

Sri Lanka Broadcasting Corporation

Annual Report & Statement of Accounts

From 01st January 2011 to 31st December 2011

**Hon. Minister of Mass Media & Information,
Ministry of Mass Media & Information,
Colombo – 05.**

Hon. Minister,

Annual Report – 2011

In terms of Section 14 (i) of the Finance Act No. 38 of 1971, I have the honour to forward herewith, on behalf of the Corporation –

1. Administration Report of the Corporation for the year from 01-01-2011 to 31-12-2011
2. Statement of Accounts of the Corporation for the year from 01-01-2011
3. .to 31-12-2011
4. Report of the Auditor General on the Accounts of the Corporation for the year ended 31-12-2011
5. Comments of the Corporation on the Report of the Auditor General.

Yours faithfully,

Hudson Samarasinghe

Chairman

Sri Lanka Broadcasting Corporation

Colombo – 07

Sri Lanka Broadcasting Corporation

Vision

Fulfilling the pioneering Public Service Broadcasting obligations
in the Sri Lankan media field.

Mission

Carrying out radio broadcasting in such a manner as to improve the quality of life of the listeners by way of developing their skills, knowledge and attitudes relating to various fields such as economic, social, cultural, ethical, educational and entertainment

Objectives

1. Continuing to function as the broadcaster maintaining the highest listenership for Sinhala, Tamil and English radio channels.
2. Continuing to function as the premier broadcaster that provides reliable, balanced, information promptly in attractive formats.
3. Producing and presenting high quality, creative programmes for the advancement of indigenous culture.
4. Providing essential training to develop a self-motivated workforce with ample skills, knowledge and attitudes.
5. Updating our production and transmission technology appropriately to provide a clear, strong broadcast output to local and overseas listeners.
6. Functioning as the pioneering institution to foster a meaningful broadcast media culture conforming to a Code of Ethics.
7. Contributing creatively as the national radio network to inform the public about the implementation of State policies and development programmes.
8. Maintaining optimum financial management as well as human resource management.
9. Winning the competitive market strategically.

Administrative Report – 2011

Introduction

This annual report is presented for the 12 months' period from 01st January 2011 to 31st December 2011. The Board of Directors of the Corporation during this period was as follows,

- | | |
|---------------------------------|-------------------------|
| 1. Mr. Hudson Samarasingha | Chairman |
| 2. Dr. Harischandra Vijethunga | Member |
| 3. Mr. Kumaradhasa Saputhanthri | Member |
| 4. Mr. Manoj Peries | Member |
| 5. Mrs. Darshana Senanayake | Treasury Representative |

Administrative Report

The SLBC engaged in broadcasting activities in 2011 through 07 National channels, 06 Regional channels and 02 Community Radio channels with a view to rendering its services as the pioneer radio broadcasting network of Sri Lanka.

The SLBC's mission is to uplift the living conditions of its audiences in different fields that directly affect their lives, such as economic, social cultural, moral, educational and entertainment.

In the year 2011 priority was given to the aim of accomplishing a national mission by improving the knowledge, attitudes and skills of the public.

Having maintained 4 radio channels in 04 different languages targeting foreign countries, the SLBC has been able to win the hearts of the international audience.

The Programme Divisions, i.e. Sinhala Swadeshiya Sevaya, Tamil National Service, Sinhala Commercial Service, City FM, Thendral, English Service, Middle East Service, Vidula, Time Radio, Music Unit, Sport Unit, Religious Programme Unit, News and Current affairs Unit, Presidential Unit, have designed different programmes to accomplish the above mentioned mission preserving our national identity in cultural, political, and religious contexts. The Divisions such as Administrative, Central Operational, Finance, Transport, Audit, Reception, Marketing and Training are functioning as programme supportive services of SLBC.

In the reviewed year, the Swadeshiya Sevaya has broadcast Dhamma sermons and many other programmes to accomplish the national mission.

Among the programmes broadcast on the Swedeshiya Sevaya were Isiwara Asapuwa, Diviyata Saviyak, Sandya Sevaya, Sitha Nivana Budu Bana, Subharathi, Govithenata Payak and Use of Internet Resources were of particular significance.

The Sinhala Commercial Service (Velanda Sevaya) sold air-time through sponsored programmes such as Tharu Atharata Tharuwak, Uruma Rakimu Diya Surakimu, Pehebara Lama Lowak, Laksapathiyo, Wananthare Kathandare, Anudaheraya, Nethrapuja, Meth Karuna, Muwanpalassa, Ruwan Landak, Suwabara Diviyak.

The musical programme “Tharu Atharata Tharuwak” highlighting musical talents of professionals from various fields, and organized by the Sinhala Commercial channel in collaboration with City FM, became the most popular promotional programme in 2011. This program created an opportunity for the professionals who were at the top levels in their respective fields and it paved the way to maintain contacts with intellectual audiences.

The Tamil National Service programmes such as Vidiyam Welli, Kavithai, Kalasam Muthamalar, Pen Ulagam, Siruwa Malar, and other drama programmes became highly popular. In addition, Tamil National Service had broadcast different programmes marking nationally and internationally important days.

With the aim of rendering a pioneering service in Sri Lanka’s commercial broadcasting field, the Commercial Service (Velanda Sevaya) given priority to commercial programmes, allocated more space for advertisements and introduced new programme formats to clients in the reviewed year. In a series of programmes designed to felicitate veteran media personnel, the ceremony held in appreciation of veteran radio comedian Bertie Gunathilaka is worth special mention in the year 2011.

Vidula children’s channel and the Education Service, in collaboration with Swadeshiya Sevaya, have broadcast different programmes for children daily from 2.00pm to 6.00pm.

In the Thendral Service, the airtime from 07.00 to 09.00 a.m. was allocated to broadcast current information with news value. Thendral also produced and broadcast special programmes containing international news and special events in 2011. International Women’s Day, World Health Day, Peace Day, Adults’ day, World Children’s Day,

Teachers' Day, World AIDS day were significant among them. Special programmes on Ramzan, Thai Pongal, National Day, Siva Ratri Pooja, Haj, Deepavali and Christmas were broadcast on the Thendral Service.

The English Service has also produced daily and weekend programmes featuring special days in the year as well as outstanding personalities. Special programmes have also been presented highlighting development programmes to be implemented from year 2011 up to year 2016 by the Government. Many musical programmes have also been broadcast daily. Christmas programs, programs introducing musical groups, musical programmes featuring performances by Army, Navy and Air Force orchestras, and "chart show" programmes have also been broadcast in 2011.

Programmes such as "Thelive", "Our school", "Short stories", "Uravalam", "Nabhi moligal", Nurviham, Nuruliklam imanjaree were some of the sponsored programmes, broadcast over the Muslim Service.

Corporation's Sports Unit has made enable to transmit a series of sports programmes of national importance such as inter-school premier leagues series, one-day cricket match West Indies Vs Sri Lanka, Inter school annual cricket series, IPL cricket series, Sri Lanka Vs England cricket match , Football World cup 2014, Caltex Baby Care, Mahaweli Sports Festival, Sri Lanka Vs Australia cricket match, Gajaba Super Cross, Sri Lanka Vs Pakistan Sri Lanka Vs Africa Cricket match and Cricket series in Sharja.

'Fisheries Radio' presents a sponsored live radio transmission named 'Sayura' from 1200 am to 0400am via City FM. Several special programmes for Poya days as well as nationally and internationally important days, have also been broadcast on this channel. with the aim of fostering new talents of light song artistes, the National Service has broadcast "Subahavitha Geethaya" - a programme which has won high acclaim from the audiences.

