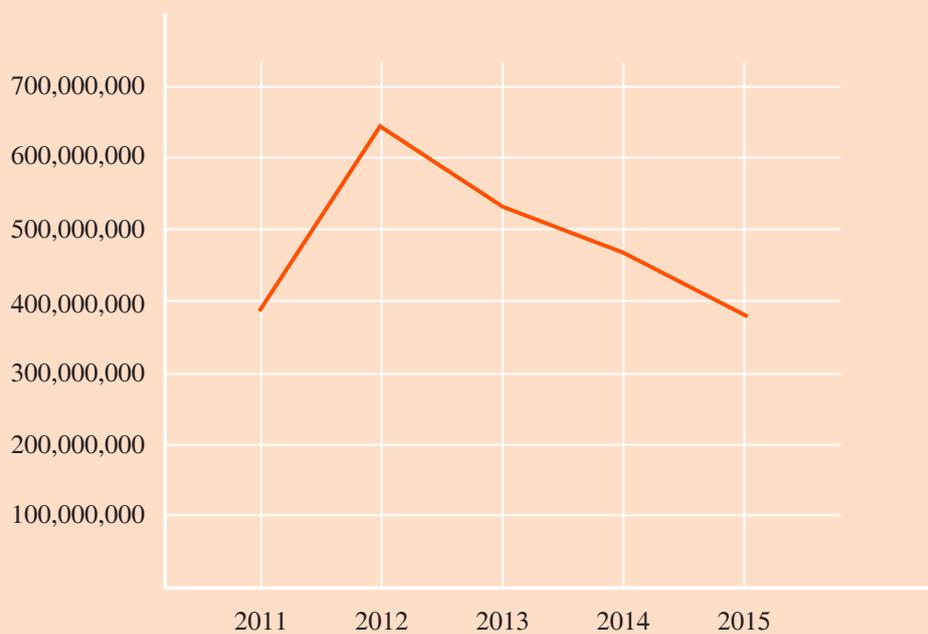
It is praiseworthy that Event Management Division working in the front-line to contribute to the forward march of Salacine.

Financial Report – 2015

Revenue Growth

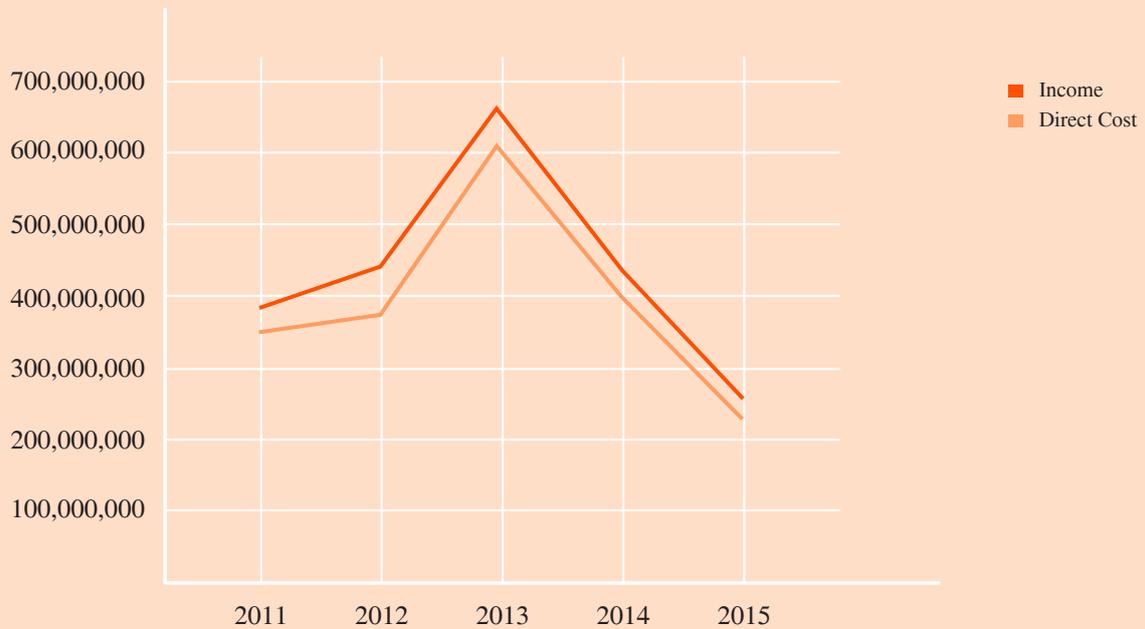


Income and expenditure for last five years



Trend of institutes profit between 2011 and 2015

During the 5 years period Trend of Revenue & Direct cost



Notes for Financial Report

for the year ending in 31st DEc. 2015 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. 2013

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

Tha 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 Equivalentents

Cash and cash equivalentents 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 current and comparative periods are as follows:

Furniture & Fittings	2-10 Years
Computer Equipment	3-5 Years
Office Equipment	10 Years
Motor Vehicles	5 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' Provient Fund and Employees' Trust Fund in line with respective statutes and regulations. Selacine contributes 15% and 3% on gross emoluments of employees to Employees' Provient 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. Due to not removal of the write off debt amount 2011 from the debt list, the cumulative profit has been adjusted to make it correct.

10. Bad & Doubtful debtors have been provided as 2.5% for debtors.

Income Statement

For the year ended 31st of DECEMBER 2015 (in Sri Lankan Rupees)

		2015	2014	2013
		Rs.	Rs.	Rs.
Revenue	11	267,617,260.35	450,068,680.36	653,114,762.00
Less :				
Direct Cost	12	229,795,974.66	403,588,539.17	600,839,303.00
Gross Profit		37,821,285.69	46,480,141.19	52,305,459.00
ther Operating income	13	4,076,455.43	5,482,485.88	4,932,810.00
		41,897,741.12	51,962,627.07	57,268,271.00
Less :				
Distribution Cost	14	12,436,455.71	2,904,277.17	4,078,808.00
Administrative Cost	15	50,801,729.30	43,287,100.36	32,263,969.37
Other Operation expenses	16	432,525.00	403,516.67	2,023,714.65
Bad & Doubtful Debtors	-	2,398,952.77	1,436,924.31	1,362,910.00
Profit from Operating Activitie	-	(24,171,921.66)	3,930,808.56	17,538,868.38
Less :				
Depreciation	17	4,213,138.17	4,348,682.00	3,655,509.00
		(28,385,059.83)	(417,873.44)	13,883,359.38
Less :				
Finance Cost	18	152,403.98	269,073.78	642,617.35
Net Profit / (Loss) for the year		(28,537,463.81)	(686,947.22)	13,210,742.03

Balance Sheet

For the year ending 31st of DECEMBER 2015 (in Sri Lankan Rupees)

