



இலட்சுமி னா சகலமலிதர துலகலாங்கல
நிதி மற்றும் வெகுசன ஊடக அமைச்சு
MINISTRY OF FINANCE AND MASS MEDIA

2016 வரீகல வரீகல வருடாந்த அறீக்கல ANNUAL REPORT



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

Hon. Minister,

Annual Report – 2016

According to the Section 14(1) in Finance Act No 38 of 1971, I am forwarding herewith the Annual Report of Salacine Rupavahini Institute for the year ending 31st December 2016.
Thank you.

Yours faithfully,



Uma Rajamanthre
Chairperson
Salacine Rupavahini 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

Chairperson's Review



I am pleased to contribute this message to the 2016 Annual Report of Salacine Rupavahini Institute after assuming duties as its Chairperson.

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.

A sales income of Rs. 397.6 million has been achieved in 2016 and it is cause for satisfaction that compared to the year 2015, an increase of Rs. 130.0 million in revenue has been achieved in 2016.

On many occasions, the accuracy of the accounts work of Salacine, in the preparation of accounts according to Accounts Reports has been noted in Financial Statements. The high commendation mentioned in the Auditor General's Reviews

of 2011, 2012, 2015 and 2016 is a good example for this. Accounts Division is working with dedication to maintain this standard.

Human Resource Division is constantly at work for the development of human resources. By arranging training programmes for employees, providing facilities to overcome their difficulties, getting medical insurance benefits for them and providing for picnics and excursions and human welfare activities such as helping people during natural disasters, Human Resource Division has prepared the background for the development of the human resource of the Salacine Institute.

The relationship with Lake House has further strengthened and it is indeed a great 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 Management 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 popular attractive tele-dramas such as "Suvapath karannange paraadeesaya", and to keep the general public well informed advertisements over the electronic media as well as agricultural documentary programmes on cattle farming were telecast.

The contribution of the newly formed Event Management Division to the revenue of the Institute must be appreciated. It must be mentioned that among these events "Kurulu Paraadeesaya" by Vetaran Artist Ivor Denis, National Athletic Meet and Tourism Day were part of these special activities.

Another division newly formed by the Institute is the Information Technology Division. The preliminary work to build up the image of the Institute has been done by this Division. It has made the preparation of Salacine website, as well as done information technology advertising and designing and development of the website on behalf of the Ministry of Finance & Mass Media.

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.

Uma Rajamanthre
Chairperson
Salacine Rupavahini Institute
Colombo 07.

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 - 2016

Senior Management

Thusitha Jayawardene	- Chairman
Sanath Dharmarathne	- General Manager

Management

W.D.J. Senevirathne	- Manager (Human Resources and Administration)
Sunanda Weerasinghe	- Manager (Production)
Agbo Amarasekera	- 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

Graphics and Creations Division may be introduced as another efficient and creative division of Salacine. Consisting of experienced professionals this Division always stands ready to for any type of creation. Without confining themselves to an eight-hour time frame and 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 as a result of the creativity and punctuality of our Division.

Salacine, which receives the most number of advertisements from Lake House out of the daily advertisements they receive, turns this onerous responsibility of designing of those advertisements directly on to the Creations and Graphics Division. Fulfilling this responsibility, these advertisements created accurately and on time, bring further glamour to the reputation of the Institute.

Through this process that has gone on for many years, Graphics and Creations Division of Salacine will march forwards in 2017 as well by honing its creative abilities and improving efficiency as before.

Media Division

The main role of the Media Division is the scheduling of advertisements and audio visual productions in print and electronic media. Most revenue is earned through this activity. Accordingly, this was done more efficiently in 2016. The total investment here was 314 million.

In 2016 too, Lake House has given the maximum number of advertisements to Salacine.

Advertising Budget in 2016 for Ministry of Vocational Training and Lanka Electricity Board was 2.0 million making it possible to achieve the pre-set goals for these institutions.

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.

Thereby it goes to show that Salacine is not only a front-line advertising agency but also possess the ability of the highest order for advertising.

Sales and Consumer Services Division

The Financial Year of 2016 was a year that showed marked development in the Sales Division of the Institute. Targeted revenue of Rs. 397 million was achieved and compared to last year, it must be stressed that this showed a dramatic improvement.

It is special that the Event Management Section newly attached to the Sales and Consumer Division was able to make a noteworthy contribution during this year.

Human Resource and Administration Division

The primary wealth of an institution is its human resource. Given below are contributions that go to help obtain a more productive service through this human resource.

- In 2016, employees were sent for various workshops organized by different educational institutions to further their training and development and provided financial sponsorship for same. Finances were also provided for an educational programme for staff members for the development of their vocational education.
- A health insurance scheme with high benefits, loan facilities, festival advances, bonuses etc. have been provided for the welfare of the employees.
- A three-day motivational work-shop was arranged for the staff at the Wayamba Training Institute for the development of their goodwill and affability, increase their dedication to duty, employee motivation, targeting challenges and to individually develop their talents and attitudes.
- As an incentive for employees, to continue with the payment of attendance incentive.
- Taking steps to prove expeditiously the equipment requested for by the staff to obtain an efficient service.

Production Division

The ornament that adorns the Institute is the Production Division. Day by day this ornament becomes brighter due to the gleaming gems that are added anew. In the year 2016, as in the previous years, many new gems were added to this ornament. These gems are none other than the creations that come to life as a result of the talents, creativity, dedication, brotherhood, cooperation of the artists and technicians. The environmental documentary series, that was produced to show-case the environmental beauty of the Uva Province to highlight its tourist attraction, the documentary programme that was produced to encourage farmers in animal products, the documentary programme in English on Ayurveda to introduce Ayurveda and our Ayurveda techniques and systems to the international community, the short film "Diyani" produced on behalf of the Ministry for Women And Child Affairs for the education and information to prevent the abuse of women and children due to their ignorance, a few advertisements produced on behalf of the Ministry of Skills Development and Vocational Training to guide the youth who had left school due to not losing the opportunity for higher education on to the correct path, the documentary produced for the Electricity Board to give an understanding regarding the technical process of the Electricity Board are some of the prominent productions of this Division. These are the gems of 2016 that made the ornament so much brighter.

The Production Division that nears the zenith of creativity year by year put out many meaningful and creative productions for the enjoyment of the audiences. The fact these productions remain in the minds of the audiences is the best indicator for the success and quality of these productions.

We the Salacine staff are ready for a productive media contribution in the future too through production of high quality tasteful creations.

Finance Division

Steps were taken to complete the work in the accounts division more efficiently compared to the previous year. As a result, better efficiency.

Preparation of Accounting Reports was done expeditiously. It should specially be mentioned that it is indeed a victory that the Auditor General had stated that the Financial Status and Cash Flow of Salacine Rupavahini Institute as at 31.12.2016 reflected a true and fair picture as per Sri Lanka Accounting Standards just as in the years 2011, 2012, 2015.

The Accounts Division is dedicated to improve the impression of the Auditor General regarding the standards of accounting activities of Salacine. Arrangements will be made to provide the accounting staff with training opportunities to improve their capabilities and knowledge.

Event Management Division

Event Management Division which started as a new division in 2015 has fast become a division that makes a substantial contribution to the Institute's income. This Division has been able to give a new look to Event Management through new vision and methodology.

This Division that earned Rs. 36.million in 2015 has managed to show a tremendous increase in revenue by earning Rs. 48 million in 2016. The following events contributed chiefly.

- 30th Anniversary of Road Development Authority conducted by the Road Development Authority
- National Sports Festival arranged by the Ministry of Sports
- Future Vision of the Ministry organized by the Ministry of Mega polis and Western Development
- National Agricultural Seminar organized by the Agriculture Ministry.

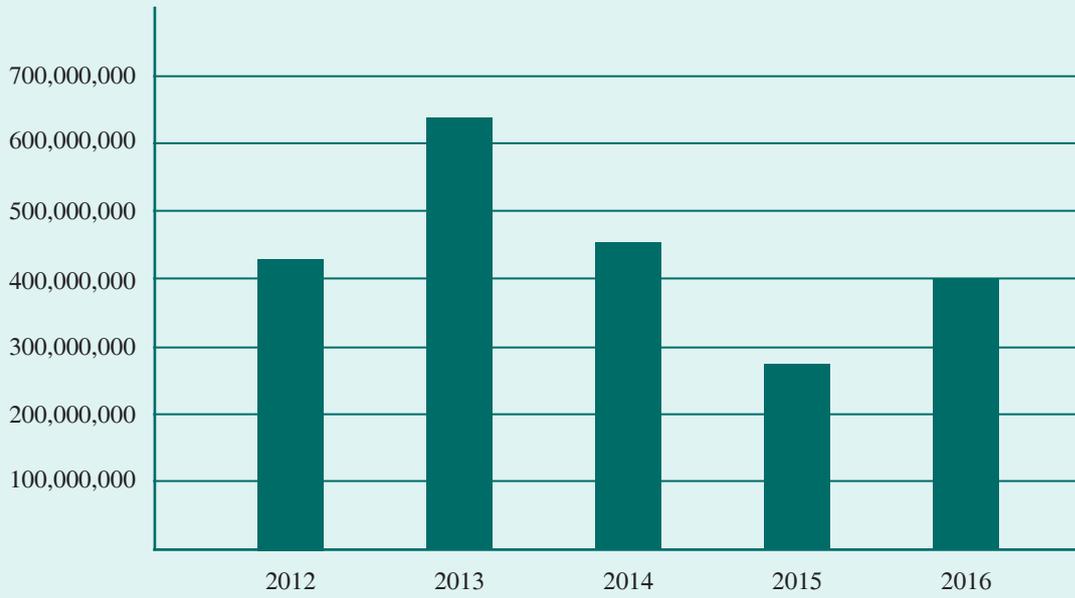
The above mentioned events were managed by our Institute and the events were concluded colourfully and successfully. Analysing the experiences of these events, it is the goal of the Division to increase the income further in 2017.

