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இலங்கை ஒலிபரப்புக் கூட்டுத்தாபனம்
Sri Lanka Broadcasting Corporation

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ஆண்டறிக்கை மற்றும் கணக்குக் கூற்று 2015
Annual Report & Statement of Accounts From 2015



Sri Lanka Broadcasting Corporation

Annual Report & Statement of Accounts

From 01st January to 31st December 2015

Hon. Minister of Media,
Ministry of Media
Colombo

Hon. Minister

In terms of Section 14(i) of the Finance Act No 38 of 1971, I present the Annual Report of the Corporation comprising of the following documents for the year ended 31 December 2015.

01. Administrative Report on activities carried out by the Sri Lanka Broadcasting Corporation from 01 January 2015 to 31 December 2015.
02. Statement of Accounts of the Corporation for the Accounting Year from 01 January 2015 to 31 December 2015.
03. Report of the Auditor General on the final accounts for the year ended 31 December 2015.
04. Comments of the Corporation on the Report of the Auditor General for the year 2014.

Yours faithfully,

Nanda Muruttettuwegama, Attorney at law
Chairman,
Sri Lanka Broadcasting Corporation
Colombo-07

CONTENTS

01. Administrative Report	09
02. Statement of Account	21
03. Report of the Auditor General	49
04. Comments of the Corporation on Auditor General Report	75

Sri Lanka Broadcasting Corporation

Vision

To be the leading Sri Lankan broadcaster

Mission

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

Objectives

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

Administrative Report - 2015



Administrative Report - 2015

Introduction

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

This Annual Report covers the 12 month period from 01 January to 31 December 2015.

During the period under review (From 08th January 2015), the following members served as members of the Board of Directors.

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

Administrative Report

Sri Lanka Broadcasting Corporation continued to be the pioneering media institution in the state electronic media sector in the year 2015 as well. The Corporation worked towards achieving this objective through local as well as foreign channels. Discharging its duties by the people as a people's media institution, it played a pioneering role in expanding the horizons of its audiences in the spheres of knowledge, understanding and desire during the year. Founded as the first radio in South Asia, the SLBC in 2015 celebrated 90 years in the world of broadcasting.

A summary of services and programmes aired by the SLBC during the year 2015 is outlined below.

National Service

The National Service is the flagship national service of the Sri Lanka Broadcasting Corporation. As in previous years, the National Service, while maintaining its unique identity, aired a variety of programmes on a wide range of subjects relating to socioeconomic, ethical, educational and literary aspects.

With the objective of creating a virtuous society, prominence was accorded to religious programmes of all faiths and some of the popular programmes were dhamma sermons, Dhamma Chintna, Dhamma Discussion, Kithurasa Vindana, Chirstian half hour, synagogue and Ilmul Islam.

To keep our audience abreast with latest political, social and cultural developments, several news and current affairs programmes such as Subahrathi, Puvath Atuwava, Pravurthi Pasubima were lined up broadening their knowledge and understanding.

With a view to expanding the knowledge and understanding of women and improving their living standard through the National Service, the airtime from 10.00 to 11.00 a.m. of every week day from Monday to Friday has been set aside exclusively for women and discussion programmes on topical issues relevant to women are conducted with the participation of the experts and resource persons of respective fields. Isiwara Asapuwa, Suwasetha, Sandamina, Hela Piyuma, Nena Sarana are examples of programmes coming under this category.

Programmes imparting knowledge on agriculture and its development included Gewatta and Sarabhoomi and knowledge on agriculture was directly disseminated through the Evening Service.

National Service which considers it as a national responsibility to create a virtuous, disciplined and knowledgeable generation of children, lined up special programmes for children, the lifeblood of the nation in the year 2015 as well. Ratakas Mahima, Guwanin Nuwanata, Vidula Lama Lokaya, Bosath Lama Lapatiyo, Kithunu Lama Hamuwa, Samanala Landa, Guwan Thaksalawa, Me Ape Pasalai, are broadcast by the National Service.

For the enjoyment of our audience, an array of diverse programmes were aired including radio drama programmes 'Guwan Viduli Ranga Mandala' and 'Mahavamsa' and musical programmes such as 'Pansiluge Horawa', 'Noorthi Gee', 'Nadagam Gee', 'Sevaka Sangrahaya' and 'Lalitha Kalale'.

The National Service of the Sri Lanka Broadcasting Corporation since its path-breaking entry to the world of broadcasting accorded primacy for the maintenance of highest quality in its programmes to cater to the needs of its enlightened audience and this policy was continued in 2015 too.

Education Service

As in previous years, a series of support programmes for the national level examinations conducted by the Department of Examinations was broadcast in year 2015 as well. With the participation of competent teachers, problematic areas for children in key subjects of the G.C.E. (Ordinary Level and Advanced Level) examinations were discussed with inputs from professors and university teachers of the respective subjects.

Prior to key public examinations such as the General Certificate of Education (Ordinary Level and Advanced Level) and Grade 5 scholarship examination, live discussion programmes where listeners can phone in their examination related issues were conducted in 2015 as well with the participation of the Assistant Commissioners of Examinations.

Specially designed programmes were aired to train and familiarize students for the Grade 5 Scholarship Examination and a special seminar too was conducted for children sitting the examination in collaboration with the 'Dinamina' newspaper.

In addition to the exam targeted programmes, informal education programmes such as, 'Sahithyayen Jeevithaya Jayagamu' and 'Let's speak in Tamil' too were aired for children and adults.

Commercial Service

Building on existing programmes and expanding their scope, the Commercial Service lined up a host of innovative programmes to enhance knowledge of listeners on education, politics and history.

Programmes that reflected the emerging trends of radio broadcasting were 'Saraprabhagira', 'Radio Colombo', 'Kidney Disease Prevention Programme' and 'A country free of drugs'.

City FM Service

City FM is the SLBC's exclusive channel 24-hour for the country's youth population, the programmes of which are customized to attract young audience.

As in previous years, the line of programmes in the year 2015 too was designed to address the youth. 'The Middle East Service' which broadcasts programmes linking migrant Sri Lankan population in the Middle East with their loved ones in Sri Lanka was aired in all 5 days of the week during 2015.

City FM's 'Mal Samanallu' programme was specially tailored to improve knowledge of young children, inculcate good health habits in them and in general to create a well behaved generation of children. The current affairs programme 'Seethala Eathala' directly interacted with listeners on timely and topical issues. 'Paththare Visthare' was an innovative initiative where newspaper articles and features were critically appraised and this programme struck a responsive chord with our audience. Popular musical programmes presented by City

FM included 'Hedakara Vasanthaya', 'Sathutu Diganthaya' and 'Hitha Mithuru Sulanga'. 'Atheethayen Dawasak' focused on a landmark event in the past which has relevance to the day the programme was aired.

'Akuna', a weekly programme focused on the important events in the political arena during the week and became popular amongst listeners with keen interest in politics.

'Aradhan Swara Dehana', a programme promoting classical songs which has been on air for many years continued in the year 2015 as well attracting enthusiastic response from listeners.

With the objective of introducing and encouraging talented new artistes and making their creations popular among the audience, a new song was aired every hour. Out of a large number of new songs received by City FM, only those recommended as suitable for broadcasting were selected.

In addition, City FM took action to broadcast programmes relating to all nationally important events and religious festivals as and when they were held during the year 2015.

Presenting only high quality musical and other programmes for the community of youth, the announcers of City FM have always paid meticulous attention to accuracy and clarity of language and in the year 2015 too it discharged its duty in beginning all programmes with delight and ending with wisdom with utmost responsibility.

Tamil National Service

Preserving the cultural identity of Tamil speaking people, the Tamil service contributed immensely in 2015 as in preceding years to keep them abreast with socioeconomic, cultural and educational developments while improving their artistic taste.

Special programmes including Saraswathi Poojas were broadcast on Thaipongal Day, the most important cultural festival of the Tamil Hindu community. Tamil community includes people of different faiths such as Hinduism, Catholicism and Christianity and Tamil programmes highlighting the importance of religious and cultural festivals associated with these faiths were relayed during the periods of such events. A special programme was also transmitted for the Haj festival.

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

Thendral Service

Thendral is an entertainment based radio channel for Tamil listeners and its target audience is the Tamil speaking youths. Thendral Service broadcast special programmes throughout 2015 to mark events and days of national, religious and social significance. Accordingly, programmes specifically produced for Thaipongal Day and Saraswathi Pooja were broadcast and as in previous years special events were organized at the SLBC premises to coincide with the important cultural festivals. Special programmes were aired for Sinhala Hindu New Year,

Ramazan Day, Haj festival, Independence Day, International Women's Day and International Day of Children.

A programme that became an instant hit with Tamil listeners was 'Pattakk Patta' entertainment music programme sponsored by Ambiga Jewelers. 'Emerald Kalai Kadamba' too is a highly popular fun-filled entertainment show with an assortment of songs, dramas and comedies. A program that showcased talents of up and coming bands 'Ponmalai Poludu' was broadcast once a month in 2015.

'Arivoli' quiz programme sponsored by the Ceylon Electricity Board to test the knowledge of schoolchildren on electricity was another programme that was aired throughout 2015.