		2015	2014	2013
		Rs.	Rs.	Rs.
ASSETS	Notes			
Non - Current Assets				
Property, Plant & Equipment	19	18,479,716.12	20,900,866.22	19,985,876.00
Building Expenses		7,368,248.18	9,210,310.22	-
Fixed Deposits	20	898,200	78,411,550.41	62,713,488.00
		26,746,164.30	108,522,726.85	82,699,364.00
Current Assets				
Trade & Other Receivable	21	238,609,747.46	211,844,899.05	311,839,772.00
Deposits & Prepayments	22	752,235.75	65,000.00	65,000.00
Cash & Cash Equivalents	23	8,685,944.63	14,848,009.71	25,606,496.00
		248,047,927.84	226,757,908.76	337,511,268.00
Total Assets		274,794,092.14	335,280,635.61	420,210,632.00
Equity And Liabilities				
Capital & Reserves				
Accumulated Profit/(Loss)	24	98,854,157.55	82,161,325.48	35,066,159.00
		98,854,155.92	82,161,325.48	35,066,159.00
Liabilities Non Current Liabilities				
Gratuity Payables	25	6,930,220.29	5,490,466.65	4,430,647.00
Interest Bearing Borrowings	26	-	-	612,726.00
Treasury Loan		1,860,000.00	3,720,000.00	5,580,000.00
		8,790,220.29	9,210,466.65	10,623,373.00
Current Liabilities				
Interest Bearing Loans and Borrowings	26	384,615.48	686,596.63	-
Trade & Other Payables	27	164,775,546.82	240,606,949.21	372,531,546.00
Advances Received		129,552.00	755,296.00	129,552.00
Treasury Loan		1,860,000.00	1,860,000.00	1,860,000.00
Total Liabilities		167,149,714.30	243,908,841.84	374,521,099.00
Total Equity & Liabilities		274,794,092.14	335,280,635.61	420,210,632.60

certified as true by Directors
signed by,



Chairman
Selacine Television Institute

Cash Flow Statement

For the year ended 31st of DECEMBER 2015 (in Sri Lankan Rupees)

	2015	2014
	Rs.	Rs.
Cash Flow From Investing Activities		
Net profit before taxation	(28,537,463.81)	(686,947.22)
Adjustments for ;		
Lease Interest	72,694.28	170,566.58
Interest income	(3,340,568.09)	(3,944,376.12)
Depreciation	4,213,138.17	4,348,682.00
Provision for Gratuity	1,566,953.64	1,130,377.29
Prior Years Adjustment	45,230,294.25	47,782,113.70
Operating Profit before Working Capital Changes	19,205,048.44	48,800,416.23
(Increase)/Decrease in Trade & Other Receivables	(26,764,848.41)	99,994,872.95
(Increase)/Decrease in Deposits & Prepayment	(687,235.75)	-
Increase/(Decrease) in Trade Creditors & Other Payables	(75,831,402.39)	131,924,596.79
(Increase)/Decrease in Provision for building expenses	1,842,062.04	(9,210,310.22)
Increase/(Decrease) in Advance received	(625,744.00)	625,744.00
Cash Generated from / (Used in) Operation	(82,862,120.07)	8,286,129.81
Gratuity paid	127,200	(70,557.64)
Interest Paid	-	-
	(82,734,920.07)	8,215,572.17

For the year ended 31st of DECEMBER 2015 (in Sri Lankan Rupees)

	2015	2014
	Rs.	Rs.
Cash flows from Investing Activities		
Purchase of Property, Plant & Equipment	(1,420,222.25)	(5,263,673.22)
Fixed Deposits	77,513,350.41	(15,698,062.41)
Interest Income	3,340,568.09	3,944,376.12
Net Cash from / (Used in) investing Activities	79,433,696.25	17,017,361.05
Cash flows from Financing Activities		
Treasury Loan Received / Repayments	(1,860,000.00)	(1,860,000.00)
Repayment of Loans	(496,526.29)	(528,675.97)
Error Correction of Lease	(504,314.96)	431,978.56
Net Cash from / (Used in) Financing Activities	(2,860,841.25)	(1,956,697.41)
Net Decrease in Cash and Cash Equivalents	(6,162,065.07)	(10,758,486.29)
Cash and Cash Equivalent Beginning of the Year (Note A)	14,848,009.71	25,606,496.00
Cash and Cash Equivalent End of the Year (Note A)	8,685,944.63	14,848,009.71

NOTE A

Cash & Cash Equivalent

BOC - A/C No. 2323299	1,063,567.06	7,311,326.85
BOC Savings A/c No. 2329765	5,798,251.57	6,988,582.86
Production Advance	1,595,626.00	373,100.00
Other Advance	228,500.00	175,000.00
	8,685,944.63	14,848,009.71

Notes for financial Statement

For the year ended 31st of DECEMBER 2015 (in Sri Lankan Rupees)

	2015	2014	2013
	Rs.	Rs.	Rs.
11. INCOME-FROM SERVICES			
Production	15,921,580.75	39,809,755.67	40,541,319.00
Graphic	21,276,109.47	24,569,248.77	27,525,225.00
Scheduling	193,993,826.89	334,587,225.95	307,668,222.00
Event Management	36,425,743.24	-	-
Miscellaneous	-	103,028,945.78	277,409,997.00
Less : VAT On Revenue	-	(51,926,495.81)	-
	267,617,260.35	450,068,680.36	653,114,763.00
12. DIRECT COST			
Production Expenses	12,756,525.65	26,091,223.36	35,610,274.00
Graphic Expenses	19,381,442.68	18,524,177.70	23,771,275.00
Scheduling Expenses	156,980,159.97	275,960,848.63	277,726,680.00
Event Management	40,677,846.36	-	-
Miscellaneous	-	118,290,681.55	263,586,163.00
Call Center Project	-	-	114,910.00
Less : Vat On Direct Cost	-	-	-
	229,795,974.66	403,588,539.17	600,839,302.00
13. OTHER OPERATIONAL INCOME			
Staff Loan Interest	76,971.89	92,230.84	65,835.00
Bank Interest	3,340,568.09	3,944,376.12	4,757,611.00
Other Income	281,000.00	572,467.20	42,542.00
Registration of Supplier	111,500.00	873,411.72	42,000.00
Artwork Charges	126,000.00	-	-
Transport Charges	140,415.45	-	-
Vehicle Profit	-	-	24,822.00
	4,076,455.43	5,482,485.88	4,932,810.00

For the year ended 31st of DECEMBER 2015 (in Sri Lankan Rupees)