Web Division

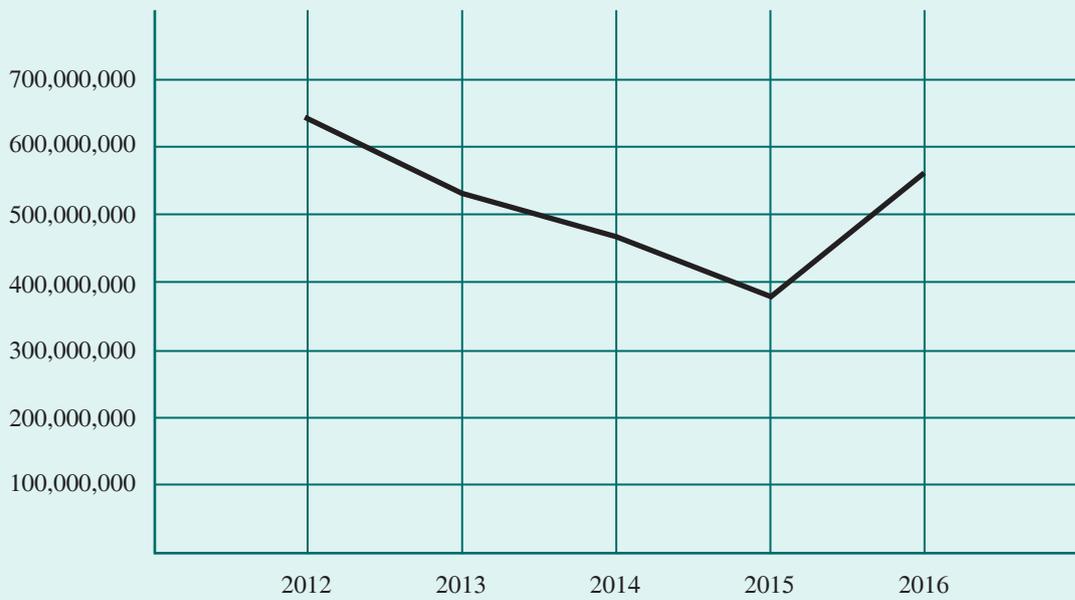
As a new Division of our Institute, Web Designing and Information Technology Division is making a great contribution in building-up the image of the Institute. The goal of this Division is to maximize revenue by providing wider advertising opportunities in the digital media to government as well as private entrepreneurs.



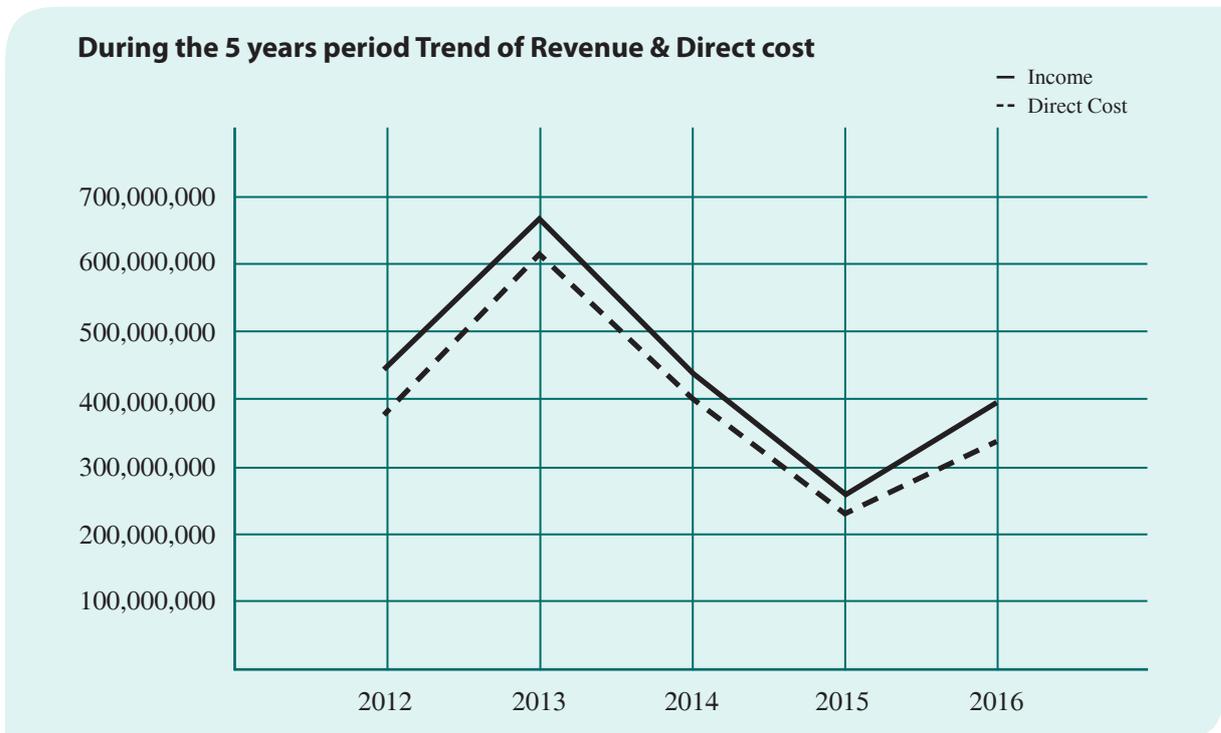
Revenue Growth



Income and expenditure for last five years



Trend of institutes profit between 2012 and 2016



Notes for Financial Report

For the year ended 31st of DECEMBER 2016 Accounting Policies

1. Common Features

1.1 Corporate details

By the Gazette Extraordinaire No 2022/34 dated 09.06.2017, Salacine Television Institute (herein after called Salacine) was brought under the purview of the Ministry of Finance and Mass Media.

1.2 Primary role and nature of operation

Chief among the primary roles of Salacine are Advertising, Radio /TV Programmes as well as Event Management.

1.3 Number of employees

As at 31.12.2016, there had been 14 permanent employees and 56 employees on Contract Basis.

2. Synopsis of special points regarding Accounting Standards

2.1 Common policy

This Financial Statement has been prepared according to the commonly accepted accounting procedures and Government Accounting Procedures under the guidance of the Chartered Institute of Sri Lanka. This Financial Statement has been prepared in Sri Lanka Rupees and has been forwarded on the basis that it will be continued.

2.2 Stability and Re-conciliation

Accounting procedures used this year are in harmony with the procedures adopted last year.

2.3 Cost of debt

Cost of debt has been taken as the expenditure during the accounting period.

3. Income Estimate and Basis of its evaluation

3.1 Property, Plant and Machinery

Report on Property, Plant and Machinery has been prepared on cost or revaluation.

3.2 Commercial and other receivables

Report on Commercial and other receivables have been on estimated realized value.

3.3 Cash and Cash Equivalent

Cash in hand and demand deposits in banks, short term high liquidity investments have been included for Cash and cash equivalent.

3.4 Lease assets

In rules regarding leases Salacine assumes categorizing of all risks and gratuities that show ownership as financial lease. When making the preliminary introduction of a lease, in payment of minimum lease payment, a lower parity than the fair value and the present value has to be shown. After the preliminary introduction income is calculated as per accounting procedures used for assets.

3.5 Depreciation

Depreciation in the Income Statement is taken on the based on estimated usable assets. Depreciation has been based on the usable and short term assets of equal value.

Depreciation ratios of Assets, Plant and equipment are given below.

Furniture & fittings	2-10 years
Computer Accessories	3-5 years
Office equipment	10 years
Motor vehicles	05 years
Camera equipment	10 years
Accounting software	10years

4. Liabilities and provisions

4.1 Current liabilities that have to be paid on demand within one year from the date of the balance sheet are classified as liabilities in the balance sheet. Current liabilities that have to be paid on demand after one year from the date of the balance sheet are classified as long term liabilities.

4.2 Bonus and Gratuity payments

Under the provisions in the Act SLAS (2006 amendment), retirement benefits of all employees have been provided for from their first year of employment

4.3 Defined Contribution Plan – Employees' Provident Fund and Employee' Trust Fund

Defined Contribution Plan is only an employee benefit plan paid by an institute to another institute as a permanent contribution for employees who have left the services of that institute having no legal or constructive binding to make any further payment. Payment made on the binding for the contribution to the Employees' Provident Fund and Employee' Trust Fund is shown as expenditure at the time of making the payment itself. Employees become eligible to receive the contribution of the employer as per the rules and regulations of the Employees' Provident Fund and Employee' Trust Fund.