During Nallur chariot festival, a number of programmes and situational reports highlighting its cultural significance were relayed.

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

Muslim Service

The Muslim Service of the Sri Lanka Broadcasting Service which has rendered a dedicated service of over 65 years not only to the Sri Lanka Muslim community but to the Muslim Community of South India broadcast a host of programmes in 2015 to nurture and foster Muslim culture and Islam.

The service also produced and aired programmes specially designed for children and women, musical programmes and dramas, programmes for youth, quiz programmes etc.

A radio journal programme for Malay and Urdu speaking communities was also aired and 80% were sponsored programmes.

Kandurata Service

A mixed bag of programmes was broadcast in year 2015 for the enjoyment of listeners of Kandurata Service through knowledge, entertainment and understanding.

The service commences relaying its programmes at 5.25 in the morning with religious programmes. The line-up includes news and current affairs programmes 'Kaleena Puwath' and 'Upcountry News', western medicine programme 'Vaidayawarayek Kathakarai', Ayurveda programme 'Veda Mendura', women-focused rogramme 'pasan Mendura', commercial programmes on agriculture, namely 'Aswenna', 'Rasa Janani' and 'Krushi Charika', and 'Kahawanu Thuru', Buddhist programmes like 'Sakvithi Maluwa' and 'Dhamma Deshana' and various entertainment programmes including 'Sarala Gee', 'Miyasi Rasanga', 'Nomiyena Gee', 'Tharunyaye Ridmaya', 'Kala Kalasa', 'Oba Venuwen Hada Rendi Gee', 'Komala Rekha', 'Sende Mihira' and 'Swarna Sathsara Dehana'. In addition, programmes specially designed to youths, 'Asananan Samaga' programme for the promotion of knowledge, attitude and skills of the audience and programmes for the Tamil and Muslim communities are produced and relayed by this service.

Ruhunu Service

During year 2015, Ruhunu Service produced a host of agricultural radio programmes in collaboration with the Department of Agriculture and the Department of Export Agriculture to raise awareness among the farmer community.

Helping people lead a healthy life, medical discussion programmes with the participation of resource persons were aired.

Amongst the religious programmes relayed by the service were the daily Pirith chanting and a series of special Dhamma sermons during the Vesak week and 40 Dhamma sermons during the Katina robe month. In addition programmes connected with Perahera pageants of prominent places of worship in the area were broadcast.

Special programmes for Sinhala and Hindu New Year, live commentaries of interschool cricket matches, song of the hour, Voice of Youth sponsored by the National Youth Council are the other entertainment programmes beamed by the service during the year.

English Service

English Service, the trailblazing first radio channel of the SLBC is known for its unique musical programmes that dominate most of its airtime and has a vast collection of programmes including songs of yesteryear and dramas. As English listenership of the country is heavily inclined towards entertainment programmes, the channel has designed its programme to cater to this segment. In addition, it also produced current affairs and news programmes and programmes specially designed to children and women in the year 2015. The English Service made arrangements to produce programmes to coincide with major religious and national festivals. A special mention should be made about the programmes aired in connection with the papal visit. Programmes have also been produced on topical issues with the participation of resource persons with authoritative knowledge on the relevant field. Programmes highlighting the importance of internationally designated days were aired. Shouldering the national responsibility of fostering and expanding international relations, programmes based on special days of foreign countries were produced and broadcast with the participation of Ambassadors and senior embassy officials of the respective countries.

Rajarata Service

Rajarata Service established in 1979 as the first regional service of the Sri Lanka Broadcasting Corporation continued its tradition of presenting meaningful and enjoyable programmes for its listeners. During year 2015, the service aired a variety of political, social, cultural and religious programmes for the attainment its objective. Celebrating the dawn of year 2015, a special entertainment programme was presented with the participation of artistes produced by Rajarata Service. In addition programmes for enhancing artistic taste of schoolchildren, educational programmes and a programme of the perahera organized by Anagarika Dharmapala Centre, Anuradhapura were aired. A programme on the prevention of kidney disease was produced in partnership with the Office of the Director of the Provincial Health Service.

Wayamba Handa

Programmes for creating awareness amongst audience about development plans of local government bodies of the Northwestern Province were broadcast over Wayamba Handa Radio. In addition, programmes on development projects of the North, development activities in the

Kegalle district, 50,000 housing programme launched by Hon. Sajith Premadasa were also aired.

The line-up also included religious and agricultural programmes and programmes on literary appreciation and new inventions were also aired.

Radio Dambana

Radio Dambana is the only radio channel in Sri Lanka that targets the indigenous community of Sri Lanka concentrated in Dambana area and is operated without any commercial interest. Considering the preservation of identity, beliefs, art forms and customs of the indigenous community as a national responsibility, Dambana Radio broadcast many programmes in year 2015 connected with and important to their lifestyle.

The following programmes are of special significance.

- Broadcasting a programme titled 'Let's speak in the language of Wanniyala Eththo' with the objective of fostering and sustaining the culture and language of the Vedhdha community, one of the oldest indigenous communities in Sri Lanka.
- With a view to encouraging people to take up toxic free farming, broadcasting special programmes highlighting the use of organic fertilizer in the farming of paddy and other crops.
- Special project for raising awareness on fast spreading chronic kidney disease in the Mahaweli zones.

Nephrologists and doctors attached to the Kandy hospital participated as resource persons and the programme was aired in collaboration with the Kidney Disease Unit, Girandurukotte.

- Media coverage for the perahera of the historic Mahiyangana Raja Maha Vihara, Wedi Perahera and the Mahaweli sports festival.

Another notable event in year 2015 was the setting up a studio equipped with items exclusively connected with the culture of the indigenous Veddha community for broadcasting radio programmes of the village of Dambana.

Music Division

The following programmes were successfully produced and aired for the enjoyment and enhanced knowledge of the SLBC audience.

'Sarala Gee' programmes of artistes graded consequent to voice tests were broadcast during year 2015. Artistes were graded as special grade, A grade and B grade and these artistes in their programmes were able to create several songs with lasting impression. "Miyurusara" musical programme with euphonious instrumentals presented by the SLBC orchestra every Wednesday from 7.00 to 7.30 p.m. became an instant hit with local music fans and Old Nadagam Gee and Noorthi Gee sung by artistes who passed the voice test also became popular among listeners. Other programmes produced by the Music Unit included 'Shradhdhanhali Bodu Gee Saraniya' broadcast from 12.00 to 12.45 every Poya Day, 'Dhamma Padha Song' programme containing new songs based on 'Dhamma Padhaya' aired over National Service every Wednesday from 5.30 p.m. to 5.45 p.m., traditional folk music programme aired over National Service from 3.00 to 4.00 p.m., gramophone and film songs of the decades of 50 and 60 aired over Commercial Service from 3.00 to 4.00 p.m. and the Vidrindu programme which went on air from 1.15 to 1.30 p.m. every Sunday.

Other successful productions of the Music Division are 'Sarasa Ravaya', a programme containing recitals and instrumentals of classical North Indian Raghadari music and Vishwaye Vindaneeya Prathirava and 'Lalitha Kalalaya', an insightful programme on globally acknowledged music creations and personal information of artistes who created them.

'Sevaka Sangrahaya' programme which accorded opportunities for employees of public and private sectors to showcase their singing skills was recorded at public and private sector institutions and aired over SLBC. During the year, band members were selected for the Tamil orchestra. Voice tests were conducted to grade members of the band of the Police Department and a CD was produced with the songs of those selected. A live instrumental programme was conducted thrice a month before an audience.

News and Current Affairs Division

The News Division of the SLBC engaged in accurate and responsible news reporting in year 2015 as in previous years.

Public rallies, meetings and media briefings held in connection with the Presidential Election held on 08 January 2015 and the General Election held on 17 August 2015 were given wide coverage in the news bulletins of SLBC and special news reporting on the two elections were accorded the highest priority in 2015.

Special news programmes were aired in connection with the visit of His Holiness Pope Francis to Sri Lanka and other important events that took place during the year 2015.

The News Division of SLBC rendered an invaluable service to the public by presenting 12 main news bulletins in tri languages and in addition, latest news headlines are broadcast hourly in all three languages through 'news in brief'.

Studio Operations Division

This Division made a significant contribution in year 2015 as in previous years by recording, editing and live broadcasting of all programmes of the SLBC and preparing advertisements, coordinating studio activities and bringing live commentary over the SLBC were also handled by this Division. It also contributed to continuous and uninterrupted service by preparing all studios to meet necessary requirements.

Training and Foreign Relations Division

In comparison to previous years, a decline in training programmes conducted for internal and external institutions by the Training Institute of the SLBC was recorded in year 2015. As a result of renovations carried out by the Urban Development Authority in the premises of the SLBC, a proper location could not be found during the entirety of 2015 to house the training institute. However, internal training programmes were conducted to the maximum possible extent regardless of the minimum facilities available for that purpose. They are listed below .