The News and Current Affairs Division broadcast 40 news bulletins in all three languages per day. "Puwath Senakeliya" and "Puwath Atuwawa" were newly introduced programmes in 2011. Additionally, an SMS news alerts service, called 'SLBC News' has been launched in 2011 in collaboration with Mobitel. The aim of the News and Current Affairs Division is to present accurate and true information in accordance with the Government policy.

The special duty of the Presidential unit of the Corporation is to give media coverage for special occasions in which His Excellency the President takes part and to give required media coverage for other special occasions. Providing reports on 66th UN General Assembly in which his Excellency the President participated and giving media coverage for the opening of the Norochhole Coal power plant, the opening ceremony of Southern Expressway and the opening ceremony of Nelum Pokuna Mahinda Rajapaksha Theatre are specific examples in this regard.

An income of Rs. 31,619,866.00 has been earned through business by the Marketing Division, showing a growth of Rs. 5,117,578.00 over the previous year.

The Audience Research Unit has conducted a survey on reception for the year 2011. It has been reported that the reception conditions of all the services are weak and it should be improved speedily. Evaluation of programmes broadcast on all Sinhala radio channels has been done during the year under review.

the Training Institute implemented 17 programmes for the development of human resources of the Corporation. Among them, 15 programmes are long term ones. 7 courses have been conducted on an income-generating basis for external candidates by the Training Division. Total income earned from them is Rs. 2,250,850.00.

During the previous year, the Engineering Division implemented various projects to maintain the transmission system and other technical aspects. Among these, installing a 5 ton air conditioning system for the Head Office, introduction of automatic computer system (Automation) for the English Commercial service, making the facilities available to download the songs owned by the Corporation through a payment system, renovation activities of the Aniwatte workers' quarters and Ambewela Circuit Bungalow, updating the studio equipment, completion of the infrastructure for the Computer Unit of the Corporation, installing a new 48-channel console for the Ananda Samarakoon Studio, installing new technical equipment to recording musical programmes for Studio 10 are some of the specific examples in this regard.

Statement of Accounts – 2011

BALANCE SHEET
As at 31st December 2011

<u>Assets</u>	Notes		31.12.2011		31.12.2010
			Rs.		Rs.
<u>Non Current Assets</u>					
Property, Plant & equipment	8		823,519,652		837,078,001
Capital work in progress		9,148,693			
Investment in Lanka Puwath Ltd.	9	1,000,000	10,148,693	1,000,000	1,000,000
<u>Current Assets</u>					
Inventories (Consumable)	10		29,111,669		26,757,117
Debtors - sale of Air Time (Less: Provision for bad debts.)		168,681,587 (70,091,476)	98,590,111	196,203,459 (58,186,429)	138,017,030
Staff Loans, Advances Goods in Transit	11		33,105,549		41,128,538
Miscellaneous debtors	12		37,031,571		45,091,131
Other Deposits			9,847,582		9,422,582
Cash, Bank Balances & Deposits on call	13		145,935,186		94,344,635
			353,621,668		354,761,033
Total Assets			1,187,290,012		1,192,839,033
<u>Equity and Liabilities</u>					
<u>Capital & Reserve</u>					
Capital		307,386,085		307,386,085	
Capital Reserve		3,900,003		3,900,003	
Revaluation Reserve		14,421,999		14,421,999	
Revenue Reserve		49,415,938	375,124,025	13,001,061	338,709,148
			375,124,025		338,709,148
<u>Non Current Liabilities</u>					
Provision for Gratuity	14	151,574,555		154,469,646	
Deferred Income (Japan Grant)	15	102,461,821		109,213,811	
Government Grant	16	242,646,076		248,767,202	
Lease Account (Motor Vehicles)	17	39,835,192		16,671,355	529,122,014
			536,517,644		529,122,014
<u>Current Liabilities</u>					
Creditors - Sales of Air Time	18	85,768,444		124,497,945	
Miscellaneous Deposits (Refundable)		10,166,348		9,575,202	
Lease Account (Motor Vehicles)	17	10,722,324		4,496,426	
Accruals, Advances & Sundry creditors	19	168,991,227		186,438,298	325,007,871
			275,648,343		325,007,871
Total Capital & Liabilities			1,187,290,012		1,192,839,033

Chairman
SLBC

Board of Director
SLBC

D.D.G.(Finance)
SLBC

INCOME STATEMENT

For the year ended 31st December 2011

	Notes	31.12.2011		31.12.2010	
		Rs		Rs	
Revenue	1		550,961,883		504,636,711
<u>Add</u>					
Other operating income	2		305,834,543		319,085,118
Gross Revenue			856,796,426		823,721,829
<u>Less</u>					
Distribution Cost	3	68,643,211		56,560,161	
Administration Expenses	4	444,285,521		443,392,433	
Operating Expenses	5	302,056,195		275,986,153	
			814,984,927		775,938,748
Profit (Loss) before finance cost			41,811,499		47,783,081
<u>Less</u>					
Finance Cost	6	5,396,622	5,396,622	9,762,213	9,762,213
Profit/Loss before Taxation			36,414,877		38,020,868
Taxation					
Profit/Loss after Taxation			36,414,877		38,020,869
Balance B/F from previous year			13,001,061		(25,019,808)
Balance Carried Forward			49,415,938		13,001,061

CASH FLOW STATEMENT

For the year ended 31st December		2011		2010
Cash flow from operating activities				
Net profit before interest and tax		36,414,877		38,020,869
Adjustment for				
Provision for Income (Nivahana & Others)				
Amortization of government grant	(90,443,516)		(93,452,441)	
Effect on exchange rate			(117,752)	
Depreciation	79,385,878		77,949,423	
Provision for gratuity	6,071,359		3,566,675	
Provision for bad debts	12,055,788		2,446,712	
Profit/ Loss on disposal of assets			(2,343,665)	
Lease Interest	3,436,439		3,335,651	
ESC	6,513,529	17,019,478	5,779,257	(2,836,140)
Operating profit before working capital				
Increase/ Decrease in Other deposits	(425,000)		(1,715,666)	
increase/ Decrease in inventories	(2,354,552)		60,353,671	
Increase/Decrease in Debtors	27,371,130		(13,907,014)	
Increase/ Decrease in Staff loan, advance, GIT	8,022,990		1,139,175	
Increase/ Decrease in Mis. Debtors	8,059,560		(5,826,541)	
Increase/Decrease in Creditors	(38,729,501)		7,250,552	
Increase/Decrease in mis. deposit(refundable)	591,146		4,810,233	
Increase/Decrease in Accruals, advances and sundries	(23,960,601)	(21,424,828)	10,477,924	62,582,334
		32,009,527		97,767,063
Gratuity paid	(8,966,450)		(22,849,690)	
ESC Paid		(8,966,450)	(2,405,681)	(25,255,371)
Net cash from operating activities		23,043,077		72,511,692
Cash flow from investing activities				
Government Grant	77,570,400		100,000,000	
Sale of assets	-		2,343,665	
Purchase of property, plant and equipment	(28,577,529)		(131,739,965)	
Payment of lease rental	(11,296,704)		(7,072,842)	
Capital work in progress	(9,148,693)			
Net cash used in investing activities		28,547,474		(36,469,142)
Cash flow from finance activities				
TWR Loan repayment	-		(3,193,908)	
Net cash from finance activities		-		(3,193,908)
Net Increase/ Decrease in cash and cash equivalents		51,590,551		32,848,642
Cash and cash equivalents at beginning of period		94,344,635		61,495,993
Cash and cash equivalents at end of period (note 13)		145,935,186		94,344,635

Statements of Changes in Equity

For the year ended 31st December,2011	Stated Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	Accumulated Profit/Loss Rs.	Total Equity Rs.
Balance as at 1st January,2010	307,386,085	3,900,003		(25,019,808)	286,266,280
Profit/Loss for the year				38,020,869	38,020,869
Balance as at 31st December,2010	307,386,085	3,900,003	14,421,999	13,001,061	338,709,148
Profit / Loss for the year				36,414,877	36,414,877
					-
Balance as at 31st December,2011	307,386,085	3,900,003	14,421,999	49,415,938	375,124,025

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 2011

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

1.3 Date of Authorization for Issue

Financial Statements of Sri Lanka Broadcasting Corporation for the year ended 31st December 2011 was authorized for issue on 05th April 2012

1.4 Number of employees

The number of permanent employees at the end of the year was 821 and the number of Contract staff at the end of the year was 33.