Salacine contributes 15% and 03% of the employee's gross salary to the Employees' Provident Fund and Employee' Trust Fund respectively.

5. Income Statement

5.1 Turn-over

Turn-over of Salacine is through Designing of Graphic Art, Scheduling, Event Management and Production of Radio and TV Programmes.

5.2 Recognition of revenue

Revenue is recognized as the calculable earnings through economic benefits that flow in to the Institute.

5.3 Recognition of expenditure

Expenditure is recognized in Income Statement based on the direct relationship of cost incurred and earnings of special items of income.

6. Transactions between relevant parties

During the period mentioned in the Statement of Income, No dealing has taken place between the relevant parties.

7. Post-reconciliation notes relating to events after date of Balance Sheet

No quantitative event that should be brought to light or reconciled in the Financial Statement had taken place after the date of the Balance Sheet.

8. On the advice of the Central Bank of Sri Lanka, the deposit for Rs. 300,000,000/- held at the Pramuka Bank was transferred to Sri Lanka Savings Bank.

9. Deletions from the Debtors' List of 2011 have been corrected by adjustment with consolidated profit.

10. 2.5% has been allocated for doubtful debts.

11. The Institute had investigated take legal action against two employees and at present they are on half pay.

12. Revaluation Assets of the Institute as per Audit Queries mentioned will be done according to section 2.2.2 in 2017.

Income Statement

For the year ended 31st of DECEMBER 2016 (in Sri Lankan Rupees)

		2016	2015	2014
	Notes	Rs.	Rs.	Rs.
Revenue	11	397,692,282.97	267,617,260.35	450,068,680.36
Less :				
Direct Cost	12	342,085,817.84	229,795,974.66	403,588,539.17
Gross Profit		55,606,465.13	37,821,285.69	46,480,141.19
ther Operating income	13	4,783,264.44	4,076,455.43	5,482,485.88
Less :		60,389,729.57	41,897,741.12	51,962,627.07
Distribution Cost	14	60,652,532.58	50,801,729.30	43,287,100.36
Administrative Cost	15	15,840,372.40	12,436,455.71	2,904,277.17
Other Operation expenses	16	5,592,569.72	432,525.00	403,516.67
Bad & Doubtful Debtors	-	(601,208.77)	2,398,952.77	1,436,924.31
Profit from Operating Activitie	-	(21,094,536.36)	(24,171,921.66)	3,930,808.56
Less :		4,353,470.40	4,213,138.17	4,348,682.00
Depreciation	17	(25,448,006.76)	(28,385,059.83)	(417,873.44)
Less :		180,985.45	152,403.98	269,073.78
Finance Cost	16.1	180,985.45	152,403.98	269,073.78
Net Profit / (Loss) for the year		(25,628,992.21)	(28,537,463.81)	(686,947.22)

Balance Sheet

For the year ending 31st of DECEMBER 2016 (in Sri Lankan Rupees)

		2016	2015	2014
	Notes	Rs.	Rs.	Rs.
ASSETS				
Property, Plant & Equipment	18	12,608,937.31	18,479,716.12	20,900,866.22
Building Expenses		5,526,186.14	7,368,248.18	9,210,310.22
		18,135,1123.45	25,847,964.30	30,111,176.44
Intangible Assets	18 A	3,999,830.83	-	-
Long Term Investment				
Fixed Deposits	19	898,200.00	898,200.00	78,411,550.41
		23,033,154.28	26,746,164.30	108,522,726.85
Current Assets				
Trade & Other Receivable	20	214,490,075.74	238,609,747.46	211,844,899.05
Deposits & Prepayments	21	1,944,593.80	752,235.75	65,000.00
Cash & Cash Equivalents	22	8,559,416.92	8,685,944.63	14,848,009.71
		224,994,086.46	248,047,927.84	226,757,908.76
Total Assets		248,027,240.74	274,794,092.14	335,280,635.61
Equity And Liabilities				
Capital & Reserves		-	-	-
Accumulated Profit/(Loss)		57,883,448.68	98,854,157.55	82,161,327.11
		57,883,448.68	98,854,155.92	82,161,327.11
Liabilities Non Current Liabilities				
Gratuity Payables	23	8,639,956.56	6,930,220.29	5,490,466.66
Treasury Loan		465,000.00	1,860,000.00	3,720,000.00
		9,104,956.56	8,790,220.29	9,210,466.66
Current Liabilities				
Interest Bearing Loans and Borrowings	24	-	384,615.48	686,596.63
Trade & Other Payables	25	179,049,283.50	164,775,546.82	240,606,949.21
Advances Received		129,552.00	129,552.00	755,296.00
Treasury Loan		1,860,000.00	1,860,000.00	1,860,000.00
Total Liabilities		181,038,835.50	167,149,714.30	243,908,841.84
Total Equity & Liabilities		248,027,240.74	274,794,092.14	335,280,635.61

certified as true by Directors

signed by,



Shantha Bandara Jayawardana
Chairman
Selacine Television Institute

Cash Flow Statement

For the year ended 31st of DECEMBER 2016 (in Sri Lankan Rupees)

	2016	2015
	Rs.	Rs.
Cash Flow From Investing Activities		
Net profit before taxation	(25,628,992.21)	(28,537,463.81)
Adjustments for ;		
Lease Interest	24,001.85	72,694.28
Interest income	(145,449.20)	(3,340,568.09)
Depreciation	4,353,470.40	4,213,138.17
Provision for Gratuity	2,534,524.27	1,566,953.64
Prior Years Adjustment	(15,341,716.66)	45,230,294.25
Operating Profit before Working Capital Changes	(34,204,161.55)	19,205,048.44
(Increase)/Decrease in Trade & Other Receivables	24,312,157.75	(26,764,848.41)
(Increase)/Decrease in Deposits & Prepayment	(1,192,358.05)	(687,235.75)
Increase/(Decrease) in Trade Creditors & Other Payables	14,273,736.68	(75,831,402.39)
(Increase)/Decrease in Provision for building expenses	-	1,842,062.04
Increase/(Decrease) in Advance received	-	(625,744.00)
Cash Generated from / (Used in) Operation	3,189,374.83	(82,862,120.07)
Gratuity paid	824,788.00	127,200
Interest Paid	-	-
	4,014,162.83	(82,734,920.07)

For the year ended 31st of DECEMBER 2016 (in Sri Lankan Rupees)

	2016	2015
	Rs.	Rs.
Cash flows from Investing Activities		
Purchase of Property, Plant & Equipment	(2,482,522.42)	(1,420,222.25)
Fixed Deposits	-	77,513,350.41
Interest Income	145,449.20	3,340,568.09
Net Cash from / (Used in) investing Activities	(2,337,073.22)	79,433,696.25
Cash flows from Financing Activities		
Treasury Loan Received / Repayments	(1,395,000.00)	(1,860,000.00)
Repayment of Loans	(408,617.33)	(496,526.29)
Error Correction of Lease	-	(504,314.96)
Net Cash from / (Used in) Financing Activities	(1,803,617.33)	(2,860,841.25)
Net Decrease in Cash and Cash Equivalents	(126,527.72)	(6,162,065.07)
Cash and Cash Equivalent Beginning of the Year (Note A)	8,685,944.63	14,848,009.70
Cash and Cash Equivalent End of the Year (Note A)	8,559,416.91	8,685,944.63

NOTE A**Cash & Cash Equivalent**

BOC - A/C No. 2323299	3,251,155.41	1,063,567.06
BOC Savings A/c No. 2329765	1,662,698.51	5,798,251.57
Production Advance	2,090,853.00	1,595,626.00
Other Advance	1,554,710.00	228,500.00
	8,559,416.92	8,685,944.63

Notes for Financial Statement

For the year ended 31st of DECEMBER 2016 (in Sri Lankan Rupees)

	2016	2015	2014
	Rs.	Rs.	Rs.
11. INCOME-FROM SERVICES			
Production	19,865,749.83	15,921,580.75	39,809,755.67
Graphic	13,492,843.62	21,276,109.47	24,569,248.77
Scheduling	314,834,334.00	193,993,826.89	334,587,225.95
Event Management	48,150,355.52	36,425,743.24	-
Miscellaneous	84,000.00	-	103,028,945.78
Web	1,265,000.00	-	-
Less : VAT On Revenue	-	-	(51,926,495.81)
	397,692,282.97	267,617,260.35	450,068,680.36
12. DIRECT COST			
Production Expenses	17,141,833.00	12,756,525.65	26,091,223.36
Graphic Expenses	13,965,362.04	19,381,442.68	18,524,177.70
Scheduling Expenses	272,997,261.84	156,980,159.97	275,960,848.63
Event Management	36,804,690.96	40,677,846.36	-
Miscellaneous	-	-	118,290,681.55
Call Center Project	-	-	-
Web Expenses	1,176,670.00	-	-
Less : Vat On Direct Cost	-	-	(35,278,392.07)
	342,085,817.84	229,795,974.66	403,588,539.17
13. OTHER OPERATIONAL INCOME			
Staff Loan Interest	107,321.49	76,971.89	92,230.84
Bank Interest	145,449.20	3,340,568.09	3,944,376.12
Other Income	4,425,393.75	281,000.00	572,467.20
Registration of Supplier	9,500.00	111,500.00	873,411.72
Artwork Charges	-	126,000.00	-
Translation Charges	80,000.00	-	-
Transport Charges	15,600.00	140,415.45	-
	4,783,264.44	4,076,455.43	5,482,485.88