	2015	2014	2013
	Rs.	Rs.	Rs.
14. DISTRIBUTING EXPENSES			
Fuel	861,068.32	1,196,220.65	1,464,716.00
Special Discount	10,111,720.38	-	-
Motor Vehicles Repairs and Maintenance	495,798.36	595,944.54	855,201.00
Travelling, Transport & Parking	75,921.74	582,242.07	193,536.00
Sales Promotion	31,630.00	66,500.00	919,978.00
Seles Commission	783,132.78	251,262.41	645,377.00
Insurance Loss	77,184.13	212,107.50	-
	12,436,455.71	2,904,277.17	4,078,808.00
15. Administrative Expenses			
Salaries & Wages	29,069,519.36	18,143,731.32	16,619,293.80
EPF	2,072,097.63	1,729,198.60	1,562,712.80
ETF	414,419.84	345,839.96	310,347.54
Staff OT & Bata	1,277,369.38	2,189,593.59	1,596,083.63
Telephone	382,777.86	498,026.48	541,853.97
Staff Welfare	506,004.59	1,873,981.52	2,222,640.00
Postage	37,375.48	43,135.00	23,271.00
Printing & Stationery	802,975.27	1,310,442.60	1,120,647.00
Audit Fee	192,120.00	250,000.00	30,000.00
Training Programme Chg	50,000.00	41,500.00	770,710.00
Vehicle Rent	1,140,000.00	585,000.00	780,000.00
Electricity	297,898.14	209,032.73	108,528.24
Bonus	720,000.00	720,187.00	542,500.00
Gratuity	1,566,953.64	1,130,377.29	599,327.67
Directors' Emoluments	1,187,364.28	676,275.00	650,000.00
Allowance - Contract Services	500,000.00	-	-
Allowances - Fuel	457,264.84	-	-
Allowances - Mobile	119,964.29	-	-
Allowance - Trainees	329,989.25	-	-
Water Charges	76,334.02	92,331.76	61,435.20
Registration Fee	74,540.00	16,413.60	43,570.00
Repairs & Maintenance - Office Equipmen	350,300.00	1,094,668.00	1,210,447.97
Repairs & Maintanance - Office	217,653.39	335,866.80	495,543.00

For the year ended 31st of DECEMBER 2015 (in Sri Lankan Rupees)

	2015	2014	2013
	රු.	රු.	රු.
Newspaper Expenses	64,975.00	70,370.60	128,705.00
Religious & Cultural	4,985.00	-	29,757.75
Social Welfare	59,897.00	295,146.86	283,000.00
Building & Cultural	1,842,062.04	2,302,577.55	67,500.00
Professional Fee	140,000.00	408,875.00	682,500.00
Consultancy Fee	15,000.00	-	-
wdrlall Security Services Expenses	657,600.00	-	-
Tender Fee	29,000.00	2,500.00	20,500.00
Translation Fee	137,350	37,200.00	253,300.00
Staff Insurance	1,282,879.58	2,105,263.72	1,024,447.10
Web Site Expence	25,450.00	5,850.00	74,500.00
Internet Charges	253,449.27	-	-
Forign Travel	-	1,103,121.00	300,848.50
Board Meeting Fee	-	247,500.00	110,000.00
Accommodation	-	138,340.00	-
Advertising	-	241,600.00	-
Building Rent Expenses	3,780,000	3,150,000.00	-
Cleaning Expenses	28,981.26	62,320.00	-
Computer Repair Expenses	37,178.89	27,450.00	-
Donation	68,000.00	165,000.00	-
Food Expenses	-	127,500.00	-
Get-together	-	252,000.00	-
Gift Expenses	532,000.00	267,000.00	-
T shirts	-	49,720.00	-
Office Expenses	-	943,164.38	-
	50,801,729.30	43,287,100.36	32,263,970.37
16. Other Expenses			
Sundry	-	163,516.67	-
Legal Fees	351,375.00	240,000.00	198,000.00
Other Expences	81,150.00	-	1,806,789.65
Surcharge	-	-	18,925.00
	432,525.00	403,516.67	2,023,714.65

For the year ended 31st of DECEMBER 2015 (in Sri Lankan Rupees)

	2015	2014	2013
	Rs.	Rs.	Rs.
17. Depreciation			
Furniture & Fittings	153,490.70	161,512.00	100,235.00
Computer Equipment	690,976.00	735,979.00	465,483.00
Office Equipment	164,201.00	245,797.00	113,900.00
Motor Vehicles	1,567,164.80	1,567,165.00	1,098,698.00
Camera & Filming Equipment	1,083,546.60	1,173,779.00	1,684,734.00
Accounting Software	211,804.00	209,134.00	192,459.00
Network System	341,955.07	255,316.00	-
	4,213,138.17	4,348,682.00	3,655,509.00
18. Finance Cost			
Bank Charges	61,433.53	98,507.20	224,561.73
License & Insurance	18,276.17	-	243,050.38
Lease Interest	72,694.28	170,566.58	175,005.24
	152,403.98	269,073.78	642,617.35

19. (a) PROPERTY, PLANT & EQUIPMENT

	Balance as at 2015.01.01	Charge for the	(Disposals)/ (Error Correction)	Balance as at 2015.12.31
Furniture & Fittings	2,313,628.50	332,928.25	-	2,646,556.75
Computer Equipment	5,793,019.00	408,194.00	-	6,201,213.00
Office Equipment	3,078,193.00	237,600.00	-	3,315,793.00
Motor Vehicles	9,080,824.00	-	-	9,080,824.00
Cameras & Equipment	14,512,900.00	-	-	14,512,900.00
Accounting Software	2,135,000.00	441,500.00	-	2,576,500.00
Network System	3,419,650.72	-	-	3,419,650.72
	40,333,215.22	1,420,222.25	-	41,753,437.47

For the year ending 31st of DECEMBER 2015 (in Sri Lankan Rupees)

19. (b) Depreciation

	Balance as at 2015.01.01	Charge for the	(Disposals)/ (Error Correction)	Balance as at 2015.12.31
Furniture & Fittings	1,179,554.00	153,490.70	68,069.00	1,264,975.70
Computer Equipment	3,756,127.00	690,976.00	88,308.57	4,358,794.43
Office Equipment	1,944,865.00	164,201.00	99,522.00	2,009,544.00
Motor Vehicles	5,615,093.00	1,567,164.80	-	7,182,257.80
Cameras & Equipment	5,979,801.00	1,083,546.60	90,232.00	6,973,115.60
Accounting Software	701,593.00	211,804.00	25,634.25	887,762.75
Network System	255,316.00	341,955.07	-	597,271.07
	19,432,349.00	4,213,138.17	371,765.82	23,273,721.35
Net Book Value	20,900,866.22			18,479,716.12