1. Basic computer training workshop (monthly) for the staff of the Administrative Division of the Corporation.
2. One-day training workshop for part-time sales promotion assistants.
3. Introducing computer programme on the preparation of salaries. Three day workshop for Finance and Information Technology Division.
4. Two day workshop on the use of Sinhala Language for Sinhala announcers.
5. One day workshop on the use of language for Tamil announcers.

6. Basic computer training programme for Finance Division. (monthly)
7. One day workshop on the use of language for announcers serving on contract basis.
8. Training workshop for Technical Officers (newly recruited)
9. One day workshop for 70 regional correspondents.
10. One-day workshop on financial management for 70 middle and top level managers.
11. Training for Management Assistants (newly recruited)

In addition, several external training programmes were organized and they are listed below.

1. Training on medium of radio to a female student of the Eastern University on 01.06.2015.
2. Training programme conducted by the Deputy Director of Sinhala Service of the China International Radio.
3. One day training programme conducted for schoolchildren on a request made by the National Youth Council.
4. Training programme on the art of presentation for schoolchildren aged between 9-11 years.
5. Radio broadcasting training for undergraduates of the Sri Palee Faculty.

Audio research Division

A research was conducted on the number of radios with Medium Wave frequency in the Northern and Northwestern Provinces and the number of persons listening to the Medium Wave broadcast. The following are the findings of the said research.

- 1.1 the number of radios with Medium Wave and the number of listeners of Media Wave broadcast constitute 21% of the total listenership.
 - 1.2 The majority of radios are with FM frequency which is 97.8%.
 - 1.3 30% of those with Medium Wave frequency radios listen to SLBC programmes.
- The majority of listeners listen to main news bulletins.
 - The second highest listenership is for religious programmes.
2. A survey on the quality of the audio reception of local channels of SLBC was conducted in year 2015 and the survey report was presented on 31st January 2016. Several locations where the audio quality was poor could be identified.
 3. An appraisal of programmes was carried out with a view to improving the quality of radio programmes. During the year under review, appraisal of programmes of City FM, Sinhala National Service and Sinhala Commercial Service was conducted. Several aspects that needed to be improved were identified.
 4. With the objective of educating listeners on the important events of the day, information on such days was provided to the Programme Division.
 5. Researchers from universities and other academic institutions who have undertaken researches on SLBC were provided with the necessary information considering it as a public service.

Cassettes and Publications Division

The following CDs Discs and cassettes were produced and released for sale by the Cassettes and Publications Division during the year 2015.

1. Nil Heena Dupathe - CD containing songs written by Dr. Ajantha Ranasinghe
2. Ujupatipanno - CD containing Dhamma sermons of the venerable Maduluwawe Sobitha Thera
3. Malak Une - CD containing instrumentals of violinist Kalani Perera
4. Jothita Liyu Gee - CD containing songs written by lyricist Dr. Ajantha Ranasinghe to singer H.R. Jothipala

In addition cassettes and CDs were sold at the Customs Headquarters and the University of Jayawardanapura and at special events held during the year 2015 including the Entrepreneurs Exhibition, Shopping Lanka Exhibition, Kulasinghe School Exhibition, Ja-ela, Construction Exhibition and International Book Fair. Further, cassettes CDs and publications of SLBC were sold through its network of countrywide sale agents.

A publicity campaign was launched through the Internet using social media (Facebook –slbc presentation- like page) and the introduction of email address slbcgeepresentation@gmail.com was a significant event that took place in year 2015. Handbills containing details of CDs and publications of the SLBC were also printed distributed during the year.

Marketing Division

SLBC functioned as the official radio broadcaster of the ICC World Cup Cricket Tournament of 2015 through which it was able to generate a significant income.

Through the recruitment of new Sales Executives and the introduction of innovative marketing strategies, the Marketing Division took action to boost the income of the Corporation.

SLBC also served as the official radio broadcaster of programmes produced in connection with nationally, religiously and culturally important events and was able to garner income through such programmes. Some examples for this are 'Buddha Rashmi' Vesak zone, Poya Day programmes, Saman Devala Perahera, Ratnapura and Ramazan festival.

Sales promotion programme targeting the general election was a particularly profitable source of income for the Corporation during 2015.

Engineering Division

Spending a sum of Rs. 16.66 million, Karaghatenna transmission station was upgraded during the year 2015. The upgrading included the following work.

- Installing seven 10 kw capacity transmitters replacing 5 kw transmitters.
- Installing 07 new connectors
- Procuring and installing new generator
- Installing a new antenna system
- Installing new UPS system

Statement Of Accounts



Sri Lanka Broadcasting Corporation

Statement of comprehensive income

(all amounts in Sri Lanka Rupees)

	Note	31 December	31 December
		2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,460,480,855	2,735,137,013
Deferred tax Assets		(409,678)	945,105
Capital Working Progrees	10	254,571,510	142,180,474
Investment	11	1,000,000	1,000,000
		2,715,642,688	2,879,262,593
Current assets			
Inventories		27,028,803	31,862,620
Trade and other receivables	12	225,841,248	223,458,698
Goods in Transit	13	4,852,069	5,294,505
Cash and cash equivalents	14	260,851,452	101,096,412
		518,573,572	361,712,236
Total assets		3,234,216,259	3,240,974,829
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital		307,386,085	307,386,085
Revaluation reserves		14,421,999	14,421,999
Retained earnings	15	(174,112,871)	(248,365,120)
		147,695,213	73,442,964
Non-current liabilities			
Defined benefit obligations		239,321,738	222,655,326
Deferred Income(Japan Grant)		79,909,399	84,949,026
Government Grant (Capital)		629,025,361	444,048,924
Grant - Trincomalee project		1,646,092,816	1,897,474,699
Deferred tax liabilities		75,733,399	85,864,191
Lease Account (Motor Vehicle)	18	-	4,494,231
		2,670,082,712	2,739,486,397
Current liabilities			
Trade and other payables	16	277,967,880	286,403,409
Non financial Liabilities	17	138,470,454	141,642,059
Total liabilities		416,438,334	428,045,468
Total equity and liabilities		3,234,216,259	3,240,974,829

The Director Finance certifies that the financial statements have been prepared in compliance with the requirements of the Sri Lanka Financial Reporting Standards, Lanka

Finance Act. No:38 of 1971 and Sri Broadcasting Corporation act no:37 of 1966.

.....
Mr. Lalith Hettige
Director (Finance)

Date :.....

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were authorized by the Board of Directors on 31.03.2016

.....
Nanda Muruttettuwegama
Chairman

.....
Board of Director

Date: 04.04.2016

Sri Lanka Broadcasting Corporation

Statement of comprehensive income

(all amounts in Sri Lanka Rupees)

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Sales	1	493,081,396	539,549,564
Cost of sales	2	458,736,507	386,959,821
Gross profit		34,344,889	152,589,743
Other operating income	3	464,855,137	413,610,429
Distribution costs	4	73,809,637	74,962,779
Other Operating Expenses	5	393,219,653	407,905,643
Administrative expenses	6	313,682,908	328,388,825
Operating profit		(281,512,171)	(245,057,075)
Finance costs	7	6,213,541	8,893,605
Profit/(Loss) before Govt. Grant		(287,725,712)	(253,950,680)
Government Grant	3.1	350,000,000	218,160,000
Profit/(Loss) after Govt. Grant		62,274,288	(35,790,680)
Tax expenses	8	8,776,009	(20,410,762)
Profit/(Loss) after tax		71,050,297	(56,201,442)
Total comprehensive income		71,050,297	(56,201,442)

Sri Lanka Broadcasting Corporation

Statement of changes in equity

(all amounts in Sri Lanka Rupees)

	Note	Stated capital	capital reserve	Revaluation reserves	Retained earnings	Total
Balance at 1 January 2013		307,386,085		14,421,999	-	321,808,084
Comprehensive income						
Comprehensive income for the year					(56,201,442)	(56,201,442)
Revenue Reserve Adjustment - 2014					(219,291,349)	(219,291,349)
Balance at 31 December 2014		307,386,085	-	14,421,999	(248,365,120)	73,442,964
Comprehensive income						
Comprehensive income for the period					71,050,297	71,050,297
Revenue Reserve Adjustment - 2015					3,201,952	3,201,952
Balance at 31 December 2015		307,386,085	-	14,421,999	(174,112,871)	147,695,213