For the year ended 31st of DECEMBER 2016 (in Sri Lankan Rupees)

	2016	2015	2014
	Rs.	Rs.	Rs.
14. Administrative Expenses			
Salaries & Wages	31,958,987.77	29,069,519.36	18,143,731.32
EPF	2,436,156.27	2,072,097.63	1,729,198.60
ETF	429,730.96	414,419.84	345,839.96
Staff OT & Bata	1,775,515.02	1,277,369.38	2,189,593.59
Telephone	515,270.46	382,777.86	498,026.48
Staff Welfare	793,292.59	506,004.59	1,873,981.52
Postage	38,141.00	37,375.48	43,135.00
Printing & Stationery	1,534,437.69	802,975.27	1,310,442.60
Audit Fee	110,000.00	192,120.00	250,000.00
Training Programme Chg	447,865.60	50,000.00	41,500.00
Vehicle Rent	780,000.00	1,140,000.00	585,000.00
Electricity	462,481.24	297,898.14	209,032.73
Bonus	680,500.00	720,000.00	720,187.00
Gratuity	2,534,524.27	1,566,953.64	1,130,377.29
Directors' Emoluments	647,483.33	1,187,364.28	676,275.00
Allowance - Chairman	1,500,000.00	-	-
Allowance - Contract Services	712,150.00	500,000.00	-
Allowances - Fuel	448,100.32	457,264.84	-
Allowances - Mobile	156,000.00	119,964.29	-
Allowance - Transport	560,000.00	-	-
Allowance - Trainees	652,133.00	329,989.25	-
Water Charges	156,927.90	76,334.02	92,331.76
Registration Fee	119,000.00	74,540.00	16,413.60
Repairs & Maintenance - Office Equipmen	81,088.00	350,300.00	1,094,668.00
Repairs & Maintanance - Office	96,466.00	217,653.39	335,866.80
Newspaper Expenses	60,492.00	64,975.00	70,370.60
Religious & Cultural	-	4,985.00	-
Social Welfare	75,500.00	59,897.00	295,146.86
Building & Cultural	1,842,062.04	1,842,062.04	2,302,577.55
Professional Fee	-	140,000.00	407,875.00
Consultancy Fee	-	15,000.00	-
wdrllall Security Services Expenses	1,151,172.00	657,600.00	-
Tender Fee	32,000.00	29,000.00	2,500.00
Translation Fee	261,500.00	137,350	37,200.00
Staff Insurance	1,451,568.31	1,282,879.58	2,105,263.72
Web Site Expence	17,920.00	25,450.00	5,850.00
Internet Charges	203,030.66	253,449.27	-
Foreign Travel	298,759.80	-	1,103,121.00

For the year ended 31st of DECEMBER 2016 (in Sri Lankan Rupees)

	2016	2015	2014
	Rs.	Rs.	Rs.
Board Meeting Fee	-	-	247,500.00
Accommodation	-	-	138,340.00
Advertising	-	-	241,600.00
Building Rent Expenses - National Film Corporation	3,780,000.00	3,780,000	3,150,000.00
Building Rent Expenses - Rajagiriya Office	565,390.32		
Cleaning Expenses	119,658.00	28,981.26	62,320.00
Computer Repair Expenses	118,041.11	37,178.89	27,450.00
Donation	453,199.56	68,000.00	165,000.00
Food Expenses	-	-	127,500.00
Cordinating Fee	170,900.00	-	-
Get-together	-	-	252,000.00
Gift Expenses	288,000.00	532,000.00	267,000.00
Printing Gallery Expenses	14,587.00	-	-
T shirts	-	-	49,720.00
Artwork Expenses	95,000.00	-	-
Office Expenses		-	943,164.38
Renewal Fee - Agreement	27,500.00	-	-
	60,652,532.58	50,801,729.30	43,287,100.36
15. DISTRIBUTING EXPENSES			
Fuel	837,935.89	861,068.32	1,196,220.65
Special Discount	12,467,591.92	10,111,720.38	-
Motor Vehicles Repairs and Maintenance	1,111,799.26	495,798.36	595,944.54
Travelling, Transport & Parking	215,143.96	75,921.74	582,242.07
Sales Promotion	85,630.00	31,630.00	66,500.00
Seles Commission	921,832.46	783,132.78	251,262.41
Insurance Loss	200,438.91	77,184.13	212,107.50
	15,840,372.40	12,436,455.71	2,904,277.17
16. Other Expenses			
Compensation to the Employees	350,000.00	-	-
Expenses - Rajagiriya	33,208.00	-	-
Sundry	322,722.55	-	163,516.67
Legal Fees	730,800.00	351,375.00	240,000.00
Other Expences	4,149,328.97	81,150.00	-
Surcharge Expences	6,510.20	-	-
	5,592,569.72	432,525.00	403,516.67

For the year ended 31st of DECEMBER 2016 (in Sri Lankan Rupees)

	2016	2015	2014
	Rs.	Rs.	Rs.
16. (1) Finance Cost			
Bank Charges	134,538.70	61,433.53	98,507.20
License & Insurance	15,157.48	18,276.17	-
Lease Interest	24,001.85	72,694.28	170,566.58
Retention Tax	7,287.42	-	-
	180,985.45	152,403.98	269,073.78
17. Depreciation			
Furniture & Fittings	181,293.13	153,490.70	161,512.00
Computer Equipment	763,162.80	690,976.00	735,979.00
Office Equipment	186,713.00	164,201.00	245,797.00
Motor Vehicles	1,567,164.80	1,567,164.80	1,567,165.00
Camera & Filming Equipment	1,098,850.60	1,083,546.60	1,173,779.00
Accounting Software	214,331.00	211,804.00	209,134.00
Network System	341,955.07	341,955.07	255,316.00
	4,353,470.40	4,213,138.17	4,348,682.00

18. (1) PROPERTY, PLANT & EQUIPMENT

	Balance as at 2016.01.01	Charge for the	(Disposals)/ (Error Correction)	Balance as at 2016.12.31
Furniture & Fittings	2,646,556.75	546,966.54	-	3,193,523.29
Computer Equipment	6,201,213.00	658,150.00	-	6,859,363.00
Office Equipment	3,315,793.00	387,405.88	-	4,303,198.88
Motor Vehicles	9,080,824.00	-	-	9,080,824.00
Cameras & Equipment	14,512,900.00	245,000.00	-	14,757,900.00
	35,757,286.75	2,437,522.42	-	38,194,809.17

19. (2) Depreciation

	Balance as at 2016.01.01	Charge for the	(Disposals)/ (Error Correction)	Balance as at 2016.12.31
Furniture & Fittings	1,264,975.70	18,293.13	-	1,446,268.83
Computer Equipment	4,358,794.43	763,162.80	-	5,121,957.23
Office Equipment	2,009,544.00	186,713.00	-	2,196,257.00
Motor Vehicles	7,182,257.80	1,567,164.80	-	8,749,422.60
Cameras & Equipment	6,973,115.60	1,098,850.60	-	8,071,966.20
	21,788,687.53	3,797,184.33	-	25,585,871.86
Net Book Value	13,968,599.22			12,608,937.31

For the year ending 31st of DECEMBER 2016 (in Sri Lankan Rupees)

18. (A) Intangible Assets

	Balance as at 2016.01.01	Charge for the	(Disposals)/ (Error Correction)	Balance as at 2016.12.31
Accounting Software	2,576,500.00	45,000.00	-	2,621,500.00
Network System	3,419,650.72	-	-	3,419,650.72
	5,996,150.72	45,000.00	-	6,041,150.72

18. (A) Amortization

	Balance as at 2016.01.01	Charge for the	(Disposals)/ (Error Correction)	Balance as at 2016.12.31
Accounting Software	887,762.75	214,331.00	-	1,102,093.75
Network System	597,271.07	341,955.07	-	939,226.14
	1,485,033.82	556,286.07	-	2,041,319.89
	4,511,116.90			3,999,830.83

19. Fixed Deposits

	2016	2015	2014
	Rs.	Rs.	Rs.
Bank of Ceylon - 742656	500,000.00	500,000.00	500,000.00
Bank of Ceylon - 73404	-	-	10,000,000.00
Bank of Ceylon - 73405	-	-	12,306,821.41
Pramuka Bank - 103009002920 (Sri Lanka Savings Bank)	-	-	-
Bank of Ceylon - 74798	-	-	12,135,172.00
Bank of Ceylon - 74401	-	-	26,000,000.00
Bank of Ceylon - 75021610	-	-	2,071,357.00
Bank of Ceylon - 76055217	-	-	15,000,000.00
Sri Lanka Savings Bank	398,200.00	398,200.00	398,200.00
	898,200.00	898,200.00	78,411,550.41

For the year ending 31st of DECEMBER 2016 (in Sri Lankan Rupees)