20. Fixed Deposits

	2015	2014	2013
	Rs.	Rs.	Rs..
Bank of Ceylon - 742656	500,000.00	500,000.00	500,000.00
Bank of Ceylon - 73404	-	10,000,000.00	10,000,000.00
Bank of Ceylon - 73405		12,306,821.41	11,706,959.00
Pramuka Bank - 103009002920 (Sri Lanka Savings Bank)			300,000.00
Bank of Ceylon - 74798		12,135,172.00	12,135,172.00
Bank of Ceylon - 74401		26,000,000.00	26,000,000.00
Bank of Ceylon - 75021610	-	2,071,357.00	2,071,357.00
Bank of Ceylon - 76055217	-	15,000,000.00	-
Sri Lanka Savings Bank	398,200.00	398,200.00	-
	898,200.00	78,411,550.41	62,713,488.00

For the year ended 31st of DECEMBER 2015 (in Sri Lankan Rupees)

	2015	2014	2013
	Rs.	Rs.	Rs.
21. Trade & Other Receivables (21.1)			
Trade Debtors	211,319,015.75	180,923,769.64	295,705,548.00
Festival Advance	203,000.00	141,500.00	144,000.00
Staff Loan	1,506,668.50	1,959,742.00	1,947,144.00
Salary Advance	21,000.00	21,000.00	5,000.00
Insurance Premium Receivable	103,866.72	-	-
Bank Guarantee	979,868.68	-	-
WHT	5,917,583.31	4,556,283.00	4,556,283.00
ESC	3,599,744.00	3,599,744.00	3,913,602.00
Upali Newspapers	10,695.00	10,695.00	10,695.00
ANCL	2,538,028.86	2,500,181.00	2,500,181.00
Wijaya Newspapers	188,650.74	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	63,558.00
Refundable Deposits	110,000.00	200,000.00	100,000.00
Ceylinco Insurance	41,800.00	62,050.00	62,050.00
Bank Interest Income Receivable	25,300.00	5,643,127.41	2,656,462.00
Money Fraud by Employees (21.2)	11,988,000.00	11,988,000.00	-
Penalty & Surcharge Receivable	(10,036.10)	-	-
	238,609,747.46	211,844,889.05	311,839,772.00
21.1 (a) Trade Debtors			
Trade Debtor As At 2015	221,300,161.52	188,505,962.64	303,287,741.00
Less :			
Provision for the Bad Debtors	9,981,145.77	7,582,193.00	7,582,193.00
	211,319,015.75	180,923,769.64	295,705,548.00

For the year ended 31st of DECEMBER 2015 (in Sri Lankan Rupees)

	2015	2014	2013
	Rs.	Rs.	Rs.
22. Deposits & Pre - Payments			
Vehicle Prepayments	-	65,000.00	65,000.00
Prepayments	752,235.75	-	-
	752,235.75	65,000.00	65,000.00
23. CASH & CASH EQUIVALENTS			
BOC - A/C No. 2323299	1,063,567.06	7,311,326.85	18,599,600.00
BOC Saving A/C No.2329765	5,798,251.57	6,988,582.86	6,736,471.00
Production Advance	1,595,626.00	373,100.00	135,425.00
Other Advances	228,500.00	175,000.00	135,000.00
	8,685,944.63	14,848,009.71	25,606,496.00
24. ACCUMULATED PROFIT / (LOSS)			
Balance B/F	82,161,327.11	35,066,160.63	26,194,953.00
Add: Write Off Opening Balances		1,823,129.00	
	82,161,327.11	35,066,160.63	28,018,082.00
less: Prior Year Adjustment 24.1	45,230,294.25	47,782,113.70	(6,162,663.00)
	127,391,621.36	82,848,274.33	21,855,419.00
Net Profit / (Loss) For the Year	(28,537,463.81)	(686,947.22)	13,210,740.00
	98,854,157.55	82,161,327.11	35,066,159.00

For the year ended 31st of DECEMBER 2015 (in Sri Lankan Rupees)

	2015	2014	2013
	Rs.	Rs.	Rs.
24. (1) Prior Year Adjustment			
Audit Fees	-	-	30,000.00
Correction of Bank Balance	328,901.43	60,460.12	-
Correction of Bank Interest Year 2014	98,200.00	-	-
Correction of Bank Interest Year 2015 (Provision)	(1,666,220.38)	-	-
Correction of lease creditors	(64,634.30)	173,961.44	-
Added Value Tax	-	27,821,085.00	-
NBT	-	8,338,251.04	-
WHT (2013) 2014	769,773.96	-	-
Accured Building Rent	-	270,000.00	-
Debtor Ad	(2,711,141.07)	11,118,356.10	5,376,506.00
Depreciation for the Previous years	371,765.82	-	691,157.00
Creditors	48,109,788.79	-	-
Advance	58,860.00	-	-
Vehicle Hire	(65,000.00)	-	65,000.00
	45,230,294.25	47,782,113.70	6,162,663.00
25. GRATUITY PAYABLE	-	-	-
Balance B/F	5,490,466.65	4,430,647.00	4,053,061.00
ADD : Gratuity Expences for the year	1,566,953.64	1,130,377.29	599,328.00
	7,057,420.29	5,561,024.29	4,652,389.00
LESS : Gratuity Payment	127,200.00	70,557.64	221,742.00
Gratuity Payable	6,930,220.29	5,490,466.65	4,430,647.00

For the year ended 31st of DECEMBER 2015 (in Sri Lankan Rupees)

	2015	2014	2013
	Rs.	Rs.	Rs.
26. INTEREST BEARING BORROWING			
3. Mitsubishi L300 - Window Van - PD - 0578	1,092,193.03	1,376,515.00	1,848,463.00
Less: Paid during the year	(341,787.85)	(284,321.97)	(471,948.00)
	750,405.18	1,092,193.03	1,376,515.00
Less: Transfer to Current Liabilities	-	(284,321.97)	(471,948.00)
Bank Of Ceylon Lease Installment	269,093.44	193,376.29	355,624.00
Bank Of Ceylon Lease Interest	72,694.41	90,945.68	116,324.00
	408,617.33	807,871.05	904,567.00

	2015	2014	2013
	Rs.	Rs.	Rs.
	(24,001.85)	(121,274.42)	(291,841.00)
Interest In Suspense	121,274.42	291,841.00	448,190. 00
Paid during the year	97,272.54)	(170,566.58)	(156,349.00)
	384,615.48	686,596.63	612,726.00

For the year ended 31st of DECEMBER 2015 (in Sri Lankan Rupees)