(31.12.2010 – 861)

2.0 SUMMARY OF SIGNIFICANT ACCOUNTING

2.1 General polices

Basis of preparation

The Balance Sheet, Statement of Income, Changes in Equity, Cash Flow, together with Accounting policies and Notes, (“Financial Statements”) of the Sri Lanka Broadcasting Corporation as at 31st December 2011 and for the year then ended, comply with the Sri Lanka accounting standards.

These financial statements presented in Sri Lanka Rupees had been prepared on a historical cost convention.

2.2 Comparative Information

The Corporation has consistently applied accounting polices and is consistent with those used in the previous year. Previous year’s figures have been restated wherever necessary to confirm to the current year’s presentation.

2.3 Foreign currency transaction

All transaction involving foreign exchange is converted in to rupees at the rate of exchange prevailing at the time such transactions were arisen. All assets and liabilities denominated in foreign currency at the balance sheet date are converted at exchange rates prevailing on that date. Any gain or losses resulting from conversion is dealt with in the income statement

2.4 Taxation

(a) Current taxes

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provision of the **Inland Revenue Act No: 38 of 2000 and amendments there too**. The Corporation is entitled to income tax rate 35% on the profit derived from the income.

(b) Deferred taxation

Deferred taxation is provided on the liability method .The tax effect of all temporary differences, which occur where items are allowed for income tax purposes in a period different from that when they are recognized in financial statements is included in the provision for, deferred taxation at effective rates of taxation.

Deferred tax assets are recognized for all deductible temporary differences and carry-forwarded of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax loses can be utilized. The carrying amount of deferred tax assets is review at each balance sheet date and reduced by the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the differed tax assets to be utilized.

2.5 Events occurring after the Balance sheet date

All material events occurring after the Balance sheet date are considered and where appropriate adjustments or disclosures had been made in the financial statements.

2.6 Borrowing cost

Borrowing cost are recognized as an expenses in the period in which they are incurred.

2.7 Inventories

Consumable inventories are stated at the purchase price. Provision is made where necessary, for obsolete, slow-moving and defective inventories.

3. Valuation of Assets and their measurement bases

3.1 property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

The cost of property, plant and equipment is the cost of purchase or construction together with any expenses incurred in bringing the assets to their working condition or for its intended use.

Any subsequent expenditure incurred is capitalized only when it increases the future economic benefits of property, plant and equipment. All other expenditures are charged to income.

Any revaluation surplus is credited to the revaluation reserve include in the equity section of the balance sheet, except to the extent that it reverse a revaluation decrease of the same asset previously recognized in profit or loss, In which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except that a deficit directly offsetting a previous surplus on the same assets is directly offset against the surplus in the asset revaluation reserve.

3.2 Depreciation

Depreciation is calculated on a straight line basis. The depreciation rates of the assets are estimated as follows:

Name	Depreciation Rates
Building	2.5%
Plant and Machinery	7.5%
Musical Instrument	10%
Motor vehicles	25%
Furniture, fixture and Equipment	10%
Record Tapes	33.33%
Audio Frequency	7.5%
Transmitters	7.5%
Computer Equipment	50%
Loose Tools	50%

The Assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

3.3 (a) Leases

Finance Leases

Property, plant & equipment on finance leases, which effectively transfer to the corporation substantially all of the risk and benefits incidental to the ownership of the leased item are capitalized at their cash price and disclosed as Property, plant & equipment and depreciated over the period the corporation is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve constant rate of interest on the remaining balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense accounts. The interest element of the rental obligations applicable to each financial year is charged to the statement of income over the period of the lease-using sum of digits method.

The cost of improvements to or on leasehold property is capitalized, disclosed as leasehold improvements, and depreciated over the unimpaired period of the lease or the estimated useful lives of improvements, whichever is less.

3.4 Trade and other receivables

Debtors and other receivables are stated at the values estimated to be realized after providing for bad and doubtful debts.

3.5 Cash and Cash Equivalents

The Cash Flow Statement has been prepared using the indirect method. Cash and Cash Equivalents are defined as cash in hand, demand deposit in banks and short-term highly liquid investments. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, deposits in banks, short-term highly liquid investment and outstanding bank overdrafts.

4. Liabilities and Provisions

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

4.1 Trade and other Payables

Trade and other Payables are stated at the cost.

4.2 Capital Commitment and Contingencies

Capital commitment and Contingencies of the corporation have been disclosed in the respective notes to the accounts

4.3 Retirement Benefit Obligations

4.3.1 Defined Benefit Plan- Retiring Gratuity

Gratuity is a defined benefit plan. The Corporation is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the balance sheet, in a manner computed using the prescribed formula in appendix E of SLAS 16 (revised). The resulting difference between brought forward provision at the beginning a year, net of any payments made and the carried forward provision at the end of a year is dealt with in the income statement. The principle assumptions used were as follows:

Discount rate	11.00 %
Expected Salary increment rate	5.00 %
Staff Turnover rate	1.00 %

The gratuity liabilities is funded nor actuarially valued. This item is grouped under Non Current Liabilities in the Balance Sheet.

4.3.2 Defined contribution plans- Employees Provident Fund contribution and Employee's Trust Fund.

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

4.3.3 Government Grant

Government grant, which is recognized in the financial statements only upon receipt, are initially shown in the balance sheet under non-current liabilities & deferred income. Payments made are claimed against the grant and the amount unutilized is shown in the balance sheet.

Grant related to property, plant & equipment are allocated to income in a systematic basis over the straight line basis of the property, plant & equipment as follows.

Name	Amortization Rates
Building	2.5%
Plant and Machinery	7.5%
Motor vehicles	25%
Furniture, fixture and Equipment	10%
Record Tapes	33.33%
Audio Frequency	7.5%
Transmitters	7.5%

5. Income statement

5.1 Revenue and Expenses

5.1.1 Turnover

The turnover of the corporation represents the invoice value of sale of airtime

5.1.2 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the corporation and revenue can be reliably measured. Gains or losses of a revenue nature on the disposal of Property, plant and equipment are accounted in the income statement.

Interest income is recognized on accrual basis.

Other income is recognized on accrual basis

5.1.3 Expenditure Recognition

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

1. All expenditure incurred in the running of the business and in maintaining the Property, plant & equipment in a state of efficiency have been charged to revenue in arriving at the profit/loss for the year.
2. For the purpose of presentation of income statement, the boards of directors are of the opinion that function of expenses method presents fairly the elements of the corporation's performance, and hence such method is adopted.

6. Related party transactions

There are no related party transactions during the period of these financial statements.