Cash Flow Statement for the year ended 31st December 2015

Description	2015		2014	
Cash flow from operating activities				
Net profit before interest and tax		62,274,288		(50,629,337)
Adjustment for				
Amortisation of government grant	(57,975,190)		(62,272,581)	
Amortisation of grant Trinco	(177,769,097)		(177,769,097)	
Depreciation	43,621,211		50,005,060	
Depreciation Trinco	182,364,130		178,531,044	
Provision for gratuity	23,335,178		44,218,603	
Provision for bad debts	3,775,144		2,541,373	
Gain/(Loss) on Exchange	176,576		170,572	
Lease Interest	1,045,145		2,490,894	
Revenue Reserve Adjustment	5,947,058			
ESC	1,807,365	26,327,519	6,273,298	44,189,166
Operating profit before working capital				
increase/ Decrease in inventories	4,833,817		3,806,233	
Increase/ Decrease in Trade & other receivables	(6,157,694)		2,206,428	
Increase/ Decrease in Goods in transit	442,436		(2,053,368)	
Increase/Decrease in Trade & other payables	(4,882,736)		16,485,451	
Increase/Decrease in Non financial Liabilities	(4,978,970)	(10,743,147)	11,800,986	32,245,730
Gratuity paid		(6,668,767)		(10,104,537)
Tax Paid				
Net cash from operating activities		71,189,893		15,701,022
Cash flow from investing activities				
Government Grant (Capital)	230,300,958		218,002,836	
Purchase of property, plant and equipment	(19,684,821)		(13,191,090)	
Capital work in progress	(112,958,823)	97,657,315	(121,196,219)	83,615,527
Net cash used in investing activities				
Cash flow from finance activities				
Payment of lease rental	(9,092,168)	(9,092,168)	(16,266,392)	(16,266,392)
Net Increase/ Decrease in cash and cash equivalents		159,755,040		83,050,156
Cash and cash equivalents at beginning of period		101,096,412		18,046,256
Cash and cash equivalents at end of period (note 14)		260,851,452		101,096,412

Notes to the financial statements

1 General information

1.1 Reporting Entity

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

1.2 Principal Activities and Nature of Operations

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

1.3 Date of Authorization for Issue

Financial Statements of Sri Lanka Broadcasting Corporation for the year ended 31st December 2015 was presented for approval on

1.4 Number of employees

The number of permanent employees at the end of the year was 872

And the number of Contract staff at the end of the year was 53

(31.12.2014 – 889)

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

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

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

3. 1 Summary of significant accounting policies

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

3.1.1 Basis of preparation

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

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

The preparation of financial statements in conformity with SLFRS require the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the corporation's accounting policies. The areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. The reported amounts of

assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the report of amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

3.1.2 Going Concern

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

3.1.3 Post Balance Sheet Events

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

3.1.4 Comparative Information

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

3.1.5 Foreign currencies

(a) Functional and presentation currency

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

(b) Foreign Currency Transactions and balances

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

3.2 Other Significant Accounting Policies

3.2.1 Assets and Bases of Their Valuation

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

3.2.1.1 Property, plant and equipment

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

probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably.

3.2.1.2 Restoration Costs

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

3.2.1.3 Depreciation

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

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

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

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

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

3.2.2 Capital Work-in-Progress

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

3.2.3 Financial Assets

3.2.3.1. Classification

3.2.3.2 Loans and receivable

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

3.2.3.3 Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or arrangement intends to dispose of it within 12 months of the end of the reporting period.

3.2.5.4. Recognition and measurement

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

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

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

3.2.5.5 Impairment of financial assets

(a) Assets carried at amortized cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss

is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Corporation may measure impairment on the basis of an instrument's fair value using an observable market price.

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

3.2.5.6 Trade receivables

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

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

3.2.6 Inventories

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

3.2.7 Cash and cash equivalents

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

3.2.8 Borrowing costs

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

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

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

3.2.9 Current and deferred tax

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

a) Current Taxation

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

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

b) Deferred Tax

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

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

3.2.10 Employee benefits

3.2.10.1 Retirement Benefit Obligations

a) Defined Benefit Plan – Retirement Gratuity Provision

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

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

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

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

01. Rate of Interest of 11%
02. Rate of Salary increment of 5%
03. Retirement age of all employees 60 Years

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

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

3.2.11 Government grants

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

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

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

.3.2.12 Provisions

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

3.2.13 Contingent Liabilities and Contingent Assets

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

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

3.2.14 Trade Payables

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

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

3.2.15 Finance Lease Obligations

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

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

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

3.2.16 Income Statement

3.2.16.1 Revenue recognition

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

(a) Sale of Air time

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

(b) Interest income

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

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

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

d) Other Income

All other incomes are recognized on an accrual basis.

3.2.17.1 Expenditure Recognition

a) Operating Expenses

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

b) Finance Expenses

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

3.2.18 Comparatives

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

4 Critical accounting estimates and judgment

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

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

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

(a) Pension benefits

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

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

(b) Income taxes

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

5 Financial Risks Management

5.1 Financial risks factors

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

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

a) Market Risks

(i) Foreign exchange risk

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

(ii) Price risk

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

iii) Credit risks

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

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

iv) Liquidity risks

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

6 Related party transactions

Name of the Relationship	Designation	Nature of the Transaction
Mr. Nanda Muruttettuwagama	Chairman	No
Mr. W.Jayasiri	Board Member	No
Ms.Deepika Priyadarshani Pieris	Board Member	No
Mrs. Chandrika Kulathilaka	Treasury Member	No
Dr.Arundathi Sri Renganadan	Board Member	No
Mr. Kithsiri Samarasinghe	Board Member	No

Note 1

Revenue

Description	2015	2014 Adjusted	Adjustment	2014 approved
Sale of Air Time Asia Service	10,462,728	16,854,261	(670,792)	17,525,053
Sale of Air Time T.W.R.	86,026,727	77,034,801		77,034,801
Sale of Air Time Local Service	385,846,836	433,169,865	1,943,769	431,226,096
Production Charges - Local Service	4,668,083	4,863,033		4,863,033
Obituary Notices	3,992,713	4,322,106		4,322,106
Sale of Air Time FEBA	2,084,309	3,111,968	(270,736)	3,382,704
Income from PCJ	-	193,530	61,260	132,270
	493,081,396	539,549,564	1,063,501	538,486,063

Note 2

Cost of Sales

Description	2015	2014
Salaries, Wages & Allowances	298,565,304	195,667,088
Contribution to Employees Provident Fund	31,311,333	26,583,887
Contribution to Trust Fund	6,277,520	4,924,964
Traveling and Subsistence	742,040	773,952
Programme Expenditure	7,894,294	11,288,409
Relief Staff	10,147,325	14,569,139
Vehicle Running expenses	4,044,015	7,785,725
Maintenance cost	3,970,502	12,853,663
Electricity	95,784,174	112,512,994
	458,736,507	386,959,821

Note 3

Other Operating Income

Description	2015	2014 Adjusted	Adjustment	2014 approved
Interest on Loans	3,207,498	2,936,467		2,936,467
Miscellaneous Income (Other)	59,186,605	53,233,894	1,609,942	51,623,952
Fines from Advertising Agents for Returned Che	21,062	25,774		25,774
House Rent	160,390	106,381	85,430	20,951
Special Recording	181,479	207,086		207,086
Penalty for Late Licensing	-	8,571		8,571
Licensing of Importers, Dealers	7,336,343	8,715,940		8,715,940
Sale of Cassettes	4,721,083	1,051,394	(22,321)	1,073,715
Fine Account	1,171,160	1,799		1,799
Income from Circuit Bungalow-Ambewella	80,053	802,954		802,954
Sales of Publication	341,360	227,767		227,767
Revenue Trincomalee Project	152,703,817	106,250,724	246,327	106,004,397
Sub Total	229,110,850	173,568,751	1,919,378	171,649,373
Amortisation of government grant	57,975,190	62,272,581		62,272,581
Amortisation grant Trinco	177,769,097	177,769,097		177,769,097
Sub Total	235,744,288	240,041,678	-	240,041,678
Grand Total	464,855,137	413,610,429	1,919,378	411,691,051

Note 3.1

Government Grant

Description	2015	2014
Govt. Grant for Licence Fees	350,000,000	218,160,000
	350,000,000	218,160,000

3.1) Rs. 350 million received from the government as grant in lieu of radio license.

Note 4

Distribution Cost

Description	2015	2014 Adjusted	Adjustment	2014 Approved
Business promotion expenditure	1,313,059	3,452,297		3,452,297
Commission on Sale of Air Time (Local)	55,605,185	55,657,241	12,000	55,645,241
Commission on Sale of Air Time (Foreign)	733,480	2,062,577		2,062,577
Provision for bad and doubtful debts	3,775,144	2,541,373		2,541,373
Programme Exp.(Cricket & Artist)	12,382,769	11,249,291	(6,115,497)	17,364,788
	73,809,637	74,962,779	(6,103,497)	81,066,276

Note 5

Other Operating Cost

Description	2015	2014 Adjusted	Adjustment	2014 approved
Contribution to Outside Broadcasting Organisations	714,622	1,069,410	(1,364,875)	2,434,285
News Service & News Summaries	1,121,260	1,114,865		1,114,865
Advertising and Publicity	727,186	583,665		583,665
Electricity and Power	13,027,437	16,987,410	(3,008,495)	19,995,905
Postage & Telephones	12,826,646	11,298,514		11,298,514
Printing & Stationery	3,445,171	5,261,523		5,261,523
Motor Vehicle running expenses	15,468,658	13,684,531		13,684,531
Repairs and Maintenance of Broadcasting equipment	406,319	2,051,812	232,573	1,819,239
Repairs and Maintenance of Musical Instruments	-	56,100		56,100
Repairs and Maintenance of Furniture fix & fittings	9,413,072	8,347,386	92,943	8,254,443
Repairs and Maintenance of Building & Garden	4,740,838	3,610,881		3,610,881
Depreciation	43,621,211	49,979,022	(26,038)	50,005,060
Depreciation Trinco	182,364,130	181,562,083	3,031,039	178,531,044
Trinco Expenses	88,143,179	89,393,115		89,393,115
Taxation (ESC)	1,807,365	1,567,826	(4,705,472)	6,273,298
Audience Survey & Market Research	-	(650)	(14,250)	13,600
Vehicle hiring Charges	284,140	6,203,846		6,203,846
Stamp Duty	108,421	134,303		134,303
Radio frequency Charges	15,000,000	15,000,000	-	15,000,000
	393,219,653	407,905,643	(5,762,574)	413,668,217