	2015	2014	2013
	Rs.	Rs.	Rs.
27. TRADE PAYABLE			
Trade Creditor	108,960,599.32	142,712,254.00	258,071,321.00
EPF	35,151.50	264,080.26	15,439.00
ETF	3,383.33	29,836.97	-
Staff OT & Bata	199,204.00	-	145,275.00
Sanasa Society	43,120.00	43,120.00	43,120.00
Phone	83,920.15	47,302.86	17,612.00
Water	11,373.62	67,609.26	-
Electricity	114,371.70	334,455.73	125,423.00
Sales Commission	-	-	18,826.00
VAT	19,507,924.21	83,799,396.74	94,972,378.00
NBT	13,376,476.63	12,306,863.92	16,905,054.00
Building Rent Payable	-	630,000.00	900,000.00
ESC	-	-	313,858.00
Metropolitan Office	-	-	327,498.00
Audit Fee	70,000.00	2,880.00	60,000.00
Fuel	41,651.47	41,651.47	9,811.00
Other Creditors	293,212.65	327,498.00	-
Salary Control	143,960.83	-	-
Accrued Expenses	21,867,195.68	-	-
Lease Creditors	24,001.73	-	-
	164,775,546.82	240,606,949.21	371,925,615.00

28. RELATED PARTY DISCLOSURES (SLAS 30)

Name	Designation	Nature Of The Related Party transaction	Address
01. Thusitha Jayawardana	Chairman	No	No.181, East Nest, Mandawela.
02. Upul Pallegangoda	General Manager	No	No.240, Kuruduwaththa Rd, Bokundara Piliyandala.

No Related party transactions have taken place between Selacine Television Institute and each of the above personnel and with any of their family members, for the financial year 2015.

Auditor General's Opinion of Financial Activities of year 2015



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මගේ අංකය
எனது இல.
My No.

CAS/E/SCT1/06/15/05

මගේ අංකය
உமது இல.
Your No.

}

දිනය
திகதி
Date

}

29 April 2017

The Chairman,
Selasine Television Institute

Report of the Auditor General on the Financial Statements of the Selasine Television Institute for the year ended 31 December 2015

The audit of financial statements of the Selasine Television Institute for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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.

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 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. 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.

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

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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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute'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 Institute'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.

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

1.4 Establishment of the Institute

Even though this Institute was vested in the Ministry of Mass Media on 20 December 2001 provision had not been made by way of an Act or any other law to determine its objectives and functions and implement its powers. Even though action was being taken from the year 2008 to register this Institute under the Companies Act as a Public Company under the name "Selasine Limited" such action had not been finalized even by the end of the year under review.

1.5 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 Selasine Television Institute as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.



2.2 **Comments on Financial Statements**

2.2.1 **Sri Lanka Public Sector Accounting Standards (S.L.P.S.A)**

Non-compliance with the following Sri Lanka Public Sector Accounting Standards were observed during the course of audit.

- (a) Instead of disclosing the net value of intangible assets amounting to Rs.4,511,117 separately in the financial statements in accordance with the Sri Lanka Public Sector Accounting Standard 01, that had been disclosed under the property, plant and equipment.
- (b) **Sri Lanka Public Sector Accounting Standard 02**
 - (i) The journal entries valued at Rs.504,315 made for the rectification of errors relating to the payment lease rent had been shown as a cash flow in the cash flow statement.
 - (ii) Even though the building repair expenses amounting to Rs.1,842,062 not paid in cash in the year under review should have been shown under the adjustments in the cash flow statement, the Institute had shown that under the changes in the working capital.
 - (iii) Interest on investment received had been understated by a sum of Rs.3,890,834 in the cash flow statement.
 - (iv) The effective life of the non-current assets had not been revalued annually and as such, the fully depreciated property, plant and equipment costing Rs.7,782,363 were being further used. Action had not been taken for the revision of the estimated error in terms of the Sri Lanka Public Sector Accounting Standard 03.

2.2.3 **Accounting Deficiency**

The following observations are made.

- (a) The investment interest for the year under review in respect of the fixed deposits, seven day call deposits and the Savings Accounts had been overstated by a sum of Rs.1,117,390.
- (b) The deposit interest amounting to Rs.1,109,707 receivable for the year under review had been adjusted against the profit for the preceding year.
- (c) (i) The Withholding Tax balance shown under the current liabilities had been overstated by a sum of Rs.770,137.



- (ii) The Withholding Tax of Rs.5,917,583 shown as at 31 December 2015 under the current assets had not been recognized as expenditure during the relevant years and as such the current assets had been overstated by that amount.
- (d) The provision made for doubtful assets had exceeded the amount had should be provided according to the accounting policy of the Institute by a sum of Rs.4,448,643.
- (e) The Institute had spent a sum of Rs.9,210,310 in the year under review for repairing without the written approval of the landlord, the building of the National Film Corporation, taken on lease by the Institute on 15 February 2014 for a period of 5 years. That expenditure had not been recognized as an expenditure of the year and had been brought to account under the non-current assets for amortization during the lease period.

2.4 Unexplained Differences

According to the debtors schedule 102 debtor were observed. Out of those, letters for confirmation of balances had been sent to 92 debtors by the Internal Audit Division of the Institute and 15 letters of confirmation had been sent to the Internal Auditor of the Institute. Out of that 12 institutions had not agreed with the balances of the Selasine Institute and such balances not agreed amounted to Rs.5,156,363.

2.2.5 Lack of Evidence for Audit

The evidence indicated against the following items of account had not been furnished to Audit.

<u>Item of Account</u>	<u>Value</u>	<u>Evidence not made available</u>
	Rs.	
(a) Payments	652,070	Three payments voucher and the related documentary evidence.
(b) Fuel Expenses	861,068	Daily Running Charts
(c) Debtors Balances (Not identified from years prior to the year 2006)	6,611,743	Opening ledger balances, schedules, age analysis, letters of confirmation of balances.
(d) Payments made for the Director (Sales and Publicity)	500,000	Letters of appointment, personal file, approval of the Board of Directors.
(e) Cost incurred on Legal Affairs	351,375	Files and payment vouchers



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

Instances of non-compliances with the following laws, rules, regulations and management decisions were observed during the course of audit.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka.	
(i) Financial Regulations 137	Payments totalling Rs.4,158,090 made in 17 instance had not been approved.
(ii) Financial Regulations 245(1)	Even though the certifying officer should certify all payment vouchers, 22 payment vouchers totaling Rs.7,275,457 had not been certified.
(b) Public Finance Circular No.PF/PE/09 of 27 June 2000.	The approval of the Treasury had not been obtained for the investments of Rs.500,000 in fixed deposit as at 31 December of the year under review.
(c) Ministry of Finance and Planning Circular No.MF/T/R/01/2003 dated 28 March 2003.	Even though the maximum monthly hire charge for the hire of motor vehicles is Rs.40,000, contrary to that, a motor vehicle for the payment of monthly hire charge of Rs.65,000 had been obtained. The overpayment made on that motor vehicle during the year under review amounted to Rs.300,000.
(d) Paragraph 02 of the Public Administration Circular No.13/2008 (iv) of 09 February 2011 and Paragraph 3.2 of the Public Enterprises Circular No.PED01/2015 dated 25 May 2015.	The Director of the Institute had spent a sum of Rs.167,696 for 1,554 litres of fuel during the year under review without obtaining the formal approval.
(e) Guideline 5.4.12 of the Government Procurement Guidelines	Subsequent to the payments made for covering the Value Added Tax it should be informed to the Commissioner General of Inland Revenue with a



copy to the Auditor General on or before the fifteenth day of the following month. Nevertheless the returns relating to such payments made in the year under review and the preceding years had not been furnished for audit.