	2016	2015	2014
	Rs.	Rs.	Rs.
20. Trade & Other Receivables (21.1)			
Trade Debtors (20.1)	190,632,488.52	211,319,015.75	180,923,769.64
Festival Advance	271,500.00	203,000.00	141,500.00
Staff Loan	2,555,730.00	1,506,668.50	1,959,742.00
Salary Advance	21,000.00	21,000.00	21,000.00
Insurance Premium Receivable	224,731.81	103,866.72	-
Bank Guarantee	693,237.91	979,868.68	-
WHT	-	5,917,583.31	4,556,283.00
ESC	3,559,744.00	3,599,744.00	3,599,744.00
Upali Newspapers	10,695.00	10,695.00	10,695.00
ANCL	2,538,028.86	2,538,028.86	2,500,181.00
Wijaya Newspapers	188,650.74	188,650.74	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	1,312,000.00	110,000.00	200,000.00
Ceylinco Insurance	41,800.00	41,800.00	62,050.00
Bank Interest Income Receivable	39,819.68	25,300.00	5,643,127.41
Money Fraud by Employees (20.2)	11,988,000.00	11,988,000.00	-
Penalty & Surcharge Receivable	148,333.72	(10,036.10)	-
Sundry receivable	140,251.50	-	-
e-mansala Control Account	17,502.00	-	-
	214,490,075.74	238,609,747.46	211,844,889.05
20.1 Trade Debtors			
Trade Debtor As At 2016	200,012,425.52	221,300,161.52	188,505,962.64
Less :			
Provision for the Bad Debtors	9,379,937.00	9,981,145.77	7,582,193.00
	190,632,488.52	211,319,015.75	180,923,769.64

20.2 Financial Fraud perpetrated by employees

Police investigations are going on regarding obtaining of monies from Salacine by some employees of the Institute without any approval or authorization and steps will be taken to recover this money from parties concerned.

For the year ended 31st of DECEMBER 2016 (in Sri Lankan Rupees)

	2016	2015	2014
	Rs.	Rs.	Rs.
21. Deposits & Pre - Payments			
Vehicle Prepayments	-	-	65,000.00
Prepayments	1,944,593.80	752,235.75	-
	1,944,593.80	752,235.75	65,000.00
22. CASH & CASH EQUIVALENTS			
BOC - A/C No. 2323299	3,251,155.41	1,063,567.06	7,311,326.85
BOC Saving A/C No.2329765	1,662,698.51	5,798,251.57	6,988,582.86
Production Advance	2,090,853.00	1,595,626.00	373,100.00
Other Advances	1,554,710.00	228,500.00	175,000.00
	8,559,416.92	8,685,944.63	14,848,009.71
ACCUMULATED PROFIT / (LOSS)			
Balance B/F	98,854,157.55	82,161,327.11	35,066,160.63
Add: Write Off Opening Balances	98,854,157.55	82,161,327.11	35,066,160.63
less: Prior Year Adjustment 26	15,341,716.66	45,230,294.25	47,782,113.70
	83,512,440.89	127,391,621.36	82,848,274.33
Net Profit / (Loss) For the Year	(25,628,992.21)	(28,537,463.81)	(686,947.22)
	57,883,448.86	98,854,157.55	82,161,327.11
23. GRATUITY PAYABLE			
Balance B/F	6,930,220.29	5,490,466.65	4,430,647.00
ADD : Gratuity Expences for the year2,534,524.27	1,566,953.64	1,130,377.29	
	9,464,744.56	7,057,420.29	5,561,024.29
LESS : Gratuity Payment	824,788.00	127,200.00	70,557.64
Gratuity Payable	8,639,956.56	6,930,220.29	5,490,466.65

For the year ending 31st of DECEMBER 2016 (in Sri Lankan Rupees)

	2016	2015	2014
	Rs.	Rs.	Rs.
24. INTEREST BEARING BORROWING			
3. Mitsubishi L300 - Window Van - PD - 0578 750,405.18	1,092,193.03	1,376,515.00	
Less: Paid during the year	(365,789.48)	(341,787.85)	(284,321.97)
	384,615.48	750,405.18	1,092,193.03
Less: Transfer to Current Liabilities		-	(284,321.97)
Bank Of Ceylon Lease Installment	336,611.78	269,093.44	193,376.29
Bank Of Ceylon Lease Interest	24,001.85	72,694.41	90,945.68
	24,001.85	408,617.33	807,871.05
	-	(24,001.85)	(121,274.42)
Interest In Suspense	-	121,274.42	291,841.00
Paid during the year	(24,001.85)	(97,272.54)	(170,566.58)
	-	384,615.48	686,596.63
25. TRADE PAYABLE			
Trade Creditor	113,449,211.21	108,960,599.32	142,712,254.00
EPF	-	35,151.50	264,080.26
ETF	-	3,383.33	29,836.97
Staff OT & Bata	-	199,204.00	-
Sanasa Society	-	43,120.00	43,120.00
Phone	47,302.86	83,920.15	47,302.86
Water	-	11,373.62	67,609.26
Electricity	-	114,371.70	334,455.73
Sales Commission	110,000.00	-	-
VAT	19,311,617.86	19,507,924.21	83,799,396.74
NBT	14,703,471.72	13,376,476.63	12,306,863.92
Building Rent Payable	900,000.00	-	630,000.00
Audit Fee	172,500.00	70,000.00	2,880.00
Fuel	41,651.47	41,651.47	41,651.47
Other Creditors	4,061,815.30	293,212.65	327,498.00
Salary Control	-	143,960.83	-
Accrued Expenses	26,251,713.08	21,867,195.68	-
Lease Creditors	-	24,001.73	-
	179,049,283.50	164,775,546.82	240,606,949.21

For the year ended 31st of DECEMBER 2016 (in Sri Lankan Rupees)

	2016	2015	2014
	Rs.	Rs.	Rs.
26. (1) Prior Year Adjustment			
Correction of Penalties & Surcharge	70,249.81	-	-
Audit Fees	-	-	-
Correction of Bank Balance	-	328,901.43	60,460.12
Correction of Bank Interest Year 2014	(5,390.00)	98,200.00	-
Correction of Bank Interest Year 2015 (Provision)	-	(1,666,220.38)	-
Correction of Ledger A/C	(6,812,992.15)	-	-
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	(5,917,583.31)	769,773.96	-
Accrued Building Rent	(900,000.00)	-	270,000.00
Debtor Ad	(1,741,596.01)	(2,711,141.07)	11,118,356.10
Depreciation for the Previous years	-	371,765.82	-
Creditors	(34,425.00)	48,109,788.79	-
Advance	20.00	58,860.00	-
Vehicle Hire	-	(65,000.00)	-
	(15,341,716.66)	45,230,294.25	47,782,113.70

27. Building Repair Expenses

Arrangements will be made to settle expenses for repairs to buildings within five years as per the lease contract as repair expenses include items of Capital Expenditure as well.

28. RELATED PARTY DISCLOSURES (SLAS 30)

Name	Designation	Nature Of The Related Party transaction	Address
01. Shantha Bandara Jayawardana	Chairman	No	No.21, Ekwatta Road, Nugegoda.
02. Sanath Dharmarathne	General Manager	No	No.81, St.Xavier's Road, Ja-Ela.

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 2016.

Auditor General's Opinion of Financial Activites of year 2016



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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

CAS/D/SDI/06/16/104

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

11 April 2018

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 2016

The audit of financial statements of the Selacine Television Institute for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of financial performance, statement of changes in equity and cash flow statement 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 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.



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Auditor General's Department

1.3 Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those 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 the Selacine Television 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 2009 to register this Institute under the Companies Act as a Public Company under the name "Selacine 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 Selacine Television Institute as at 31 December 2016 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

Even though a van costing Rs.4,000,000 had been fully depreciated as the useful life of non-current assets had not been reviewed annually in terms of Sri Lanka Public Sector Accounting Standard 07, it was being further used. Accordingly, action had not been taken to revise the estimated error in terms of Sri Lanka Public Sector Accounting Standard 03. This motor vehicle had been depreciated for Rs.511,269 exceeding the cost thereof as at the end of the year under review and as such, the net value of assets had been understated by the same amount on 31 December 2016.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) A motor vehicle obtained at a cost of Rs.1,935,000 on 21 May 2013 had been brought to account as Rs.1,613,750 and as such, the value of the motor vehicle had been understated in the account by Rs.321,250 as at the end of the year under review. Moreover, expenditure on depreciation for the year under review had been understated by Rs.64,250 and retained profit, overstated by Rs.230,230 in the financial statements due to being depreciated on low cost since the year 2013.
- (b) A sum of Rs.598,230 payable to the Rupavahini Corporation had been deducted erroneously from trade debtors balance of the Institute and shown in the financial statements.



- (c) The financial fraud amounting to Rs.11,988,000 committed by the officers of the Institute had not been disclosed in the financial statements and instead, it had been erroneously classified and shown in the statement of financial position by adding to the trade and other receipts.

2.2.3 Unexplained Differences

The following observations are made.