Name	Designation	Related party Transaction
Mr. Hudson Samarasinha	Chairman	No
Dr. Harischadra Wijethunga	Board Member	No
Mr. Kumaradasa Saputhanthri	Board Member	No
Mr. Manoj Pieris	Board Member	No
Mrs.Dharshana Senanayake	Treasury Member	No
Mr. Samantha Waliveriya	Director General	No
Mr. Erananda Hettiarachchi	Add. Director General	No

Notes to the Financial Statement

1. Revenue

	2011	2010
Sale of Air Time- Asia Service	21,019,372	31,560,998
Sale of Air Time- T.W.R.	108,358,419	114,901,933
Sale of Air Time- Local Service	362,623,878	309,676,854
Production Charges - Local Service	4,326,631	4,051,097
Obituary Notices	5,150,847	5,635,647
Sale of Air Time- BBC	19,799,800	22,945,756
Sale of Air Time- FEBA	2,783,599	1,618,728
Sale of Air Time- Family Radio	26,899,336	14,083,197
City & Guilt Course Fees		162,500
	550,961,883	504,636,711

2. Other Income

	2011	2010
Sale of Corporation Publications	186,278	56,039
Interest on Loans & Others	4,390,808	3,436,783
Miscellaneous Income (Other)	43,185,345	25,059,337
Fines from Advertising Agents for Returned Cheque	35,647	22,950
House Rent	6,100	6,310
Income from Circuit Bungalow - Niwahana & Ambewella	821,463	702,168
Special Recording	228,575	169,194
Radio deutsche welle Lease Hire & Service Charges	32,939,172	31,719,960
Penalty for Late Licensing	39,375	1,954
Licensing of Importers, Dealers, Assemblers & Repairers of Radio Receivers	5,272,545	2,048,525
Sale of Cassettes	13,273,234	10,046,408
Fine Account	12,487	19,384
Govt. Grant for License Fees	115,000,000	150,000,000
Sale of Land		2,343,665
Amortization of government Grant & Japan Grant	90,443,516	93,452,441
	305,834,543	319,085,118

2.1 Rs. 115 million received from the government as grant in lieu of radio licence

3. Distribution Cost

	2011	2010
Commission on Sale of Air Time (Local)	48,059,774	44,028,961
Commission on Sale of Air Time (Foreign)	2,710,307	4,539,790
Urgent Scheduling Fees	27,000	31,625
Provision for bad and doubtful debts	12,055,788	2,446,712
Royalties Expenses	2,193,550	(230,720)
Business Promotion expenditure	3,596,792	5,743,792
	68,643,211	56,560,161

4. **Administrative Cost**

	2011	2010
Allowances - Chairman & Members of the Cur	660,000	570,000
Salaries, Wages & Allowances	293,820,836	291,910,275
Contribution to EPF & ETF	51,392,952	51,208,540
Overtime to Staff	18,468,549	17,229,266
Relief Staff	47,299,762	45,921,218
Emoluments to Contract Staff	4,344,670	4,368,448
Staff training Charges (Local)	65,000	1,073,825
Travelling and Subsistence-(Foreign & Local)	2,156,871	1,615,040
Holiday pay	2,719,072	3,599,764
Gratuity	6,071,359	3,566,675
Entertainment by Chairman	450,525	410,521
Entertainment by Director General	174,221	152,156
Welfare	2,363,039	3,696,177
Medical Service	344,243	298,227
General Charges	3,445,350	3,975,253
Rent Rate & Taxes	6,187,604	5,280,673
Insurance	562,051	1,683,579
Audit fees	500,000	600,000
Legal Fees	2,760,998	2,524,978
Publications & Periodicals	459,635	561,342
Penalty for Gratuity, Courts case & Other etc.	38,783	3,146,478
	444,285,521	443,392,433

4.1 The Corporation had incurred Rs. 1,063,962.00 in respect of broadcasting of obituary notices of relatives staff members for the year 2011. These notices were broadcast in accordance with the approved scheme in force. This was practice adopted by the corporation every year.

4.2 Pending Legal Cases

There are ten pending Court Cases against the Sri Lanka Broadcasting Corporation for the year 2011 to date as indicated below.

One case is pending at Supreme Court. There are three cases pending at Court of Appeal including as appeal filed by the Corporation to set a side judgement of the D.C. Case No: 23089/MR –re awarding Rs. 10,000,000/- with legal interest for the plaintiff of the D.C. Case.

Three cases, requesting reinstatement with wages and compensation are at Labourer Tribunal.

One Case is pending at the Magistrate Court, and two cases are hearing at the Labour Department Arbitration.

5. **Other Operating Cost**

	2011	2010
Programme Expenditure	5,249,348	4,154,828
Contribution to Outside Broadcasting Organizations	482,496	478,296
News Service & News Summaries	1,382,395	1,225,953
Advertising and Publicity	763,932	6,901,399
Electricity and Power	129,729,088	105,460,213
Postage, Telegrams & Telephones (I) to (ii)	9,294,402	10,625,152
Printing & Stationery	5,715,345	5,124,905
Motor Vehicle running expenses	9,448,491	8,905,074
Repairs and Maintenance of Broadcasting equipment	7,819,275	14,084,933
Repairs and Maintenance of Musical Instruments	228,565	24,878
Repairs and Maintenance of Furniture fix & fittings	911,375	603,619
Repairs and Maintenance of Building & Garden	17,961,832	7,282,015
Depreciation	79,385,878	77,949,423
Private Security Service	119,000	169,000
Cassettes expenditure	2,578,493	1,647,381
Vehicle hiring Charges	17,712,537	22,901,863
Higher of Satellite Fees	6,468,860	2,500,000
Economic Service charges	6,513,529	5,779,257
Stamp duty	97,476	167,966
Radio frequency Charges	193,878	
	302,056,195	275,986,153

6. **Finance Cost**

	2011	2010
Bank Charges	550,728	619,607
O.D. Interest	1,271,393	5,847,394
Debit Tax	7,698	34,176
Gain/(Loss) on Exchange	76,127	(117,752)
Credit Card Commission	54,238	43,137
Lease Interest	3,436,439	3,335,651
	5,396,622	9,762,213

7. Income Tax Expenses

	2011	2010
Accounting Profit/Loss	36,414,877	38,020,869
Add		
Disallowable items		
Depreciation	79,385,878	77,949,423
Provision for bad debts	12,055,788	2,446,712
Provision for Gratuity	6,071,359	3,566,675
Entertainment	624,746	562,677
Amortization of Gove. Grant	(90,443,516)	(93,452,441)
Economic Service Charges	6,513,529	5,779,257
Provision for Niwahana income and others		
	14,207,784	(3,147,697)
Less		
Allowable expenses		
Capital Allowance	69,330,240	60,841,480
Lease Rental	11,296,704	7,072,842
Gratuity payment	8,966,450	22,849,690
Government Grant	115,000,000	150,000,000
	204,593,394	240,764,012
Taxable profit/loss	(153,970,733)	(205,890,840)
Tax losses brought forward	2,033,659,405	2,239,550,245
Total tax losses carried forward	2,187,630,138	2,033,659,405

The Corporation is liable for income tax at the rate of 35% on profit derived from the income. However no provision had been made in these financial statements on account of income taxes in view of adjusted tax of the Corporation.

8.

8.1 Property Plant and Equipment

Gross Carrying Account	Balance as at 01.01.2011	Additions/ Transfers	Disposals/ Transfers	Balance as at 31.12.2011
At Cost	Rs.	Rs.	Rs.	Rs.
Land	7,713,229	51,006		7,764,234
Building	166,255,546	1,773,929		168,029,475
Plant & Machinery	564,073,238	6,879,092		570,952,330
Musical Instruments	6,673,090	150,350		6,823,440
Motor Vehicles	11,416,000	882,000		12,298,000
Furniture, Fixtures & Office Equipment	126,346,117	3,232,528		129,578,645
Records & Tapes	24,513,921	16,110		24,530,031
Audio Frequency	843,632,752	12,312,365		855,945,117
Transmitters	1,267,232,187	313,154		1,267,545,341
Computer equipment	24,053,195	2,945,599		26,998,794
Library Books	428,815	5,518		434,333
Loose Tools	91,555	15,880		107,435
	3,042,429,645	28,577,529	-	3,071,007,174
sets on finance leases				
Motor Vehicles	26,996,999	37,250,000		64,247,000
	26,996,999	37,250,000		64,247,000
Total	3,069,426,644	65,827,529	-	3,135,254,174