2.4 Transactions not supported by Adequate Authority

Nineteen debtor balancers totaling Rs.4,719,806 and 17 creditors balances totaling Rs.50,073,707 had been adjusted in the year under review to the profit of the preceding year without being examined properly.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Institute for the year ended 31 December 2015 had been a deficit of Rs.28,537,464 as compared with the corresponding deficit of Rs.686,947 for the preceding year, thus indicating a deterioration of Rs.27,850,517 in the financial results for the year under review as compared with the preceding year. Even though the direct expenditure had decreased by a sum of Rs.173,792,564, the decrease of income by a sum of Rs.182,451,420 and the increase of selling and distribution expenditure by a sum of Rs.12,061,372 had been the reasons for the deterioration.

An analysis of the financial results for the year under review and the 4 preceding years revealed that despite there being financial surpluses from the year 2011 to the year 2013, there were financial deficits in the years 2014 and 2015. Taking into consideration the employees remuneration, the taxes paid to the Government and the depreciation, the contribution in the year 2011 amounting to Rs.69,406,706 had continuously improved to Rs.148,832,121 in the year 2013 whilst the contribution in the years 2014 and 2015 amounted to Rs.122,176,359 and Rs.42,223,469 respectively.

3.2 Working Capital Management

An analysis of important accounting ratios is given below.

	<u>Rates</u>	<u>2015</u>	<u>2014</u>
	<u>Liquidity Ratios</u>		
(i)	Current Ratio	1.5:1	1.25:1
(ii)	Quick Ratio	1.5:1	1.25:1



As compared with the preceding years, according to the quantitative values appearing in the accounts of the year under review, an improvement in the current ratio and the quick ratio was observed. Nevertheless, in view of the inclusion of unidentified debtor balances amounting to Rs.6,611,743 older than 09 years in the sundry debtors in the current assets and the inclusion of Withholding Tax amounting to Rs.5,917,583, the actual liquidity could be less than this.

4. Operating Review

4.1 Performance

The Institute does not have objective specifically identified by an Act or any other legal documents and objectives such as human resources development, utilization of resources, client reach out and profit motive had been included in the Corporate Plan. The following observations are made in this connection.

- (a) Even though the Board of Directors should periodically review the Corporate Plan, the Budget and the performance to ensure that the actual performance differs with the plan in terms of Section 4.2.2 of the Public Enterprises Circular No.PED/12 of 02 June 2003 and revise the Corporate Plan and Budget accordingly, such action had not been taken.
- (b) According to the Action Plan 14 programme had been identified for the achievement of the objectives and 2 of those had been completed. Seven programmes had not been implemented adequately and 5 had not been commenced. The performance had not been evaluated on quarterly basis.

4.2 Apparent Irregularities

The officers of the Institute had committed a financial fraud of Rs.11,988,000 in the year 2014 due to the weak financial management, weaknesses in the internal control and the failure if the Internal Audit to function Property. Even though the Institute should have taken action in terms of Financial Regulations 103 and 104 to conduct a formal inquiry in this connection and take disciplinary action against the officers responsible, it had not been so done.

4.3 Staff Administration

The excess cadre in the Tertiary and Primary Levels as at 31 December 2015 had been 16 and action had not been taken to obtain the formal approval in that connection. Further, action had not been taken to fill 15 vacancies in the Senior Level and the Secondary Level.



5. Accountability and Good Governance

5.1 Presentation of Financial Statements

According to Section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the financial statements should be presented to the Auditor General within 60 days after the close of the year of accounts. Nevertheless, the financial statements had been presented to the Auditor General on 13 July 2016, that is after a delay of 135 days.

5.2 Corporate Plan

Even though a Corporate Plan for the years 2014 to 2016 had been prepared in terms of Section 5.1.2 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the resources of the Institute, the organization structure of the Institute and the review of the operating results of three preceding years which should be included therein had not been included. It had not been reviewed and updated for the year 2015.

5.3 Action Plan

The following observation are made.

- (a) Even though the Action Plan for the year under review had been prepared the activities for implementation in the year under review identified in the Corporate Plan had not been included the Action Plan.
- (b) The Annual Budget, the proposed major investments, expansion of capacity, the Annual Procurement Plan including the major procurements, the Human Resources Development Plan, the Loan Repayment Plan and the Internal Audit Plan of the Institute which should be included in the Action Plan in terms of provisions in the Public Finance Circular No.01/2014 dated 17 February 2014 had not been included in the Plan.

5.4 Internal Audit

The Internal Audit Plan, the Register of Internal Audit Queries and the copies of the Internal Audit Queries had not been furnished to Audit.

5.5 Audit Committee

Even though Section 7.4.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003 requires that the Audit Committee should meet at least once in three months, only one meeting had been held during the year under review.



5.6 Procurement Plan

The Institute had not prepared a Procurement Plan for the year under review.

5.7 Tabling of Annual Reports in Parliament

According to Section 6.5.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003, action should be taken to table the Annual Report in Parliament within 150 days after the close of the year of accounts. Nevertheless, action had not been taken for tabling the Annual Report for the years 2012 to 2014 in Parliament.

6. Systems and Controls

Deficiencies in systems and control 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.

<u>Areas of Systems and Controls</u>	<u>Observations</u>
(a) Accounting	Failure to furnish relevant ledger Accounts and the related information to enable obtaining the particulars of transactions.
(b) Planning	The Annual Action Plan and the Procurement Plan had not been prepared to enable the identification of variances the actual position and the planned position.
(c) Internal Audit	Failure to strengthen the Internal Audit by attaching suitable staff to enable the identification of weaknesses in the internal control and the changes to be made.
(d) Debtors Control	Failure to maintenance records to enable obtaining correct information on specific dates in the manner required.

H.M.Gamini Wijesinghe
Auditor General

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

Response to Auditor General's Report 2015

Clarifications for the Auditor General's Report on the Financial Statement of Selacine for the period ended on 31.12.2015.