Note 6

Administrative Cost

Description	2015	2014 Adjusted	Adjustment	2014 approved
Allowances - Chairman & Members of the Cor	800,000	2,069,200		2,069,200
Salaries, Wages & Allowances	185,115,252	158,625,985		158,625,985
Contribution to Employees Provident Fund	24,130,194	26,316,412		26,316,412
Contribution to Trust Fund	4,810,786	7,172,723		7,172,723
Overtime to Staff	21,818,873	19,244,178		19,244,178
Relief Staff	14,754,425	19,202,221		19,202,221
Emoluments to Contract Staff	17,520,166	29,505,949		29,505,949
Staff training Charges (Local)	-	42,500		42,500
Traveling and Subsistence-(Foreign & Local)	1,806,463	1,669,304		1,669,304
Holiday pay	2,624,761	2,490,725		2,490,725
Gratuity	23,335,178	44,218,603		44,218,603
Entertainment by Chairman	392,416	730,702		730,702
Entertainment by Director General	100,380	233,567		233,567
Welfare	1,035,829	1,277,041		1,277,041
Medical Service	189,686	157,890		157,890
General Charges	1,901,027	1,705,107		1,705,107
Rent Rate & Taxes	7,544,056	7,035,380		7,035,380
Insurance	2,311,495	2,428,299		2,428,299
Audit fees	600,000	550,000		550,000
Legal Fees	1,551,475	2,039,208		2,039,208
Publications & Periodicals	477,845	455,222		455,222
Penalty for gratuity,court cases & other etc	862,602	1,218,609		1,218,609
	313,682,908	328,388,825	-	328,388,825

6.1) The Corporation had incurred Rs. 846,545.94 in respect of Broadcasting Obituary notice of relatives staff

members for the year 2015. these notices were broadcast in accordance with the approved scheme in force. This

was the practice adopted by the corporation every year.

Pending Legal Cases

There are three cases pending at Supreme Court. The status of one case is as follows. It is an appeal filed by the

Corporation to set aside a judgement of the D.C. Case No.23089/MR- regarding awarding of Rs.10,000,000/- with

legal interest for the plaintiff of the D.C. Case.

Five cases are pending at provincial High Court. Five cases are pending at District Court and status of two cases is

as follows. One case demands 8 million with interest and the other demands Rs.5,917,275 with interest and 10%

commission from US\$ 26775.

Five cases are pending at Magistrate Court and two cases at Labour Department Arbitration.

Note 7

Finance Cost

Description	2015	2014 Adjusted	Adjustment	2014 Approved
Bank Charges	480,945	490,217		490,217
OD Interest	4,461,314	5,683,109		5,683,109
Gain/(Loss) on Exchange	176,576	180,864	10,292	170,572
Credit Card Commission	49,562	48,521		48,521
Lease Interest	1,045,145	2,490,894		2,490,894
	6,213,541	8,893,605	10,292	8,883,313

Note 8

8 (i) Income Tax

	2015	2014
Net profit/ loss as per accounts	(287,725,712)	(253,950,680)
Add		
Disallowable expenses		
Depreciation	43,621,211	49,979,022
Depreciation Trinco	182,364,130	181,562,083
Provision for bad debts	3,775,144	2,541,373
Provision for Gratuity	23,335,178	44,218,603
Entertainment	492,796	964,269
Economic Service Charges	1,807,365	1,567,826
	255,395,823	280,833,176
Less		
Allowable expenses		
Capital Allowance	132,192,315	126,177,289
Lease Rental	9,092,168	16,266,392
Gratuity payment	6,668,767	10,104,537
Government Grant	350,000,000	218,160,000
	497,953,250	370,708,218
Taxable profit /(loss)	(530,283,139)	(343,825,721)
Tax losses brought forward	(2,925,291,412)	(2,799,625,691)
Total tax losses carried forward	(3,455,574,551)	(3,143,451,412)
Provision for Income Tax		

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

ii. Deferred Taxation compute & consider the recognition of deferred taxation as per LKAS 12

Differed Tax Assets & Liabilities

	2015	2014
Financial Position		
Differed Tax Liabilities	75,733,399	85,864,191
Differed Tax Assets	409,678	(945,105)
Net Differed Tax Assets	76,143,077	84,919,086
Statement of comprehensive income		
Differed Tax Liabilities	10,130,792	(20,216,510)
Differed Tax Assets	(1,354,783)	(194,253)
Net Differed Income Tax Income/(Expenses)	8,776,009	(20,410,762)

Note 9

Property, plant & Equipment S.L.B.C

Gross Carrying Account	Balance as at 01.01.2015 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2015 Rs.	Provision for Depreciation 01.01.2015 Rs.	Charge for the Period Rs.	Disposal/Transfer	Provision for Depreciation 31.12.2015 Rs.	NBW As at 31.12.2015
At Cost									
Land	7,764,234			7,764,234					7,764,234
Building	168,293,637	630,340		168,923,977	115,700,574	3,829,565		119,530,139	49,393,838
Plant & Machinery	594,220,928	551,832		594,772,760	477,286,391	4,801,777		482,088,168	112,684,592
Musical Instruments	6,859,440	381,750		7,241,190	6,685,778	68,092		6,753,870	487,320
Motor Vehicles	35,326,129	12,890,000	5,445,300	42,770,829	60,446,626	3,914,049	166,342	64,194,333	12,321,353
Assets on finance leases - Motor Vehicles	33,744,857			33,744,857		-			
Furniture, Fixtures &	131,899,640	325,017	25,267	132,199,390	107,686,827	3,851,468		111,538,295	20,661,095
Records & Tapes	24,924,554	195		24,924,749	24,649,395	130,722		24,780,117	144,633
Audio Frequency	880,077,488	1,300,545	277,736	881,100,296	726,472,007	8,782,363	26,038	735,228,332	145,871,963
Transmitters	1,410,610,705	3,137,664		1,413,748,369	960,781,012	17,099,516		977,880,528	435,867,842
Computer equipment	35,056,456	1,737,980	132,943	36,661,492	32,762,709	1,143,659	20,687	33,885,681	2,775,811
Library Books	447,760	14,582		462,342		-			462,342
Loose Tools	107,675	-		107,675	103,570	0		103,570	4,105
	3,329,333,504	20,969,905	5,881,246	3,344,422,163	2,512,574,889	43,621,211	213,066	2,555,983,033	788,439,130

Property, plant & Equipment Trinco

Gross Carrying Account	Balance as at 01.01.2015 Rs.	Additions/ Trinco assets Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2015 Rs.	Provision for Depreciation 01.01.2015 Rs.	Charge for the Period Rs.	Disposal/Transfer	Provision for Depreciation 31.12.2015 Rs.	NBW As at 31.12.2015
At Cost									
Plant & Machinery	203,231,757			203,231,757	45,727,145	15,242,382		60,969,527	142,262,229.88
Motor Vehicles	4,344,000			4,344,000	3,258,001	1,085,999		4,344,000	-
Furniture, Fixtures &	3,228,585			3,228,585	726,432	242,143		968,575	2,260,009.52
Office Equipment	8,848,274			8,848,274	2,654,482	884,828		3,539,310	5,308,964.39
Generators	234,689,948			234,689,948	52,804,174	17,601,747		70,405,921	164,284,027.37
Audio Frequency	57,280,268	2,971,884		60,252,153	12,888,060	4,426,040		17,314,100	42,938,052.39
Transmitters	1,675,041,153	10,255,476		1,685,296,629	374,758,672	125,912,811		500,671,483	1,184,625,145.39
Computer equipment	73,612,786		12,124,157	61,488,629	73,612,786		12,124,157	61,488,629	-
Loose Tools	5,266,693			5,266,693	1,185,006	395,002		1,580,008	3,686,685.07
Equipment	180,561,849			180,561,849	40,343,099	13,542,138		53,885,237	126,676,611.78
	2,446,105,316	13,227,360	12,124,157	2,447,208,516	607,957,857	179,333,090		775,166,790	1,672,041,725.79

Note 10

Capital Working Progress

Depreciation	2015	2014
Capital Working Progress	254,571,510	142,180,474
	254,571,510	142,180,474