8.3

Depreciation	Balance as at 01.01.2011 Rs.	Charge for the period/ Transfers Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2011 Rs.
Building	100,478,646	3,774,616		104,253,262
Plant & Machinery	454,885,236	5,614,484		460,499,720
Musical Instruments	6,457,490	59,418		6,516,908
Motor Vehicles	4,498,312	14,345,687		18,843,999
Furniture, Fixtures & Office Equipment	84,403,487	7,754,469		92,157,956
Records & Tapes	24,477,058	29,731		24,506,789
Audio Frequency	662,583,847	17,563,725		680,147,572
Transmitters	875,220,636	25,714,596		900,935,232
Computer equipment	19,266,333	4,516,745		23,783,078
Loose Tools	77,599	12,406		90,006
Total	2,232,348,644	79,385,878	-	2,311,734,522

8.4

Net Book Values	2011 Rs.	2010 Rs.
At Cost		
Land	7,764,234	7,713,229
Building	63,776,213	65,776,900
Plant & Machinery	110,452,610	109,188,002
Musical Instruments	306,532	215,600
Motor Vehicles	57,701,001	33,914,688
Furniture, Fixtures & Office Equipment	37,420,688	41,942,630
Records & Tapes	23,242	36,863
Audio Frequency	175,797,546	181,048,905
Transmitters	366,610,109	392,011,551
Computer equipment	3,215,715	478,682
Loose Tools	17,429	13,956
Library Books	434,333	428,815
Total	823,519,652	837,078,001

9. **The corporation invested Rs. One million in Lanka Puvath Ltd.**10. **Inventories**

	2011	2010
Stationary & office equipment	424,038	392,374
Radio & electrical sets	687,162	228,952
Motor spares	664,307	735,235
General spares	2,064,070	1,776,415
Inventory stocks control account	6,124,608	6,215,155
Diesel & power	1,796,966	705,128
Cassettes & CD's	7,353,807	6,707,148
Sub stores-Ekala	9,996,710	9,996,710
	29,111,669	26,757,117

11. **Staff Loans, Advances and Goods in Transit**

	2011	2010
Goods in transit	3,418,863	12,768,174
Loans to Staff	7,110,048	7,967,217
Other advances to staff	17,348,663	15,741,171
Staff Debtors E.P.F.	336,863	347,181
Payments in advance	34,441	259,661
Advance payment to Suppliers	4,851,670	4,045,134
Salaries & wages advance A/C	5,000	
	33,105,549	41,128,538

12. **Miscellaneous Debtors**

	2011	2010
Sundry Debtors	600,707	11,662,464
Dishonoured Cheques	3,313,119	3,088,437
P.M.G.current a/c - Obituary notices	7,937,460	7,936,123
Death Donation a/c		91,690
Branch Account with Lakhanda	12,807,862	12,807,862
G.S.T. Control Account	237,267	109,575
With Holding Tax	(8,767)	(124,962)
P.M.G. Current A/c Radio License fees	195,700	195,700
Suspense A/c	221,965	221,965
Suspense A/c (Shroff)	281,110	111,808
Suspense A/c (ME Azam)	5,713,250	5,713,250
Payment in advances (compensation)	350,000	350,000
Differed income	5,381,898	2,927,219
	37,031,571	45,091,131

13. **Cash and Bank Balances**

	2011	2010
Bank of Ceylon - Matara	32,971	642,329
People's Bank International Division	19,752,934	8,619,388
Bank of Ceylon - Torrington - 265	7,672,004	(9,364,327)
State Bank of India	391,678	3,434,090
Bank of Ceylon - Anuradhapura	-	426,449
Bank of Ceylon - Kandy	329,470	1,131,992
Nation's trust Bank	5,065,546	1,892,810
Bank of Ceylon - Torrington -307	7,578,136	1,724,483
Bank of Ceylon - Torrington -316	478,197	120,695
Cash Imprest	633,565	607,055
Bank of Ceylon - Torrington 339	10,091,277	190,479
Bank of Ceylon - Madras	76,896	76,896
Commercial Bank - Duplication Rd.		254,129
Bank of Ceylon - Kothmale		215,908
Saving A/c (BOC) Torrington	75,841	72,872
Bank of Ceylon - Torrington -014(Sanasuma)	322,147	350,443
Margin A/c	2,704,188	2,704,188
Fixed Deposit	90,730,336	81,242,200
Bank of Ceylon - Yaldevi		2,557
	145,935,186	94,344,635

14. **Retiring Gratuity**

	2011	2010
Opening balance	154,469,646	173,752,661
Provision for the year	6,071,359	3,566,675
Payment made during the year	8,966,450	22,849,690
Closing balance	151,574,555	154,469,646

15. **Japan Government Grant**

	2011	2010
Opening balance	109,213,811	116,490,680
Amortisation for the year	(6,751,990)	(7,276,869)
Closing balance	102,461,821	109,213,811

16. **Government Grant**

	2011	2010
Opening balance	248,767,202	236,406,383
Add- Received during the year	77,570,400	100,000,000
Amortisation (Grant) for the year	(81,834,726)	(86,175,572)
Amortisation (Defferd Exp.) for the year	(1,856,800)	(1,463,609)
Closing balance	242,646,076	248,767,202

17. **Finance Leases**

	2011	2010
Finance Leases (Motor Vehicles)	27,666,386	1,086,668
Add during the year	43,950,060	33,652,560
	71,616,446	34,739,228
Lease Rental	11,296,704	7,072,842
	60,319,742	27,666,386
Less lease Interest suspense A/c	9,762,226	6,498,605
	50,557,516	21,167,781
Currant Liability	10,722,324	4,496,426
Non Currant Liability	39,835,192	16,671,355

18. **Creditors**

	2011	2010
Sale of air time-	84,419,798	123,252,859
Sale of air time- local (Rajarata Sevaya)	1,033,748	1,058,558
Sale of air time- local (Ruhunu Sevaya)	11,884	341
Sale of air time- local (Kandurata Sevaya)	303,014	67,334
Sale of air time- local (Kothmale)		118,854
	85,768,444	124,497,945

19. **Accruals, Advances & Sundry Creditors**

	2011	2010
National Security Levy	15,007,806	15,007,806
Accrued Expenses	81,743,830	72,875,501
E.P.F.	2,693,445	2,432,225
Save the Nation Fund	(12,418)	(12,418)
Unclaimed Salaries & Wages	490,014	549,546
PAYEE Tax	97,392	187,603
Creditors Control A/C		(259,552)
Sundry Creditors	1,395,000	3,900,000
Sundry Creditors (Unclaimed cheques)	10,000	
National Defense Fund	2,835	2,835
With Holding Tax	(30,106,015)	(27,074,350)
ME's Security Deposit	160,704	138,427
VAT Control A/c	27,717,437	28,390,268
Provision for taxation (ESC)	39,188,442	32,674,912
Humanitration Assistant A/c" Tsunami"	322,147	350,443
Nations Building Levy	13,943,301	6,246,930
Radio Deutsche Welle	16,337,306	51,025,565
Construction of Railway Yaldevi		2,557
	168,991,227	186,438,298

**Report of the Auditor General on the
Accounts of the Corporation for the Year
Ended 31st December – 2011**

The Chairman

Sri Lanka Broadcasting Corporation.

Report of the Auditor General on the Financial Statements of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2011 in terms of Section 14(2)(c) of the Finance Act No. 38 of 1971

The audit of financial statements of the Sri Lanka Broadcasting Corporation comprising the balance sheet as at 31 December 2011 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 27 of the Sri Lanka Broadcasting Corporations Act, No. 37 of 1966. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14(2)(c) of the Finance Act, appear in this report. A detailed Report in terms of Section 13(7)(a) of the Finance Act was furnished to the Chairman of the Corporation on 18 July 2012.