2.2) Comments on Financial Statements

2.2.1) Sri Lanka Government Accounting Standards

- a) Accounting will be done according to the Sri Lanka Government Accounting Standards No.1 and Rs. 4,511,109/- shown in the Financial Statement will be corrected by taking it under Intangible Assets.
- b) Sri Lanka Government Accounting Standards No.2
 - i. A journal entry of Rs. 504,315/- in the Cash Flow Statement has been given rise to by an error committed in the previous year when adjusting previous relating to the previous year and steps will be taken to correct it
 - ii. Rs. 1,842,062/- set aside for repair work on buildings during the year under review has not been spent and will be corrected by adjusting in the next year's Cash Flow.
 - iv. In the Cash Flow of 2014, an amount of Rs. 3,890,834/- is shown as Cash Received under Interest on Investment and balance of Rs. 3,304,568/- from Rs. 7,195,402/-, left over the Interest on Investment in 2015, has been accounted for 2015.
- c) Valuation of property, plant and equipment which have already been completed but are still being used will be re-valued.

2.2.3) Shortcomings in Accounting.

- a) Due to a mistake made in calculating interest, an income that should be credited to 2014 has been adjusted to profits of the year under review. It will be corrected by adjusting with the profits of previous year.
- b) Mistake shown in a. will be a fault and it will be adjusted with the previous year and corrected.
- c)
 - i. The mistake will be corrected by adjusting with the profits of previous year.
 - ii. Steps are taken to delete it in the following year. At the time of paying income tax, our Institute had made provision to deduct a certain percentage. Steps are now taken to delete the entry after getting clarification from the Department of Inland Revenue.
- D) Rs. 2.2 Million unidentified debtors have been totally categorized as Doubtful Debt. 2.2% of Debt over 90 days has been categorized as Doubtful Debt and the total Doubtful Debt added up to Rs. 9.9 Million. On being pointed out by you, this accounting policy will be changed from the following year.

- e. The expenditure of Rs. 9,210,310/- incurred for repair of buildings was not shown in that year as showing this expenditure for the period of Taxation was more beneficial than showing all expenditure during one financial year. It is expected to share the amount with State Film Corporation on the expectation that due to this expenditure, the value of the building of State Film Corporation will appreciate considerably and the accounting was done on that expectation..

2.2.4) Unclarified Changes.

This has happened as all institutions close their accounts settling all dues on 31 of December every year and we had received those cheques after the financial year. This has given rise to discrepancies balance debt amount. Steps will be taken in future after further investigation to correct this mistake.

2.2.5) Lack of Evidence for Auditing.

- a) Payments of Rs. 652,070/- 03 payment vouchers with relevant supportive documents have been forwarded to you.
- b) Fuel Expenses – 861,068/-. Requested details have been forwarded to you.
- c) This Debt balance is a very old one and has been forwarded to obtain Ministry approval to be written-off. Reply has yet to be received.
- d) Payment of Rs.500,000/- for the post of Director – Marketing and Advertising – this officer was recruited on contract basis and with the idea of absorbing her in to the permanent cadre on a salary of Rs. 100,000/- due to the capabilities and talent shown by her in this field during her employment in the private sector. As there was no board of directors at the time, Chairman approved the letter of appointment.
- e) During the year 2007, four employees had been interdicted and they had filed action in labour courts against the Institute. The Fraud Bureau had filed action against them for the financial damage they had caused the institute and have collated necessary evidence. Consultation fees have also been paid in this regard. Action has been filed in the Colombo Commercial Courts for the non-payment of a client which is now being examined. I wish to record that the amount of Rs. 351,375/- pointed out by you has been spent on this case.

2.3) Not adhering to Rules and Regulations and Management decisions

- a) i. The payment of 17 payment vouchers amounting to Rs. 4,158,090/- without the signature of the authorized signatory is not due to a fraud but an oversight due to the huge number of payment vouchers forwarded at a given time for signature. The staff has been instructed to take steps to ensure this mistake is not repeated.
- ii. The payment of 22 payment vouchers amounting to Rs. 7,275,457/- without the signature of the authorized signatory is not due to a fraud but an oversight due to the excessive number of payment vouchers forwarded at a given time for signature. The staff has been instructed to take steps to ensure this mistake is not repeated.

- b) This is amount of Rs. 500,000/- has been invested in a temporary fixed deposit by the previous regime waiting for the VAT number to be received by the Institute. Request has been sent to the Ministry to obtain approval for this investment.
- c) In hiring a vehicle for the Chairman, the approved maximum amount of Rs. 40, 000/- per month according to circular MF/TR/01/2003 dated 20.03.2003 of the Secretary to the ministry of Finance and Plan Implementation had to be exceeded by Rs. 10,000/- to Rs. 50,000/- per month. The reason for this was the increase of hiring charges in the market from 2003 to charges in 2015. According to the circular it is necessary to obtain approval from the Ministry and accordingly request has been sent to the Ministry for the required approval.
- d) According to the Circular Number PED 01/2015/5/15 approval for officers exceeding the maximum fuel allowance given for official duties, approval must be requested for by the Chairman from the Chief Accounting Officer i.e. The Secretary of the Ministry for this extra expense. As there was no Board of directors at that time a certain amount of time had to be awaited and ultimately all such requests for approval for excess fuel allowance were forwarded to the Ministry Secretary. As per this circular, extra fuel expenses has to be forwarded for approval each month and steps has been taken to obtain approval for the extra fuel expenses.
- e) The staff has been updated on para 5.4.12 in the State Guide Manual on Purchasing and in the future, before the 15th of every month, details of tax-payments on the aggregate value will be sent to the Auditor General and the Commissioner General.

2.4) Transaction not approved by proper authority.

- a.) This is a journal entry made to correct an accounting mistake by following correct procedure regarding 19 Debt balances pointed out by you when profit-adjustment of last year by writing off debtors amounting to Rs. 4,719, 806/- This not a "writing off" of debtors but correcting a accounting mistake. As there the Institute has no Board of Directors, the adjustment has been forwarded to the Chairman and approval obtained.

In the year under review, the External Auditors have not shown correctly the amount of debt. That incorrect amount was adjusted to the profit before it was corrected. The relevant journal entry was made for the correction and as there the Institute has no Board of Directors, the adjustment has been forwarded to the Chairman and approval obtained.

3) Financial Review.

3.1) Financial Results.

As pointed out by you, the year 2015, compared to 2014, had reported a decline of 40.54% in financial situation. Administrative and Establishment cost had gone up not by 26% but by 11% and sales and distribution cost had gone up by 276%. The reason for this was that in the year under review the sales income had gone down by Rs. 183 Million compared to the previous year. Officers in the Sales Division flied to achieve the sales targets given and as a result it impacted adversely on the other department as well. On many occasions when we try to out-source our services due to lack of in-house facilities, machinery , equipment, lack of personnel with technical knowledge,

prices in the market place have to be paid. Without this we cannot survive in the market in this competitive environment. The result is the increase in the expenditure for these common services. As an Institute that receives no State subsidy, arrangements have been to revamp the sales division to achieve the given targets in the market to improve this unhealthy situation.