Note 11

Investment

Depreciation	2015	2014
Investment in Lanka Puwath Ltd.	1,000,000	1,000,000

Note 12

Trade and other receivables

Description	2015	2014 Adjusted	Adjustment	2014 approved
Debtors Airtime	185,588,450	198,606,985	1,246,249	197,360,736
Less: Impairment of financial assets	(103,958,617)	(100,183,473)	124,258	(100,307,731)
Loans to staff	7,014,067	6,745,921		6,745,921
Other advances to staff	8,052,588	8,653,983	(454,000)	9,107,983
Staff Debtors E.P.F.	316,917	319,973		319,973
Payments in advance	22,008	0		-
Advance payment to Suppliers	8,253,223	2,793,558		2,793,558
Sundry Debtors	22,127,730	23,198,752	3,125,709	20,073,043
Dishonoured Cheques	3,306,373	3,906,340	(15,000)	3,921,340
P.M.G.current a/c - Obituary notices	7,997,854	7,997,854		7,997,854
Branch Account with Lakhanda	12,807,862	12,807,862		12,807,862
G.S.T.Control Account	237,267	237,267		237,267
Receivable Income (other)	31,255,572	10,446,469	2,583,860	7,862,609
With Holding Tax (Income)	32,876,217	32,861,470		32,861,470
P.M.G. Current A/c Radio Licence fees	195,700	195,700		195,700
Suspense A/c	221,965	221,965		221,965
Suspense A/c (shroff)	281,110	281,110		281,110
Diferred Income	-	5,102,000		5,102,000
Other deposits	9,244,962	9,264,962		9,264,962
	225,841,248	223,458,698	6,611,076	216,847,622

Note 13 - Goods in Transit

Depreciation	2015	2014 Adjusted	Adjustment	2014 approved
Goods in Transit	4,852,069	5,294,505	(207,306)	5,501,811
Total	4,852,069	5,294,505	(207,306)	5,501,811

Note 14

Cash and Cash Equivalents

Description	2015	2014
Bank of Ceylon - Matara	7,726	61,150
People's Bank International Division	233,087	194,498
Bank of Ceylon - Torrington -Main account.	17,020,694	(48,087,342)
State Bank of India	377,104	377,104
Bank of Ceylon - Anuradhapura	12,510	(16,020)
Bank of Ceylon - Kandy	153,815	982,282
Nations' Trust bank	11,597,272	6,840,698
Bank of Ceylon - Torrington -Radio Licences	6,737,471	9,415,910
Bank of Ceylon - Torrington - F M Project	1,429,088	1,626,410
Cash Imprest	132,760	205,530
Bank of Ceylon - Torrington-Cassette Sales	5,895,640	10,581,799
Bank of Ceylon - Madras	1,093,081	980,886
Cash book Trincomalee project	18,255,485	11,083,809
Bank of Ceylon -Jaffna Branch	191,505	
Bank of Ceylon - Savings	88,986	85,502
Fixed deposits	90,666,817	20,133,672
Sanasuma	322,147	322,147
Margin A/c (people's Bank)	106,636,263	86,308,377
Total	260,851,452	101,096,412

Note 15

Cash and Cash Equivalents

Description	2015	2014
Revenue Reserve 01st of January	(248,365,120)	(219,291,349)
Revenue Reserve adjustment	45,168,281	33,356,642
Revenue Reserve	71,050,297	(56,201,442)
Revenue Reserve - 2014	(41,966,329)	(6,228,972)
Total	(174,112,871)	(248,365,120)

Note 16

Trade and other payables

Description	2015	2014 Adjusted	Adjustment	2014 approved
Creditors sale of airtime	18,047,401	23,590,565	15,817,953	7,772,612
Miscellaneous deposits refundable	9,794,054	9,604,054	(398,675)	10,002,729
Accrued Expenses	208,858,288	202,235,289	(44,274,727)	246,510,016
E.P.F.	3,584,749	3,863,076		3,863,076
Unclaimed Salaries & Wages	-	0	(487,477)	487,477
Sundry Creditors	14,789,451	20,411,022	229,696	20,181,326
Sundry Creditors	10,000	10,000		10,000
ME's Security Deposit	630,472	892,957	(2,414)	895,371
Sanasuma-Tsunami	322,147	322,147		322,147
Radio Deutsche welle	16,932,095	16,932,095		16,932,095
Lease account	4,709,287	8,262,080	215,058	8,047,022
Creditors Control A/c	114,400	0		
Rajarata Circuit Bunglow	175,536	280,124	10,028	270,096
	277,967,880	286,403,409	(28,890,558)	315,293,967

Note 17

Non financial Liabilities

Description	2015	2014 Adjusted	Adjustment	2014 approved
N S L	15,007,806	15,007,806		15,007,806
Save the nation fund	(12,418)	(12,418)		(12,418)
Payee Tax	147,661	(28,258)	163,840	(192,098)
With holding tax	-	133,967		133,967
VAT Contrall a/c	20,478,861	34,066,183	(170,847)	34,237,030
ESC	53,176,337	51,368,972	(6,672,362)	58,041,334
NBT	48,976,562	40,410,213	7,368	40,402,845
National Defence Fund	2,835	2,835		2,835
provision for income Tax	692,759	692,759		692,759
Stamp duty payable to Inland Re	50	-		
	138,470,454	141,642,059	(6,672,001)	148,314,060

Note 18

Finance Leases

	2015	2014
Finance Leases (Motor Vehicles)	13,977,801	30,244,193
Add during the year adjustment		
	13,977,801	30,244,193
Lease Rental	(9,092,168)	(16,266,392)
	4,885,633	13,977,801
Less		
Lease Interest suspense A/C	(176,345)	(1,221,490)
	4,709,288	12,756,311
Currant Liability	4,709,288	8,047,022
Non Currant Liability	-	4,709,288

Report of the Auditor General





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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

MED/A/SLBC/1/15/379

ඔබේ අංකය
உமது இல.
Your No.



30 September 2017

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 2015 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971

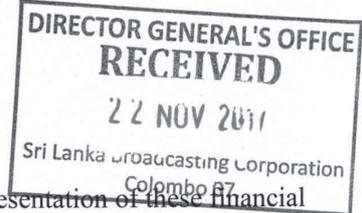
The audit of financial statements of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2015 comprising the statement of financial position and the comprehensive income statement, statement of changes in equity and the cash flow statement for the year then ended and a summary of significant 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 Corporation 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.

1.2 Management's Responsibility for Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 -1810). Those Standards require that I comply with ethical requirements





and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub Sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

1.4 **Basis for Adverse Opinion**

Had the matters described in paragraph 2.2 of this report been adjusted, many elements in the accompanying financial statements would have been materially affected.

2. **Financial Statements**

2.1 **Adverse Opinion**

In my opinion, because of the significance of the matters described in paragraph 2.2 of this report, the financial statements do not give a true and fair view of the financial position of the Sri Lanka Broadcasting Corporation as at 31 December 2015 and its financial performance and its 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

In terms of paragraphs 11 and 12 of the Sri Lanka Accounting Standard 38, the sum of Rs.3,400,000 spent in the preceding years for the purpose of obtaining automation facilities to the radio channels, had been brought to account under the computer accessories and provision for the depreciation had also been made instead of indicating in the financial statements under the intangible assets.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) The Value Added Tax and the values of Nation Building Tax relating to the debtors balances of sale of airtime from the year 2000 to the year 2015 had been omitted from the Debtors' Account. As such, the Value Added Tax and the Nation Building Tax and Debtors' Accounts had been understated by Rs.22,911,452, Rs.2,033,946 and Rs.24,945,398 respectively.
- (b) The credit balance of Rs.6,046,009 that existed in the current accounts of the Head Office as at the end of the year under review, had been added to the creditors of sale of airtime and shown at the end of the year, instead of reconciling those current accounts and making adjustments to them in which transactions between the Head Office and the Regional Offices are recorded.
- (c) The sum of Rs.16,854,787 paid in the preceding year for the Royalty of obtaining the broadcasting right for the Cricket World Cup for the year under review, had been brought to account as an expenditure of that year instead of accounting as payments made for ensuing years. Only a sum of Rs.5,605,497 had been adjusted for rectifying that in the year under review and as such, the expenditure of the year under review had been understated by Rs.11,249,290.



- (d) Even though the period of the agreement of a motor vehicle valued at Rs.5,977,000 which was obtained on hire basis, had terminated in February 2015, the value thereof had not been transferred from the Motor Vehicle on Hire Account to the Motor Vehicle Account during the year under review.
- (e) The bonus amounting to Rs.12,697,500 paid to the permanent employees of the Corporation during the year under review, had been included in the Salaries, Wages and Allowances Account without indicating under a separate item of the comprehensive income statement.

2.2.3 Unexplained Differences

The unidentified balances totalling Rs.14,726,349 had been included in the schedules pertaining to dishonoured cheques, employees' loans, employees' sundry advances and sundry deposits and equalled to values appearing in the financial statements.

2.2.4 Suspense Accounts

A total sum of Rs.503,075 relating to a cash fraud identified in the year 2007 and over a period exceeding 21 years, had been brought to account under the Suspense Account in the financial statements without recovery of money from the persons concerned.

2.2.5 Lack of Evidence for Audit

The following items of accounts could not be satisfactorily vouched or verified in audit due to lack of evidence indicated against each item.