1:2 Management's Responsibility for the Financial Statements

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

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. 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 judgments, 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 Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary power to the Auditor General to determine the scope and extent of the audit.

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

1:4 Basis for Qualified Opinion

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

2. Financial Statements

2:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Broadcasting Corporation as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2:2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations were made.

Reference of Sri Lanka Accounting Standards	Non- compliance
-----	-----
(a) Standard No. 18	The Value Added Tax imposed on the value of motor vehicles which had been purchased on leasing basis amounting to Rs. 4,536,904 had been added to the cost of vehicles brought to accounts as against the standard. As such the value of assets and the leasing creditors had been overstated by that audit
(b) Standard No. 36	The arrears of gratuity to be paid to the officers who had retired since 2006 amounted to Rs. 11,756,859. A provision for this liability had not been made in the final account as at 31 December 2011 as per the standard.
(c) Standard No. 5	Slow moving stock items of Rs. 545,800 included in the stock balance of the Head Office had been included in the closing of CDS and cassettes in the final accounts as at 31 December 2011, contrary to the standard

2:2:2 Accounting Deficiencies

The following observations are made.

- (a) Leasing income on antenna towers received for the preceding year and the ensuing year amounting to Rs. 3,220,000 and Rs. 6,188,300 respectively had been brought to accounts as the income of the year

under review. As such the profit had been overstated by the total amount of Rs. 9,408,300. Similarly a sum of Rs. 8,808,300 received in the year 2010 and 2012 in respect of the year under review had not been taken to revenue.

- (b) An aid of Rs. 1,425,250 received during the year under review had been credited to the sundry expenses account instead of accounting as revenue.
- (c) Due to over computation of amortization for the year under review by Rs. 12,056,089, other income and the capital grants had been overstated and understated respectively in the accounts. Further, the amortization of Rs. 1,463,609 relating to the Karagathenna Road Development Project had been omitted from accounts.
- (d) Pre – receipt income of Rs. 1,050,000 received for the year 2012 from giving the Ambewela Land to the employees of the Corporation for cultivations had been included in the sundry income account in the year under review, instead of accounting as income received in advance.
- (e) As the supplies advance of Rs. 3,836,035 and the settlement of supplies advance totalling Rs. 1,472,547 had been posted under employees advance account balance and the staff advance balance had been understated and overstated by Rs. 2,363,487 respectively.
- (f) Although the Value Added Tax on motor vehicles and luxury motor vehicles could not be set off against its input tax, an Input Tax of Rs. 2,074,671 on 3 motor vehicles purchased by the Corporation had been set - off against its Output Tax.
- (g) Sales income of air time amounting to Rs. 1,102,714 relating to the year 2010 had been brought to accounts as revenue for the year under review.

2:2:3 Unreconciled Control Accounts

The following differences were observed.

- (a) An understatement of Rs. 36,825,724 between the final account balances and schedule balances relating to 10 accounts and an overstatement of Rs. 7,074,790 between three accounts were observed

No.of Accounts	Total Balances as per Accounts	Total Balances as per Schedules	Difference
-----	-----	-----	-----
	Rs.	Rs.	Rs.
10	47,964,616	11,138,892	36,825,724
03	10,422,788	17,497,578	(7,074,790)

- (b) Differences ranging from Rs. 8,508,390 to Rs. 10,218,636 between the staff advance accounts and the schedules provided there on presented in the accounting years from 2007 to 2011 were observed. The difference of these balances had been changed from year to year.

2.2.4 Suspense Accounts

The total value of 3 suspense account balances amounted to Rs. 6,216,325 and it include an unidentified cash balance of Rs. 221,965 within a period of 21 years. The reply of the Chairman in this regard confirmed that all these had arisen due to frauds.

2.2.5 Accounts Receivable and Payable

The following observations are made.

- (a) Debtors valued at Rs. 28,466,498 had been written-off without the recommendation of the Department of Public Enterprises and the approval of the Secretary to the Ministry. Instead of setting-off the local debtor balance of Rs. 14,126,933 by identifying the individual debtors and creditors balances it had been set-off and written-off against the creditors balance as a total.
- (b) The total air time debtors balance as at 31 December 2011 amounted to Rs. 168,681,587 out of which total local and foreign debtors (except regional services debtors) amounted to Rs. 162,446,187. A sum of Rs.

27,938,880 out of them 5 to 10 years and a sum of Rs. 40,543,639 or 25% had remained outstanding for more than 10 years.

- (c) A sum of Rs. 7,495,430 receivable from a Sales Executive had not been recovered.

2.2.6 Lack of Evidence for Audit

The following observations are made.

- (a) Transactions valued at Rs. 10,398,636 relating to two accounts and assets value at Rs. 3,078,360,981 relating to 2 accounts could not be satisfactorily vouched/ verified in audit due to non-availability of schedules, auction particulars and physical verification reports.
- (b) Un-replied Audit Queries
-

Out of the audit queries relating to the year under review, replies for 17 queries were not received. The value of transactions relating to those queries was about to Rs. 3,164,623,589.

2.2.7 Non-compliance with Laws, Rules, Regulations etc.

The following non-compliances with laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
--	----------------

(a) Non-compliance with Acts

- | | |
|---|---|
| (i) Section 13(2) of the Finance Act No. 38 of 1971 | Audit fees relating to the expenditure incurred on audit should be paid to the Auditor General but the audit fees for the period from 2005 to 2010 totalling Rs. 3,039,362 (including taxes) had not been paid even up to 31 July 2012. |
|---|---|

(ii) Payment of Gratuities
Act No. 12 of 1983

In the computation of gratuity paid to officers who had retired since the year 2006, only the basic salary had been taken in to consideration as salaries or wages.

(b) Treasury Circulars

No. 842 of 19 December 1978

A register of fixed assets as per form General 287 in respect of accounting fixed assets and a fixed assets ledger as per form General 288 had not been maintained.

(c) Financial Regulations

(i) F.R. 135

Financial Authorities in collecting revenue and incurring expenditure had not been delegated.

(ii) F.R. 371(2)(b)

A sub - imprest at a time should not be given in excess of Rs. 20,000 but such advances had been given up to Rs. 7,013,614 in 168 instances in excess of Limit.

(iii) F.R. 371 (2)(c)

Advances totalling Rs. 3,424,174 had been given to 16 officers who were not in staff position Further, a lot of money up to a maximum of Rs. 1,110,100 had retained in the hands of officers for more than 01 year without being settled when the purpose for which advance had been given was completed.

2.2.8 Transactions of Contentious Nature

Despite a lease license was not received for the lands belonging to Nuwaraeliya and Badulla Districts 13.57 hectares in extent, 8.1 hectares had been leased out to 13 Corporation employees at Rs. 2,000,000 per year.

3. Financial Review

3:1 Financial Results

The operation of the Corporation for the year under review had resulted in a pre-tax net profit of Rs. 36,414,877 as compared with the pre-tax net profit of Rs. 38,020,868 for the preceding year thus showing a decrease of per-tax profit by Rs. 1,605,991.

Decrease in the receipt of recurrent grants by Rs. 35,000,000 during the year under review had been the main reason for this decrease.

4. Operating Review

4:1 Performance

The following observations are made.

- (a) Even though performance reports from 21 divisions of the Corporation had been requested for audit purposes. Only the reports of 14 divisions were received out of them except for Training division performance of other divisions had not been reported in a manner enabling to compare with the action plan.
- (b) In comparing the activities expected to be carried out according to the action plan in the Training division, with information presented as performance in the year 2011, the actual activities performed had been different from activities stated in the action plan.
- (c) Although a Hearing Test division is in existence there were no reports to ensure whether such tests had been carried out.

4.2 Management Inefficiencies

The following observations are made.