As pointed out by you, when comparing the accounts on the Institute for the past few years, Contribution has decreased by 18% in 2014 compared to 2013, 65% in 2015 compared to 2014. The reason for this has been the increase in the fixed costs of the Institute. Although the sales income dropped, this situation arose because of the increase in the fixed costs. Main reasons had been that we had had to bear increased cost for our productions and that we had to operate on very thin profit margins. It is arranged for the officers of the Institute to undergo relevant training to carry out their work more profitably and in addition to their present duties these officers to be involved in commercial printing, activities in conducting functions and through this to ameliorate the present situation.

3.2) Management of Working Capital

Debt balance shown as Unidentified Debt Balance is Rs. 6,611,743/- and approval has been sought from the Ministry and the Treasury to write off these debt. Until the approval is received, this value has to be shown as Unidentified Debt Balance. Keeping the payment of With-holding Tax later as provision, it is shown in the Movable Assets.

4) Operation Review

4.1) Performance Review

- a) As pointed out by you and as per the Circular No. PED 12 dated 02.06.2003 performance evaluation was done comparing with the corporate plan and attempts were made in 2015 to uplift the performance of the institute by diversification in to new areas of activity. As a result, attention was directed towards activities such as Event Management, Web Development etc. To garner income from these activities needs time and effort was made during this year to gain some progress in these activities.

Although every effort was made to achieve the Budget performance given in the Corporate Plan, various factors made it difficult to achieve the desired results. Main object was to increase the monetary results of the Institute through realization of sales targets. In this competitive environment, this is a great challenge for an institute that receives no financial help from the government to conduct these institutional activities. A Board of Directors had not been appointed as yet for the Institute and no revision of budgeted targets given in the Corporate Plan has been done after timely review. Therefore in the future when budgeted performances differ from the corporate plan, required revisions will be done in time.

- b) According to activity plan, 04 primary programmes were implemented to achieve the corporate objectives. Unfortunately due to lack of resources, some of these programmes were unable to be activated full time. Although it was hoped to establish a Media Centre, it was not possible due to lack of finances. Steps have been taken to include these programmes in the future Corporate Plans. Progress of these programmes will be reviewed every quarter at ministry level and accordingly relevant details have been provided. Apart from that these details will be provided to the Department for State Business.

4.2) Visible Irregularities

Recognizing the poor financial management that prevailed in 2014, deficiencies in internal control and auditing have been identified and steps have been taken to rectify these short-comings. Internal inquiries have already been done regarding officers involved in a financial fraud of Rs.11, 988,000/- that took place during this period. I wish to mention that regarding this fraud, an inquiry at Ministry level will also be conducted. Further legal steps will be taken by the Fraud Bureau in the future.

4.3) Staff Administration

As at 31.12.2015, 15 vacancies and 16 excess staff has been recorded. The reason for this has been that for many years work has been done by the staff that has been recruited but their designations has differed from the work they carry out. In future steps will be taken to approved staff will be recruited according to designations and designations of the staff already recruited will be changed as per approved designations and approval will be sought from the Department of Management Services.

5) Accounts Transparency and Good Governance

5.1) Presentation of Financial Statements

As per paragraph 6.5.1 in the State Enterprises Circular No. PED/12, Financial Statements have to be presented to the Auditor General 60 days before the end of that particular financial year. The financial statements could not be presented in time due to time taken to rectify the mistakes in the financial statements prepared by the out-sourced audit firm. In future steps will be taken to present the financial statements to the Auditor General in time.

5.2) Corporate Plan

This Institute has prepared the Corporate Plan for 2014-2015 as per paragraph 6.5.1 in the State Enterprises Circular No. PED/12. Every year, maximum effort was taken to achieve the objectives and the activities given therein and every quarter, its progress will be evaluated. Afterwards achieved goals will be reviewed and the report sent to the Ministry. Reviews of these activities will be done and officers will be instructed to affect the corrections pointed out by you.

As pointed by you, in preparing the Corporate Plan, resources of the Institute, Corporate Plan of the Institute and operation results of the past three years will be made in to a proper list.

5.3) Activity Plan

- a) Certain activities given in the Corporate Plan were not included in the Activity Plan because approval for those had not been received and absence of space and funding to start A-Z Advertising and Express Printing Services Centre and the delay in receiving approval for the starting of a printing school.
- b) As pointed out by you, according to the Government Financial Regulation Circular No. 01/2014 of 17.02.2014, steps will be taken to forward the activity plan. Accordingly, details such as annual budget, proposed principal investments, plans for expansion of capacity, annual purchasing plan including main items of purchase, human resources development plan, plan for re-payment of debt and internal audit plan will be included in the activity plan.

5.4) Internal Audit

The position of Internal Auditor was not filled until mid-2015 and was filled in 2015 but fell vacant again in the same year. Arrangements were made to refill this vacancy. This department has now taken steps to point out deficiencies in internal controls and internal checking and to prevent them by continuous examination, planning properly to improve its quality. Accordingly arrangements have been made to provide data and information required by relevant parties at any given time.

5.5) Audit Committee.

The position of Internal Auditor was vacant and so were the positions of Accountant and Administration Officer in the Administration Department. Due to this reason, Audit and Management Committee was not convened the required number of times. In future steps are taken to convene the Audit and Management Committee at the end of each quarter.

5.6) Procurement Plan

As there was no responsible officer in charge of the Administration Department, the planning and preparation of the Procurement Plan was delayed. Arrangements will be made to prepare the Procurement Plan properly and to forward it without delay.

5.7) Tabling of Annual Reports.

According to the Government Enterprises Circular No. PED/12 of 02.06.2003, the annual reports must be tabled in parliament within 150 days of the ending of the relevant financial year. As there was no responsible officer due to there being a number of vacancies in the senior management level, annual reports of 2012 and 2013 could not be presented in time. These reports have now been sent to the Ministry to be prepared, printed and filed in Parliament. Steps are taken to file the said reports in Parliament as required without delay.

6. System Controls

i. Accounting

As pointed by you, steps have been taken to show in detail the information given in the ledger accounts.

ii. Planning

Steps have been taken to plan Annual Activity Plan and Annual Procurement Plan to make it possible to identify the variations between the actual situation and planned situation.

iii. Internal Audit

Steps will be taken in the future to absorb suitable officers in to this division and to legalize it.

iv. Debt Control.

Arrangements have been made in future keep records Debtors making it possible to obtain whenever needed every detail and information regarding debtors.

Debtors - Building of Exhibition Stalls for the "Dayata Kirula" fair unsatisfactory to clients by the Governing Authorities has led to this situation. Authorities will be taking legal action against those whose actions led to this unsatisfactory situation.



Shantha Jayawardene
Chairman
Salacine Rupavahini Institute



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