<u>Item of Account</u>	<u>Value</u>	<u>Evidence not made available</u>
	Rs.	
(a) Deposits Payable prior to the year 2010	8,496,419	Schedules including the date of deposit and the name of the depositor.
(b) Debtors (Amount receivable from the Department of Posts for Obituary Notices)	7,997,854	A documentary confirmation of balances.



- | | | |
|---|-------------|--|
| (c) Deposits Receivable | 561,272 | Schedules or the Register including the date of deposit, reason for the deposit, place of deposit and the value thereof. |
| (d) Payments for the Work- in- Progress | 150,000,000 | Invoices, Receipts, Expected Work Plan, Expenditure Estimate, Documents relating to the approval of Payments. |
| (e) Advances for unidentified purchases (Employees) | 7,684,737 | Register of the Officers who obtained the advances and the amount obtained. |
| (f) Payments | 5,684,567 | Sixty eight paying vouchers. |
| (g) Trade and other Receivable Balances brought forward in accounts over a period exceeding 10 years (Lakhanda Branch Account.) | 12,807,802 | Files and confirmation of balances |
| (h) Adjustments in the accounts through 05 journal entries | 3,842,756 | Documentary evidence for the confirmation of expenditure. |

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) The total local and foreign airtime sales debtors balance as at 31 December of the year under review amounted to Rs.188,894,823 and out of the total debtors balances, loan balances of Rs.67,513,771 had been older than 10 years.



- (b) A sum of Rs.9,280,593 was receivable as at 31 December of the year under review due to non-recovery of charges prior to broadcasting short term programmes. Even though the normal credit period allowed by the Corporation had been 02 months, there were balances of Rs.835,611, Rs.5,313,172 and Rs.3,131,810 older than 10 years, between 05 and 10 years and between 01 and 05 years respectively.
- (c) Action had not been taken to settle the audit fees totalling Rs.1,677,600 from the year 2007 to the year 2011.
- (d) Advances amounting to Rs.6,528,780 given to the suppliers over periods ranging from 03 months to 1 1/2 years, had not been settled.
- (e) A balance of Rs.631,200 which was unable to be recovered had been shown under debtors due to failure in recording the recoverable amount correctly in the Service Agreement entered into with a client.
- (f) According to the financial statements of the Corporation as at the end of the year under review, the balances receivable from the Sri Lanka Rupavahini Corporation and the Independent Television Network amounted to Rs.2,400,000 and Rs.1,500,000. However, according to the financial statements of those institutions, the values payable to the Broadcasting Corporation as at the end of the year under review amounted to Rs.3,324,086 and Rs.548,734. Further, according to the accounts of the Sri Lanka Rupavahini Corporation, the amount receivable from the Broadcasting Corporation amounted to Rs.1,990,119. Nevertheless, according to the accounts of the Broadcasting Corporation, an amount payable to the Rupavahini Corporation had not appeared therein.
- (g) The accrued expenditure of Rs.208,858,288 which had been shown under the current liabilities had included a sum of Rs.11,970,861 between a period of 02 and 10 years and action had not been taken up to the end of the year under review to settle those balances.



- (h) Even though a deposit of Rs.1,600,000 had to be recovered from 16 lessees according to the agreement relating to the leasing out of radio transmission towers for the year under review, such deposits had not been recovered.
- (i) A sum of Rs.48,976,562 recovered from clients as the Nation Building Tax from the year 2010 to the year under review, had been shown in the statement of financial position under current liabilities as non-financial liabilities instead of remitting to the Department of Inland Revenue.
- (j) Action had not been taken to settle 13 balances of Debit and Credit Accounts totalling Rs.14,455,573 and Rs.32,274,883 which are continuously brought forward without change from the year 2001 to the year 2014 as current assets and current liabilities.

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

The following instances of non-compliance were observed.

Reference to Laws, Rules, Regulations etc.

Non-compliance

(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka

Section 10.1 of Chapter VII

An officer is required to earn increments only by the efficient and diligent discharge of his duties and by serving the incremental period in full. However, contrary to that, only 30 officers had been granted 03 increments each from 25 May 2015 on a decision of the Board of Directors without considering the date of increment.



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

- (i) Financial Regulation 104(1)(a) Even though 09 motor vehicles had met with accidents during the year under review, inquiries in terms of Financial Regulations had not been instituted in that connection.
- (ii) Financial Regulations 101 and 110 According to the Report on Boards of Survey carried out in the year 2011 in the External Publicity Division, action had not been taken to identify the value of 77 items belonging to 21 Types which were identified as lost and misplaced items.
- (iii) Financial Regulation 371(2)(c) It was observed that advances amounting to Rs.774,617 granted to employees, had been settled after delays ranging from 02 months to 04 years after the completion of the relevant purpose in 38 instances.
- (iv) Financial Regulation 381(1) Fourteen local bank accounts and 02 foreign bank accounts had been opened without the approval of the Treasury and those accounts comprised of a balance totalling Rs.170,051,875 as at 31 December 2015.
- (v) Financial Regulation 396(d) Action in terms of the Financial Regulation had not been taken in respect of 62 cheques valued at Rs.168,354 not presented for



payment for more than 06 months from the date of issue as at 31 December of the year under review.

(vi) Financial Regulation 757

The Boards of Survey on the fixed assets valued at Rs.2,447,208,516 of the Deutsche Welle Relay Station at Trincomalee, had not been carried out and reports thereon had not been presented to Audit.

(c) **Public Enterprises Circulars**

(i) Circular No. PED/12 dated 02 June 2003.

Section 8.2.2

A sum of Rs.58,000,000 had been invested in fixed deposits during the year under review on the approval of the Director General but without obtaining the approval of the Minister of Finance.

Section 9.4

Five employees of the Corporation had been released for the service of the Ministry without the approval of the Cabinet of Ministers and a sum of Rs.2,584,671 had been paid to 04 employees therefor in the year under review.

(ii) Circular No. PED 2/2015 of 25 May 2015

Section 04

The cost for the purchase of mobile phones should be borne by the officer concerned and it should not be reimbursed by the relevant institution. However, the



Corporation had spent a sum of Rs.522,249 for providing 24 mobile phones to officers from October 2012 to May 2016.

(iii) Circular No. PED 1/2015 of 25
 May 2015

Sections 3.1 and 3.2

A sum of Rs.1,180,672 had been spent for 9,904 Liters of Diesel without the approval of the Secretary to the Ministry on behalf of four officers to whom official vehicles of the Corporation had been assigned, exceeding the fuel limit entitled to them.

(d) Decision No.අමප/05/විවිධ (026) of 16
 June 2005 of the Cabinet of Ministers

In requesting for the appointment of instructors, the Bio-Data of the nominee along with a memorandum including the duties to be assigned to him and the duration, should be submitted for the approval of the Cabinet of Ministers. Nevertheless, 04 instructors had been recruited in the years 2014 and 2015 and allowances totalling Rs.1,670,000 had been paid to them without the approval of the Cabinet of Ministers.

(e) Public Administration Circulars
 No.22/999 of 08 October 1999
 Paragraph 1:1:6 (v)

Fuel allowances amounting to Rs.270,000 had been paid to two Executive Officers of the Corporation in the year under review without the approval of the Secretary to the Ministry.



3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Corporation for the year under review had been a profit of Rs.71,050,297 as against the loss of Rs.56,201,442 for the preceding year, thus indicating an improvement of Rs.127,251,739 in the financial result of the year under review as compared with the preceding year. The increase in the income from other operations by Rs.51,244,708 and the Government grants by Rs.131,840,000 and the decrease in the administrative expenditure and the expenditure on other operations by Rs.29,391,907 in the year under review, had been the main reason for the above improvement.

An analysis of financial results of the year under review and 04 preceding years revealed a net profit in the year 2011. Nevertheless, there had been a net loss from the year 2012 to the year 2014 and again there had been a net profit in the year under review. However, taking into consideration the employees' remuneration, Government tax and depreciation on the non-current assets, the contribution of the Corporation which was Rs.489,806,207 in the year 2011 had decreased to Rs.458,031,460 by the year 2013 and afterwards it had gradually increased and become Rs.834,004,819 in the year under review.

3.2 Legal Action initiated against or by the Corporation

The following observations are made.

- (a) Even though the Corporation had not taken proper action to obtain the broadcasting right of the Cricket match between Sri Lanka and England during the year under review, action had been taken to obtain commercial advertisements while broadcasting the Cricket match. As such, the institution which had obtained proper broadcasting right, had instituted a case claiming compensation amounting to Rs.50 million. Moreover, the Corporation had paid a sum of Rs.833,500 as legal fees therefor.