- (a) In order to collect dues amounting to Rs. 2,149,202 the individual debtor balances (advertisement charges) from Rs. 4,614 to Rs. 387,187 action had been taken to send letter of demands by paying a legal fee of Rs. 58,000. However, legal action had not been taken in respect of debts amounting to Rs. 6,582,208 recoverable from 4 marketing executive/ clients outstanding from 2005 to 2009.

- (b) It was observed that none of the goods purchased and issued to each section from the main stores during the years 2009, 2010 and 2011 had been included in the Board of Survey reports for the year 2011. Accordingly, the physical verification had not been properly carried out or the goods issued in the years 2009, 2010 and 2011 were not physically available in those division

4.3 Operating Inefficiencies

The following observations are made.

- (a) The committee officers had recommended to sell 177 types of unserviceable items on 20 May 2011 at a minimum value of Rs. 98,000 and again this stock with a stock of scrapped iron had been revalued at a lower value of Rs. 22,500 and a sum of Rs. 180,000 had been received from sale of these items.

- (b) Action had not been taken to regularize the inefficiencies such as non-maintenance of updated inventory books, non-reconciliation of books non-updating and maintain of registers each divisions in the Head Office, and in regional service offices as pointed out in the Board of Survey reports for the year under review.

4.4 Idle and Under Utilized Assets

Is non-maintenance of coconut cultivation properly at Ekala Transmission Station premises in an area of 1 ½ acres a lesser yield was received. Further a land to the extent of 18 acres had remained idle

4.5 Uneconomic Transactions

The following observations are made.

- (a) Any investment income whatsoever had not been received on investment of Rs. 01 million made in the Lanka Puwath Ltd in the year 1993 and action had not been taken to even get back the invested money.
- (b) Leasing expenditure for the motor vehicle purchased in the name of the corporation and subsequently purchased for obtaining leasing facilities in the year 2009 had to be incurred Rs. 181,296 more than the leasing of other 2 vehicles in the year 2011.

4.6 Weaknesses in the Contract Administration

The following observations are made.

- (a) The Sri Lanka Broadcasting Corporation had awarded the supply and installation of a Central Air-conditions System Project in the year 2009 to a institution for Rs. 13,229,943 without signing an agreement and a sum of Rs. 8,600,000 had been paid in 4 instances. Even though it was informed that the work should be completed within 375 days from the date of the first date advance payment after the date of signing the agreement on 18 November 2010, it had not been completed and handed over even by 12 July 2012 and the date had also not been extended. Although the total sum of Rs. 10,300,000 had been paid by the end of the year 2011 action had not been taken to recover the demurrage as per the agreement.

- (c) In terms of Section 5.4.8 (a) of the Procurement Guidelines, the performance band should be valid for 28 days after the expected date of completion of works. Nevertheless a performance bond only for 60 days for this purpose had been obtained and the period of bond had expired even by the time of signing the agreement. Action had not been taken to extend the period of bond and also a clause in that connection had not been included in the agreement.

4.7 Resources of the Corporation given to the other Government Institutions

The following observation is made.

A large number of plant and machinery including bacos, not belonging to the Corporation had been parked in the 12 acre land in which Ekala Transmission Station is located, in addition water and electricity is being used by out side parties action had not been taken to recover these charges.

4.8 Personnel Administration

The following observations are made.

- (a) Even though the service of the experienced officers in order to maintain the finance and administration functions properly in the Corporation is necessitated, the post of Deputy Director General (Adminstrating / Finance) and the Deputy Director General (Engineering) had become vacant since 01 December 2008 and 09 June 2008 respectively. Of them, a person only for the post of Deputy Director General (Administration) had been recruited from 06 July 2012 on contract basis for a period of 01 year
- (b) Contrary to the Cabinet Paper No. CP/05/GEN/026 dated 16 June 2005 and Chapter 9 of the Part 11 of the Establishments Code appointments had been given to 21 officers on the assignment basis in the year 2011. Sixteen out of them had been recruited without any specific official

vacancies contrary to the Public Administration Circular No. 09/2007(1)

Thirty four officers had been employed on contract basis as well and they were not within the approved cadre. Thus a sum of Rs. 5,299,500 for officers who were recruited on assignment basis and a sum of Rs. 3,367,392 for officers who were recruited on contract basis had been paid during the year 2011.

- (c) An officer had been appointed for a period of one month from 05 July 2011 to carry out 3 functions such as the review of revision of cadre, making recommendation to improve the financial discipline and income and making observations and recommendations to regularize the administration of the Corporation for an allowance of Rs. 50,000. This period had been extended further for 3 months and a sum of Rs. 200,000 had been obtained. However he had prepared only the personnel structure but it was also incomplete.
- (d) Even though two officers had taken unlimited no pay leave and not reported for duties without being informed contrary to Section 22 of Chapter xii of the Establishment Code, no action had been taken in that regard.
- (e) A case had been filed in the Supreme Courts in respect of non-implementation of the recommendations of the Secretary to the Ministry of Mass media and Information and the Board decision regarding the appointment of female Equipment Maintenance Assistants as Trainee Technical Assistants. Subsequently, it had been settled and given those posts. The corporation had to pay legal fees of Rs. 309,904 in this connection.

4.9 Vehicle Utilization

The following observations are made.

- (a) Action in terms of Public Finance Circular No. 353(5) dated 31 August 2004 in respect of four vehicles not in running condition.
- (b) There were instances such as unclear postings in running charts, non-posting information, milometer not agreeable with running charts, understatement of fuel balance carried forward at the days end, abnormal differences in distance between the kilometres run and the particulars of travel. Accordingly it was observed that running charts had been posted irrespectively

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

In terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the final accounts should be submitted to the Auditor General within 60 days after the closure of the year of accounts. However the final accounts had been presented to the Auditor General on 20 April 2012 after a delay of 110 days.

5.2 Corporate Plan

- (a) Matters such as the note on existing resources of the Corporation, organization structure, instances of strengths and weaknesses of the Corporation, analysis of threats, investigation of the operating results of the past 3 years, cadre position etc which should be included in the Corporate Plan in terms of Public Enterprises Circular No. PED 12 of 02 June 2003 had not been included in the Corporate Plan prepared for the period 2011 to 2014. This Corporate Plan had not been approved even by 15 May 2012.

- (b) In terms of Section 5.1.3 of the above Circular and the Public Enterprises Circular No. PED 47 dated 18 December 2007 the budget and the Corporate Plan approved by the Board of Directors should be submitted to the Department of Public Enterprises and the Treasury before 15 days beginning of the year of accounts. It had not been so done.

5.3 Action Plan

- (a) Officers who are responsible for activities stated in the action plan had not been clearly identified.
- (b) Resources (financial and physical) required for activities expected to be implemented in the action plan had not been stated.

5.4 Internal Audit

The following observations are made.

- (a) The officer who had been appointed for the post of Internal Auditor had been appointed to another post which was not related to his duties. Investigation Officer had been appointed as an acting Internal Auditor for the vacant post of Internal Auditor.
- (b) Al though the approved cadre includes 4 Audit Assistants, only one permanent Audit Assistant had been in-service. Further there are 2 Audit Trainees and as such an efficient internal audit division is not functioning.
- (c) In terms of Sri Lanka Auditing Standard 610, the Management Audit Department Circular No. DMA/2009 (1) and F.R. 133 the internal audit should be carried out in order to evaluate internal controls but action had not been taken accordingly. Further the deficiencies pointed out in the internal audit queries had not been rectified.

- (d) Half yearly reports to be submitted in terms of Section 13 5 (d) of the Finance Act. No. 38 of 1971 had not been furnished to the Auditor General.

5.5 Audit and Management Committee

The following observations are made.