- (a) According to the statement of financial position, the value of non-current assets as at 31 December of the year under review amounted to Rs.38,194,809. However, according to the schedule, that value had been Rs.35,146,357, thus indicating a difference of Rs.3,048,452.
- (b) According to the statement of financial position, the accrued expenditure as at 31 December of the year under review amounted to Rs.26,251,713. However, according to the schedules, that expenditure had been Rs.26,354,214, thus indicating a difference of Rs.102,501.
- (c) According to the statement of financial position, the trade debtors balance as at 31 December of the year under review amounted to Rs.200,012,426. However, according to the schedule, that balance had been Rs.201,303,503, thus indicating a difference of Rs.1,291,077.
- (d) Even though the balance payable to the Associated Newspapers of Ceylon Ltd. as at the end of the year under review had been shown as Rs.72,401,933 in the financial statements, the balance which was ascertained by financial statements of that Company had been Rs.65,817,229, thus indicating a difference of Rs.6,584,704.

2.2.4 Lack of Evidence for Audit

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



Item of Account -----	Value -----	Evidence not made available -----
	Rs.	
(a) Fixed Assets	29,113,985	Register of Fixed Assets
(b) Debtors Balance for the year 2016	6,611,743	Detailed Debtors Schedules Confirmation of Balances
(c) Economic Services Charge receivable	3,599,744	} Confirmation of Balances
(d) Balances receivable from the Associated Newspapers of Ceylon Ltd.	2,538,029	

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Letters of confirmation of balances had been called for 85 loan balances totalling Rs.161,333,844 out of 110 trade debtors balances of Rs.190,632,488 remained as at the end of the year under review. Out of that, replies had been received only for 13 debtors balances and only 3 balances valued at Rs.3,084,183 representing 1.9 per cent had reconciled. Further, six Government institutions exceeded the value from Rs.6 million to Rs.47 million for which Letters of Confirmation of Balances were called for, had not submitted confirmation of balances and this amount represented 50 per cent of the total trade debtors.
- (b) The said total debtors included the trade debtors balances of Rs.95,761,058 representing 50 per cent older than 2 years and loan balance of Rs.6,611,748 older than 10 years. However, action had not been taken to identify and recover those balances.
- (c) Even though a sum of Rs.4,143,949 had been indicated in the financial statements of the Institute as payables to the Rupavahini Corporation as at 31 December 2016, no values whatsoever had been indicated in the financial statements of the Rupavahini Corporation for the year 2016 as receivables from the Selacine Television Institute.



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- (d) The Value Added Tax of Rs.19,311,618 and Nation Building Tax of Rs.14,703,472 shown in the financial statements as at 31 December of the year under review were being brought forward continuously instead of remitting to the Department of Inland Revenue.

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations	Non-compliances
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 178(3)(b)	Even though Paying-in-Vouchers should be accompanied by documents and particulars for the confirmation of relevant payments, bills relating to the settlement of advances of Rs.1,813,508 made in 11 instances with regard to the Programme on “Diyawannawe Dina Dasadahasak”, had not been attached to the voucher.
(ii) Financial Regulation 371(2)(b) as amended by the Public Finance Circular No.03/2015 of 14 July 2015	<ul style="list-style-type: none"> • Even though an advance should be settled immediately after the completion of the purpose for which it is granted, sums totalling Rs.1,930,012 and Rs.1,370,000 granted as production advances and other advances in 13 and 3 instances respectively had not been settled even by 30 June 2017 by the Institute



- Even though advances should be limited to staff officers, advances of Rs.3,195,500 had been granted by the Institute to non-staff officers in 11 instances.
- An “Ad Hoc” Sub-Imprest should not exceed Rs.100,000 and in the instances of exceeding these financial limits, the Accounting Officer should obtain the prior approval of the Department of Treasury Operations with the recommendation of the Secretary to the Ministry concerned by presenting adequate matters to ascertain that requirement. However, the Selacine Institute had granted advances totalling Rs.5,468,508 ranging from Rs.197,500 to Rs.876,000 in 13 instances exceeding this limit without revising the said advances limits.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Institute during the year under review had been a net loss of Rs.25,628,992 as compared with the corresponding net loss of Rs.28,537,463 for the preceding year, thus indicating an improvement of Rs.2,908,471 in the financial result for the year under review as compared with the preceding year. Even though the direct expenditure of the year under review had increased by Rs.112,389,843 as compared with the preceding year, the increase of income by Rs.130,075,022 had been the main reason for the above improvement.



An analysis of the financial results for the year under review and the 2 preceding years revealed that the net loss which was Rs.686,947 in the year 2014 had increased to Rs.25,628,992 by the year 2016. Further in readjusting the employees remuneration and the depreciation for non-current assets to the financial result, the contribution of the Institute which was Rs.26,070,098 in the year 2014, had decreased to Rs.16,065,700 by the end of the year 2016.

4. **Operating Review**

4.1 **Transactions of Contentious Nature**

The Project on “Diyawannawe Dina Dasadahasak” had been planned by the President’s Special Media Unit to celebrate the completion of ten thousand days of parliamentary life of the President and further, the Selacine Institute had organized the Bodhi Pooja held at the Kelaniya Rajamaha Vihara on 02 October 2016 relating to the said programme. A sum of Rs.15,250,000 had been received by the Institute therefor from sponsors and a sum of Rs.11,084,197 had been spent for the said programme. The following matters were observed at the audit test check carried out on this expenditure.

- (a) Ten employees had been recruited on temporary basis to this Programme and a sum totalling Rs.430,000 had been paid thereon. According to the Letters of Appointment given relating to the said recruitments, it had been informed to report for duty on 01 July 2016. Nevertheless, the date of completion of the service, duty list, the period for which the proposed allowance should be given, had not been specifically mentioned therein. Moreover, number of days served or daily Attendance Register and Work Done Register for ascertaining the period relating to payments had not been maintained. As such, the relevant payments could not be satisfactorily vouched.
- (b) Two persons had been recruited for the posts of Marketing Instructor and Marketing Assistant of this Programme and sums of Rs.150,000 and Rs.5,000 each had been paid for them respectively. The requirement of creating these posts had not been explained to Audit.



- (c) In terms of the Letter of Appointment dated 27 June 2016, a person had been recruited as an Event Organizer with effect from 01 July 2016 and an allowance of Rs.30,000 had been paid in August 2016 without determining the service period specifically. Further, a sum of Rs.100,000 had been requested for as an agreed amount by the Letter dated 26 April 2017 for planning this programme on “Diyawannawe Dina Dasadahasak”. Even though it had been indicated that the relevant programme had been attached, a sum of Rs.50,000 had been paid therefor on the recommendation of the Event Manager without such a Programme or a written agreement for making those payments.
- (d) A sum of Rs.1,195,000 had been paid in the year under review for supplying electricity for the Bodhi Pooja Programme and the following observations are made in this connection.
- (i) Hand quotations had been obtained from two institutions and an estimate valued at Rs.545,000 had been submitted by one institution for performing other activities except for the illuminating of the stupa while an estimate of Rs.650,000 had been submitted by the other institution for performing the entire purpose. Accordingly, despite having the ability in getting the entire purpose performed by the institution from which quotations had been submitted for the entire purpose, it had been decided to perform the purpose of illuminating of the stupa from one institution and the other purposes from another institution. As such, an additional cost of Rs.45,000 had to be incurred.
- (ii) Instead of paying a sum of Rs.545,000 to the Chinthaka Electricals who had performed other activities except for the purpose of illuminating the stupa and only paying the estimated amount of Rs.150,000 to the New City Electricals who had performed only the purpose of illuminating the stupa, the total estimated amount of Rs.650,000 had been paid and as such, an over payment of Rs.500,000 had been made.



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- (iii) In terms of Guideline 8.9.3 of the Procurement Guidelines, a written agreement should be entered into for Goods and Services exceeding Rs.500,000. Nevertheless, a written agreement had not been entered into in performing the said purpose.
- (iv) In terms of Guideline 5.4.4 of the Procurement Guidelines, 20 per cent of the relevant value can be paid as mobilization advances on an acceptable advance payment guarantee. However, an advance of Rs.272,500 representing 50 per cent out of the estimated amount had been paid to the Chinthaka Electricals without obtaining any guarantee.
- (e) A sum of Rs.317,016 had been paid for printing of 30,000 posters without being determined the requirement and an evidence to acknowledge or to take over the said number of posters accurately or models of posters, had not been made available to Audit. A sum of Rs.292,000 had been paid to 4 persons therefor without confirming that those printed posters had been displayed.
- (f) Even though a private institution had purchased 75 institutional T-shirts at a rate of Rs.650 for the use of officers relating to the programme and a sum of Rs.48,750 had been paid to that institution, an officer of the Selacine Institute had not ascertained that the said stock of T-shirts had been received or taken over accurately.
- (g) According to the estimate No.WAS/PP/ICN/01 dated 01 August 2016 submitted by the Ceylon Electricity Board for supplying an Electric Generator, a sum of Rs.117,478 had been paid to the Board. Even though the payment made for this electric generator had been included in the expenditure of the Programme on “Diyawannawe Dina Dasadahasak”, a responsible officer had not confirmed that this service had been obtained to the relevant Programme.
- (h) An advance of Rs.500,000 obtained on 29 July 2016 by the Event Manager for the erection of Parabolic Huts, had been settled on 09 May 2017. In settling the advances, a Letterhead of a private institution had been attached by indicating that this amount had been paid to that private institution for providing fresh floral decorations and 5,000 red roses to the Kelaniya Rajamaha Vihara. However, it was observed at the physical verification



carried out on 18 September 2017 that the said private institution does not provide fresh flowers or make decorations and that the relevant supplies had not been made for the said religious activity held at the Kelaniya Rajamaha Vihara in the year 2016. Further, the name of the payee had not been mentioned in the Form General 35 prepared for the sum of Rs.500,000 paid to that institution.