- (a) In terms of Section 7.4.1 of Public Enterprises Circular No. PED/12 dated 02 June 2003, the Committee should consists of three minimum members of Executive Directors, but 2 Directors who were in service on assignment basis had participated in the meetings.
- (b) Nine activities are included in Section 7.4.1 of Public Enterprises Circular as the Scope of Audit and Management Committee, but 06 of them had not been carried out by the Committee.
- (c) Reports, indicating the Committee observations should be submitted to the Board of Directors but it had not been so done.

6. System and Controls

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

- (a) Maintenance of register of fixed assets
- (b) Unprotected maintenance of cash and assets
- (c) Income administration
- (d) Accounting
- (e) Book keeping
- (f) Personnel
- (g) Internal Audit

Sign by,

H.A.S Samaraweera
Auditor General

Comments of the Corporation on Auditor General's Report 2011

2.2 Comments on Financial statements

2.2.1 Accounting standards No: 18

Standard No:36

Standard No: 05 accurate at the preparation of accounts according to international standard in the year 2012.

2.2.2 Shortcomings in accounting

- (a) Actions have been taken to correct the accounting of the tax income of antenna towers.
- (b) As the monetary aid received for the construction of the protection wall around the BO tree (the “Bodhigara”) should be used for that purpose only, it was accounted in this manner. The excessive cost from the monetary aids had been met by the Corporation.
- (c) Measures have been taken to correct the shortcoming of accounting such as other revenue and abandonment of main capital amortization.
- (d) Ambewela land was given on lease to the employees of the Corporation in the year 2011. The money has been accounted to the revenue accounts immediately after receiving it.
- (e) Arrangements have been made to correct the notes between supply advance account and the employees advance account.
- (f) Arrangements have been made to correct setting of input tax an output tax for motor vehicles.
- (g) A correction has been done to a fault done in the year 2010 in accounting the income of broadcasting periods.

2.2.3 Imbalance control account

- a) Arrangements have been made to correct control accounts in preparing accounts according to the new accounting policies in the year of 2012.

2.2.4 Uncertain Account

A monetary fraud has occurred due to uncertain accounts. Legal actions have been taken regarding this.

2.2.5. a) Treasury approval has been received for set of creditors and debtors.

b) These balances of credits are a very small percentage. These balance are also been levied and arrangements have been made to cut the balances which can not be lived.

c) Legal action is taken for money to be levied from the marketing executive

2.2.6 a) All information is the possession of the corporation regarding assets and auctions have been submitted to the audits division.

b) 17 Audit inquiries have been received during the year 2011 and answers relevant to audit inquiries of each year have been submitted by 04.07.2012.

2.2.7 Irrelevance to the Acts

Financial regulation No: 842 of treasury circular 19.12.1970

a) i. Arrangements have been made to pay the money to be paid to the Auditor General for auditing in instalments.

ii. In accordance with the gratuities act No:12 of 1983 arrears of gratuity is paid from 2006.

b) The fixed assets register is prepared according to common format 287.

a. i) Arrangements have been made to assign financial powers accordingly to F.R 135.

ii) The work of the Corporation is done through the 24 hours. Due to that reason, there were instances where the payment of Rs. 20,000.00 could not be limited to that amount.

iii) According to the nature of the duty, advances have been paid to the non staff officers. Instructions have been given to pay back these advances immediately after the completion of the duty.

2.2.8 The Corporation is enjoying the Ambewela land, belonging to the Districts of Nuwara-Eliya and Badulla and even through the medium waves broadcasting activities, it is paned to establish as a broadcasting centre with modern technology in future.

03. Financial Review

3.1 Financial results

04. Operations review
- 4.1 Performance
- a. The annual action plan is prepared together with the new corporate plan and the performance assessment will be done according to that.
 - b. Training plans will be implemented on institutional requirements.
 - b. The audio research division is conducting an Island wide audio research for 2013 in Corporation with regional services.
- 4.2 Management inefficiencies
- a) Summons have been sent to debtors as a strategy to recover loans.
 - b) Arrangments have been made for legal inspection according to the inventory prepared by the main stores.
- 4.3 Operational inefficiencies unusable
- a) As the assessment on 177 unusable items was not to the satisfaction, an assessment was done again.
 - b) As shown by the goods survey reports, all the prescribe goods registers of all the divisions, regional services and offices are maintained properly.
- 4.4 Deactivated and under utilized assets
- No workers have been employed to cultivate coconut in the premises of Transmission station of Ekala. In conveniences occur when the workers employed for broadcasting activities are employees for cultivation activities.
- 4.5 Non economic transactions
- a) A decision is yet to be taken regarding the investment of Lanka Puwath Ltd in 1993, after discussing with that institution.
 - b) The increase of the these costs was due to the expenses which had to be hourn in obtaining leasing facilities after buying vehicles on the urgent need of vehicles for the Corporation.
- 4.6
- a) Contract agreement has been signed for the central air conditioning system. A sum of Rs. 2.9 million has been hold up even at 12.11.212.
 - b) The work could not be competed due to the difficulties occurred when the chambers of the Broadcasting Corporation were released.

4.7 Resources of the Corporation given to other institutions.

Below mentioned army platoons are established on national requirement in the land where the Ekala Broadcasting station is located.

- General service battalion for cultivation purposes
- Engineering battalion for development activities in Gampaha District
- Security battalion for the security of the broadcasting station.

4.8 Staff Administration

a) Arrangements have been made to fill the vacancies for DDG (Finance) and DDG (Engineering) posts.

b) At present, 14 officers have been employed on Corporation's requirement on assignment basis and duties have been assigned to them.

On service requirements, 79 officers have been employed on contract basis. Permanent duties are assigned for them

c) Mr. Gamini Kariyawasam is a retired Administrative officer. His services were transmited from November 2011.

c) Payment of salaries and increments were held up for the non salaried leave these officers had obtained.

d) Lawyer's fees had to be paid as the equipment maintenance assistants field as case demanding the post of technical assistant in the supreme courts.

4.9 Vehicle utilization

a) The Volkswagen No: 60 Sri 355 which is out of function is estimated for Rs. 150,000.00 measures have been taken to sell by calling tenders.

Relevant activities have been done according to the tender procedures for 03 motor cycles.

b) Necessary corrections have been done regarding the imparity between the driving notes of the transport division and the Milo meter and regarding the excess of fuel.

5.0 Accountability & Good Governance

5.1 a) Submission of Financial statements

Though the preparation of accounts was completed within 60 days of the end of the financial years, the approval of the Corporation Board was given only 05.04.2012 for this.

5.2 Corporate plan

a) Approval of the Corporation Board has been obtained having prepared a new Corporate Plan for the year 2012-2014. At the moment, the Corporate Plan has been presented to the secretary to the Ministry.

b) At the moment arrangements have been made to present them to the public Enterprise Department and the Treasury.

5.3 Action plan

a) The action plan for the year 2013 is prepared minimising such defects.

5.4 Internal Audit

a) Actions have been taken to employ the officers holding the permanent position as the internal auditor on the relevant duties again.

b) Two Audit Assistants have been appointed for the internal audit division on contract basis.

c) Internal administration assessment is carried out by the internal audits division and attention has been paid in respect of the issues highlighted by the internal audit.

d) The mid year reports will be presented.

5.5 Audits and Management Committees

a) Even though the Management committee should comprise of at least three members of the executive Director Board, two members of the Executive Director Board working under the assignment basis. By now, action has been taken to correct this.

b) The Audit and Management committee has performed their functions representing all the division of the Corporation.

c) The Audit and Management Committee reports are submitted to the Board of Directors.

6. Systems and Administrations

- a) Maintenance of fixed assets registers
- b) Maintaining money and assets security
- c) Revenue administration
- d) Accounting
- e) Book keeping
- f) Staffs
- g) Special attention is paid to areas like internal audits