- (i) Even though all Goods received by the Institute should be entered in the Inventory Book immediately upon receipt in terms of Financial Regulation 751(1), Goods valued at Rs.1,455,381 relating to 4 items obtained for this Programme, had not been entered in the Inventory Book.

4.2 Irregular Transactions

The building in which the Selacine Television Institute is functioned, is owned by the National Film Corporation and that building was obtained on rental basis for a period of 5 years since the year 2013. Despite having informed that no repairs or additions whatsoever should be made without a written approval of the lessor in terms of paragraph 7 of the Lease Agreement, repairs valued at Rs.9,293,750 had been carried out by the Institute in the year 2014 without the approval of the owner of the building and requests had been made to set off that expenditure against the rent of the building. However, the National Film Corporation had not allowed it. As such, it had been decided to account the said expenditure under non-current assets as expenditure on buildings and to write off within 5 years and a sum of Rs.1,842,062 had been written off against the profit of the year under review.

4.3 Management Activities

The Institute had not taken disciplinary action in terms of Section 5.3 of Chapter XLVII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka even up to the end of the year under review against the officers who are responsible for the financial fraud of Rs.11,988,000 committed by the officers of the Institute in the year 2014 due to weak financial management, weaknesses in internal control and failure in implementing the internal audit systematically.



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4.4 Staff Administration

The approved permanent and temporary cadre of the Institute as at 31 December 2016 stood at 31 and 39 respectively. The actual cadre had been 69 comprising 15 permanent employees and 54 temporary employees. The following observations are made in this connection.

- (a) Despite having vacancies for the approved posts, 33 persons had been recruited to 32 non-approved posts. These officers had been recruited to service within a period ranging from 2 years to 29 years and out of them, 8 persons had been made permanent. However, action had not been taken to obtain the approval from the Department of Management Services and Salaries and Cadre Commission for these posts as per the requirement of the Institute.
- (b) Sixteen employees had been recruited on contract basis to 10 posts belonging to the approved cadre. Out of them, an officer who had been recruited to the post of Assistant Photographer had been made permanent without the approval by the end of the year under review.
- (c) The number of employees belonging to the 17 approved permanent and contract based posts stood at 41 and out of them, 33 had been vacant since the years 2013 and 2014. However, action had not been taken to recruit new staff to those posts or to make permanent the officers who were deployed in the service on contract basis, by formulating Schemes of Recruitment.
- (d) Even though the Department of Management Services had given instructions by the Letters No.DMS 1595 referred to the Selacine Institute on 15 October 2014 and 02 June 2016 to formulate the Schemes of Recruitment and to obtain the approval therefor, action had not been so taken even by July 2017, the date of audit.



- (e) The service period of 39 employees who had been recruited to approved and non-approved posts on contract basis, had expired on 30 September 2017 for a period from 01 month to 4 years. However, they had been deployed continuously in service without extending or terminating their service period. The total of the salaries and allowances paid to them relating to the said period had been Rs.33,097,313.

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 Draft Annual Report and financial statements should be presented to the Auditor General and copies thereof, to the Ministry concerned and the Department of Public Enterprises under the General Treasury within 60 days after the close of the year of accounts. Nevertheless, the financial statements for the year ended 31 December 2016 had been presented to the Audit by the Selacine Institute only on 11 August 2017 with a delay of 180 days.

5.2 **Tabling of Annual Reports**

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, Annual Reports from the year 2003 to the year 2008, had not been tabled in Parliament.

6. **Systems and Controls**

Deficiencies 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.



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Areas of Systems and Controls

Observations

(a) Accounting

Failure to furnish relevant ledger accounts and the related information to enable obtaining the particulars of transactions.

(b) Internal Audit

Failure to strengthen the Internal Audit Unit by attaching suitable staff to enable the identification of weaknesses in the internal control and the changes to be made.

(c) Debtors and Creditors Control

Failure to maintain records to enable obtaining correct information on due date in the manner required.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M. Gamini Wijesinghe
 Auditor General

Response to Auditor General's Report 2016

Clarifications regarding the Auditor General's Report on the Financial Report of Salacine Television Institute for the year ending 31st December 2016.

1.4) Establishment of the Institute

Much effort has been taken to obtain legal provision for this Institute and after coming under the purview of the Ministry of Finance and Mass Media a Cabinet Paper was submitted to make this a State Owned Limited Liability Company and Cabinet approval for same has been forwarded to the Ministry of Finance. Presently talks are being held with the Treasury and the Institute expects a speedy solution in the near future.

2.2) Expression of opinion regarding the Financial Statement

2.2.1) Standards of Accounting

Amount of Rs. 511,269/- that has been deducted as excess depreciation has been corrected by adjusting with the profit brought forward.

2.2.2) Short-comings in Accounting

- a. By an oversight, the value of vehicle No. KV9374 has been shown in the vehicle schedule as Rs. 1,935,000/- which includes VAT and its duty free value is Rs. 1,613,750/-. It is shown correctly in the Final Accounts.
- b. Rs. 598, 230/- that has to be paid to the Institute by Rupavahini Corporation is shown in the Final Accounts of the Corporation for 2016 differently and arrangements are made to obtain information to settle the matter speedily.
- c. I mention here that a financial fraud amounting to Rs. 11,988,000/- perpetrated by an official in 2014 is shown in the 2016 Financial Statement under Note No. 20.2. As this amount is an amount Receivable, it is shown in the Balance Sheet as a Current Asset.

2.2.3) Unreconciled accounts

- a. For clarifications relating to this, mistake made in the vehicle schedule has been corrected.
- b. According to the Final Accounts accrued expenditure has been shown as Rs. 26,251,713/- . Apart from that an amount of Rs. 772,500/- is shown as amount payable as Audit fees. Audit fees payable for the previous year is Rs. 70,500/- . Accordingly extra amount payable is Rs. 102,500/- . Inclusive of this amount I mention that the Audit Fees are mentioned as Rs. 172,500/- .
- c. The difference of Rs. 1,291, 077/25 between the amount shown in the debtors' final account and the Debtors' List is due to the fact that when an amount of money is received from a debtor, that amount is deducted from the Debtors' List and shown. Details of such deductions are shown in the schedule I have sent you.
- d. The difference of Rs. 6,584,703/84 between our accounts and certified audited accounts of Associated News Papers of Ceylon Ltd. as the amount payable to them has arisen due to the fact that money has not been received from the Ministry of Mass Media for the newspaper advertisements regarding CHOGAM functions. As ANCL has not informed these amounts have been written off, these amounts will continue to be shown as receivable.

2.2.4) No evidence for auditing

- a. Arrangements will be made to send to you the List of Fixed Assets
- b. The amount of Rs. 6,611,743/11 pointed out by you relates to the letter sent to the Treasury through the Ministry of Mass Media to obtain approval to write off debt balances of the Institute.
- c. These debt balances have been forwarded to the audit of that year for certification.
- d. The matter regarding monies due from ANCL as pointed out by you will be looked in to and the records will be corrected.

2.3) Accounts Receivable and Accounts Payable

- a. When obtaining guarantees from debtors, all debtors are notified in writing to furnish their certified balances. All steps will be taken to obtain sufficient number of replies and arrangements will be made to notify to relevant parties to reply letters of the Institute. Arrangements will be made to write separately to the Head of relevant Institutions regarding letters sent to them. In this way it is hoped to receive more confirmation.
- b. The amount of Rs. 6,611,743/11 pointed out by you relates to the letter sent to the Treasury through the Ministry of Mass Media to obtain approval to write off debt balances of the Institute.
- c. As pointed out by you the matter regarding the difference in the amount due from this Institute to Rupavahini Corporation and the amount shown as payable in the audited final accounts of Rupavahini Corporation will be looked in to and to furnish necessary information.
- d. Arrangements will be made to send you the schedule regarding With-holding Tax and the schedule regarding Nation Building Tax.

2.4. Conformity to Management Decisions and rules and regulations

- a. i) As pointed out by you, arrangements will be made to send the details and supporting documents for below mentioned payments. These have not been attached to payment vouchers as required by Section 178(3) ii of Financial Regulation.

15.08.2016 – President – Rivira Newspaper – Relevant Advertisement File included
– Rs. 240,592/-

15.08.2016 – Upali Newspapers - Relevant Advertisement File included – Rs. 241536/-
08/094 – Lake House – do – Rs. 203,796/-
08/095 – Vijaya Newspapers – do – Rs. 618,464/25
08/096 – Lanka Newspapers – do – Rs. 490,620/-

30.12.2016 – The vehicle number pointed out by you should be corrected as KV9374.

Carrying out official duties regarding this Religious Ceremony, it was ordered to provide vehicle facilities to persons engaged in duties connected with this ceremony. For this Ceremony at Kelaniya, a vehicle belonging to this Institute had been employed for the use of persons engaged in duties pertaining to this event. Due to excessive work-load at that time no written approval had been given and approval had been granted verbally.

30.12.2016 – Rs. 2,000/- for fuel had been an expenditure incurred in the course of carrying out duties regarding this ceremony and officers concerned had failed to obtain the number of the hired vehicle. All officers have been instructed to note down the relevant vehicle number in such circumstances in the future.

Mobitel Institution.

071-8078388 was the mobile telephone number of ex-Chairman of Salacine Mr. Thusitha Jayawardene. With regard to this Ceremony, this telephone had to be repeatedly used. As telephone facilities were not readily available in the vicinity of the Ceremony, a number of suppliers, sponsors officers of the Institute had to be allowed to use this telephone to get many calls to faraway places. Due to this reason the monthly allocation for telephone usage was exceeded. As the telephone was used for the Religious Ceremony, the relevant Committee decided to re-imburse part of the cost of the telephone bill to the Chairman.

30.12.2016. – CWE – Homagama. – This is also an expenditure incurred by officers in the course of duty pertaining to the Religious Ceremony at Kelaniya and due to pressure of work, it had been omitted to take down the number of the vehicle. The relevant officers have been informed to take proper notes in such situations.

30.12.2016. – Mr. Lalith is the officer responsible for all printing work of the Institute. His services were required for the designing of promotional material for this ceremony. The responsibility for advertising work was also turned over to him as a solution to the absence of Mr. Athula Andradi who was the head of Audio Visual Department. In the course of their work for this event they had to stay in office beyond midnight and on such occasions due to lack of official vehicle facilities, a private three-wheel was used to send them home. Verbal approval was granted on such occasions.

- a) ii) I wish to put on record that the production advance of Rs. 1,930, 012/- and other advance of Rs. 1,370,000/- mentioned in this letter have now been settled. Therefore, the advance schedule of this Institute is now confirmed as settled.
- * According to the Section 371(2) iii of Financial Regulations, when an advance is released for some work, it must be given to a Staff Officer. But in this Institute, there is only the General Manager, Accountant and Administration Officer that fall in to this category. Except for the Event Manageress in the Event Management Division, there is no other responsible Staff Officer in the Institute. As this Ceremony, which was held for His Excellency the President, had to proceed smoothly, there was no other alternative but to give the required advances to officers connected to this event.
 - * According to the Section 371(2) ii revised by Circular No.3/2015 of 14th July 2015, maximum amount that can be leased as advance is Rs. 100,000/-. But in the process of carrying out duties dictated by the work of Salacine, sometimes it becomes unavoidable not to exceed this limit. Especially in Event Management, as the work has to be concluded within a very short period of time, advances have to be released to relevant officers. As a solution to this situation, according to the before-mentioned Circular, a letter has been forwarded to the Secretary of the Ministry of Mass Media and Parliamentary Reforms to forward a request to the Treasury Operations Department in the Ministry of Finance with the recommendation of the Secretary of the Ministry of Mass Media and Parliamentary Reforms.

3. Financial Review

3.1. Financial Results

In the year 2016 the Financial Result was a net loss of Rs. 25,628, 992/- and compared to the previous year which saw a net loss of Rs. 25,537, 463/- which is a reduction of Rs. 2,908,417/- in the net loss in the year 2016. This was due to the increase in the Sales volume in 2016 by Rs. 130 million over the previous year, increase in the gross profit by Rs. 17.8 million and effectively putting in to operation the plans taken to increase sales of the Institute. More attention will be paid in the future to increase profit by minimizing administrative costs of the Institute.

4. Operations review

4.1 Controversial Transactions

The programme “Diyavannave dina dasa dahasak” is a project designed and planned by the then Chairman of Salacine Mr. Thusitha Jayawardene according to a concept of the Secretary of the Ministry of Mass Media and Parliamentary Reforms Mr. Nimal Bopage –Attorney-at Law, to commemorate the completion of His Excellency the President’s ten years in politics. This project was organized under the complete approval and blessing of His Excellency the President. This programme was planned to be held at every place of worship (Buddhist/Catholic/Hindu/Muslim) in the island. As enough competent personnel were not available in the institute, the governing authorities decided to recruit on a temporary basis people capable of carrying out such responsible work. Due to the busy schedule of the President, it was not possible to know in advance the exact date of commencement of the programme and therefore the higher management had taken steps to issue appointment letters of these persons without date of termination, carrying only the date of appointment of 01st of July 2016.

- a) It is the nature of Event Management especially where island wide religious ceremonies such as these are held to allocate duties according to rank as the situation demands. As it is practically impossible to maintain lists of duties, allocation lists, arrival and departure lists in such a situation when the organizing duties in faraway places in this island-wide programme had been allocated to various officers, the higher management had taken steps to obtain all required information and to carry out supervision through the coordinating network.
- b) Although this was a Buddhist event, it was organized as a programme consisting of many events in different parts of the island. His Excellency the President had reiterated that government funds should not be used to meet the expenses incurred for this programme. Therefore it was proposed to obtain contribution from the public for the necessary funds. For this it was essential to recruit someone with close rapport with the business community and this is the appointment regarding which you had made the query. Monies due to them had been paid after satisfying that their work has been successfully done.
- c) Taking into account the duties and responsibilities allocated to Mr. Saman Rathna Thilaka who was the Event Manager in this instance, a cheque was first arranged to be issued for Rs. 30,000/-. Reconsidering the amount of work he had done on the recommendation of the Event Manageress the governing authority had taken steps to cancel this cheque for Rs. 30,000/- and issue a cheque for Rs. 50,000/- after obtaining the necessary approvals.

- c) Two organizations have forwarded quotations to supply illumination to the Kelaniya Raja Maha Viharaya.
- | | |
|-------------------------|-----------------|
| Chinthaka Electricals – | Rs. 545,000/- |
| New City Electricals – | Rs. 650,000/- |
| | Rs. 1,195,000/- |
- i. This work had to be allocated to different organizations as one organization had to be allocated only one job of work.
- ii. A complaint had already been made to the Fraud Bureau. Investigations under way.
- iii. Due to the pressure of work at that time no written contact had been possible to be drawn up. In future, activities as these will be supported by written agreements as per laid down Procurement Code.
- iv) It was made necessary by the refusal of the supplier to furnish a security for the advances and the fact that this work had to be completed expeditiously.
- d) Arrangements have been made for you to receive the samples of the relevant advertisements. These affairs had to be done expeditiously and monies were paid on their proper receipt by the Event Manageress.
- e) The Officer who bought these 75 T-shirts has certified for their receipt and a copy of same has been arranged to be sent by you.
- f) The payment made to the Electricity Board is for a Generator and it has informed by the Event Manageress. The payment has been already effected.
- g) A complaint has been received by the Fraud Bureau regarding this and investigations are under way.
- h) Out of these items, a printer valued at Rs. 22,500/- has been inventoried and a copy of the inventory will be sent to you. As other items are frequently used items such as Banners, Notices, T-shirts, arrangements have been made to enter them in to the Stock Book.

4.2 Irregular Transactions

With the approval of its owner the Government Film Corporation, the Salacine Authorities at that time had taken steps to bear the cost of bringing the building Salacine presently occupies to suitable condition. As the capital expenditure would be spread over more than one year, steps have been taken to spread this expenditure over the period of lease of the building.

4.3 Management Activities.

An internal Disciplinary Inquiry has been instituted regarding the Financial Fraud that took place due to the weaknesses in the Institute's Financial Management. The officers concerned have been removed from the services of the Institute.

4.4. Staff Administration

- a) According to a decision taken by the Board of Directors, a casual substitute labourer has been employed. Past Chairmen and Boards of Directors have taken no steps to make this labourer permanent and the present Board of Directors including the Chairman have already advised the relevant officers to amend the relevant procedures again and make this employee permanent. I expect to complete this matter very soon. I will inform you after all such recruitments are sorted out and regularized.
- b) It is kindly informed that no such recruitments have been made.
- c) Please refer to a). and b).
- d) As informed by the letter No. 1595 Management Service Department the present Chairman already given the necessary instructions to officers concerned to reconstitute the recruitment procedure.
- e) Past Chairmen and Boards of directors have not taken any steps to extend the period of contract of the staff and salaries were paid on the recommendation of the Managers in charge of relevant divisions. Officers have been given necessary instructions to extend the contract period of the staff.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

In future arrangements are made for Financial Statements to be presented as per PED/12 and according to the Section 6.5.1. of the Circular on Public Enterprises dated 02.06.2003

5.2 Tabling of Annual Reports

Arrangements have been made to hand over to the Ministry of Finance and Mass Media the Accounts Reports of 2014 and 2015 which so far had not been presented, to be tabled in Parliament. Arrangements are being made to send the Accounts Report of 2016 as soon as the Tamil and English translations of it are received from the Auditor General. Arrangements will be made to make it possible to table the earlier Accounts Reports in Parliament.

6. Systems Controls

a). Accounting

As pointed by you, steps will be taken to properly present related details regarding Ledger Accounts.

b). Internal Audit.

Steps will be taken in the future to second a suitable office staff and to erase the short-comings in the Internal Audit Division.

c). Control of Debtors and Creditors

Necessary steps will be taken to prepare reports in such a way to obtain accurate information quickly to settle debit balances on time.



Uma Rajamanthre
Chairperson
Salacine Rupavahini Institute



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