- (b) An employee of the Corporation had filed a case in a District Court claiming a compensation of Rs.08 million for the damage occurred while traveling in a motor vehicle of the Corporation. The Corporation had paid a sum of Rs.158,250 as legal fees therefor in the year under review .
- (c) The Department of Criminal Investigation had recommended for the recovery of only Rs.5.65 million out of Rs.13.21 million fraud which was committed by a Marketing Executive Officer, due to improper maintenance of Books of Accounts and Registers. Further, the Corporation had instituted cases in the Commercial High Court of Colombo for the recovery of the remaining amount of Rs.7.56 million.
- (d) Three increments each had been granted only for 30 employees of the Corporation and as a result, other employees of the Corporation had instituted a case against the Corporation. As such, a sum of Rs.410,000 had been paid as legal fees therefor in the year under review.
- (e) A case had been filed in the District Court of Colombo against the Corporation stating that the Corporation had broadcasted misleading news and as such, the Corporation had been directed to pay a compensation of Rs.10 million therefor. The same judgement had been received from the Civil Appeals High Court of Colombo as well, subsequent to the lodging of an appeal by the Corporation against therefor. As such, the Corporation had again lodged an appeal in the Supreme Court in this connection.

4. Operating Review

4.1 Performance

In terms of the Sri Lanka Broadcasting Corporation Act, No.37 of 1966, the objectives of the Corporation are given below.

- (i) Function as the broadcaster maintaining the highest listenership for Sinhala, Tamil and English radio channels.



- (ii) Function as the premier broadcaster that provides reliable, balanced, information promptly in attractive formats.
- (iii) Producing and presenting high quality, creative programmes for the advancement of indigenous culture.
- (iv) Providing essential training to develop a self-motivated workforce with ample skills, knowledge and attitudes.
- (v) Updating our production and transmission technology appropriately to provide a clear, strong broadcast output to local and overseas listeners.
- (vi) Functioning as the pioneering institution to foster a meaningful broadcast media culture conforming to a Code of Ethics.
- (vii) Contributing creatively as the national radio network to inform the public about the implementation of state policies and development programmes.
- (viii) Maintaining optimum financial management as well as human resource management.
- (ix) Winning the competitive market strategy.

The following matters were observed in respect of achieving the above objectives.

- (a) Even though a sum of Rs.3,400,000 had been spent for the automation activities of the radio channels of the Corporation from the year 2008 in which it was commenced, up to 14 May 2012, this process had not been completed even by July 2016.
- (b) Thirteen activities under 03 sections included in the Action Plan had not been implemented in the year under review.



4.2 Management Activities

The following observations are made.

- (a) Action had not been taken even up to 30 June 2016 in terms of the Agreement to recover the lease rent of Rs.7,210,000 due from the year 2005 to February of the year under review from the holiday resort in Nuwara Eliya belonging to the Corporation and legal fees amounting to Rs.2,151,206 spent from the year 2010 for vesting the holiday resort again from the lessee.

- (b) The Corporation had purchased only the ownership of the building of the Nivahana Holiday Resort situated on a land of 01 Rood 20 Perches in extent situated in the Havaeliya Grama Niladhari Division, Nuwara-Eliya in the year 1979 for a sum of Rs.250,000. According to the Letter dated 08 January 1987 of the Additional Government Agent and the Deputy Commissioner of Lands, Nuwara Eliya, the Corporation had been informed to pay Rs.6,000 per year for the years 1985, 1986 and 1987 and obtain the leasehold right to the land . However, the leasehold right had not been obtained by paying the lease rent up to 30 June 2016.

4.3 Operating Activities

The following observations are made.

- (a) Even though library books belonging to the Corporation valued at Rs.462,342 existed, they had been stored in an unprotected manner. As such, it was observed that they were being destroyed by rats and termites.

- (b) It was revealed that the land, building and inventoried goods of the Transmitting Station at Mahailuppallama which had been closed down from 27 February 2005, had been left to destruction without being made use of for any effective purpose and a sum of Rs.513,418 had been spent in the year under review for the watcher's salary, telephone and electricity bills.



- (c) Even though no income whatsoever had been received to the Corporation from the Kothmale Community Radio Channel which had been closed down from 09 April 2013, a sum totalling Rs.1,658,818 had been spent for the salaries, telephone and electricity charges of three employees during the year under review. The Management had not paid attention to the increase in the loss of the Corporation due to incurring of fruitless expenses.
- (d) Interest on overdraft amounting to Rs.4,461,314 had been paid for the bank overdraft that remained up to November 2015 in the Main Current Account of the Corporation.
- (e) Even though the Ambewela Holiday Resort had been temporarily closed for repairs since March 2015, expenses of Rs.1,312,743 had been incurred on employees' salaries, telephone and electricity charges during the year under review. The Corporation had not taken action even by 04 July 2016, the date of audit to carry out necessary repairs of this holiday resort and to make use of it.
- (f) The values of transmitters and spare parts relating to antennas of the Trincomalee Relay Broadcasting Station had not been brought to account and an Inventory or a Register of Transfers and a Schedule of Goods Taken Over as well were not available.
- (g) Sales had been brought to account based on the Publicity Schedule instead of the Sales Invoice. As observed in Audit, there were weaknesses in internal control in the preparation of Airtime Sales Schedules. As such, the accuracy of the Airtime Sales Income of Rs.489,088,683 of the year under review could not be confirmed in Audit.

4.4 **Transactions of Contentious Nature**

Even though the approval had been received for obtaining a long term lease permit for the portion of land located in Ambewela belonging to the Badulla District and enjoyed by the Corporation, it had been leased out to a third party without completion of the said purposes or a written agreement which resulted the Corporation to be deprived of enjoying this land as well as confronting legal issues.



4.5 **Idle and Underutilized Assets**

Fourteen motor vehicles belonging to the Corporation valued at Rs.23,400,170 and a motor vehicle of which the value had not been revealed to Audit, had remained idle and 05 other motor vehicles had been underutilized. Five vans of the make Micro which had remained idle, had been purchased and removed from running within a period less than 03 years and lease rents for those motor vehicles were being paid even by the end of the year under review.

4.6 **Identified Losses**

The following observations are made.

- (a) Gratuity had been underpaid to two retired employees and as such, a surcharge of Rs.861,926 had to be paid in the year under review on the Directives of the Department of Labour. Moreover, as the Economic Services Tax had not been duly remitted, a surcharge of Rs.11,979,867 had been imposed on outstanding taxes from the year of assessment of 2004/2005 to the year 2013/2014.
- (b) In entering into an agreement with a client in the year 2012, the amount recoverable had been understated. As such, a loss of Rs.673,200 had been sustained by the Corporation.

4.7 **Procurement and Contract Administration**

The following observations are made.

- (a) Technical assistance had been obtained from a private institution subject to an initial payment of Rs.15,000,000 and a monthly rental of Rs.400,000 in respect of linking programmes for Relay Broadcasting Stations in the year 2012 without checking the more advantageous instance from the two instances of obtaining a linking system suitable for the Corporation and obtaining technical assistance from a private institution. Even though it had been informed that this supplier should be selected through a Committee appointed by the Secretary to the Ministry, contrary to that, the Corporation had paid a sum of Rs.29,588,488 from the year 2013 to 31 December of the year under review, deviating from the procurement procedure.



- (b) The following deficiencies were observed in awarding the contract of modernization of the Karaghatenna Transmitting Station belonging to the Corporation, by purchasing seven transmitters of 10 KW capacity and an Antenna System valued at Rs.104,720,555 and installation thereof.
- (i) A feasibility study had not been carried out on matters such as the maximum transmitter capacity, the suitable type of transmitter (air cool/liquid cool) and the electricity that can be used for the Transmitting Station.
 - (ii) The same officers who carried out the purchase of equipment for the Yatiyanthota Transmitting Station with defects had been appointed to the Technical Evaluation Committee for this purpose as well.
 - (iii) Action had not been taken to grant equal rights to the bidders.
 - (iv) Liquidated damages amounting to Rs.781,516 had to be paid as approval of the Telecommunication Regulatory Commission and the Controller of Import and Export which should be obtained before ordering of goods, had been obtained after the goods were received to the Customs.
 - (v) Even though the project should be completed in 15 weeks in terms of the contract agreement, a period of 66 weeks had lapsed therefor and action had not been taken to recover liquidated damages or to extend the contract period.
 - (vi) The Engineer's Certificate required to confirm that the equipment are in working order after installation and the Field Inspection Reports that should be submitted mentioning the transmitters are equipped with the required intensity had not been submitted even by 30 June 2016. The final payment of 20 per cent had not been paid due to these deficiencies.



- (c) Out of the sum of Rs.77.5 million provided from the General Treasury for capital grants in the year 2011, a sum of Rs.40 million had been used for surcharge expenses.
- (d) The constructions of the Antenna Tower at Puttur had been assigned to the Handicrafts Board on 16 June 2011 deviating from the Procurement Guidelines without considering constructions finance and technical ability. Mobilization advances amounting to Rs.9,126,933 had been paid to the Handicrafts Board and the contract had been neglected without carrying out constructions. Out of the advance paid, only a sum of Rs.4,348,041 had been repaid and as such, the Corporation had sustained a loss of Rs.4,778,892.

4.8 Staff Administration

The following observations are made.

- (a) Even though the Department of Management Services had informed the Corporation on 15 September 2010 to prepare the Schemes of Recruitments and Schemes of Promotions in accordance with Circular No.30 of 22 September 2006 of the Department of Management Services and forward for approval, the Schemes of Recruitment and Promotions had not been forwarded to the Secretary to the Ministry even by 30 June 2016.
- (b) It had been informed that employees should not be recruited without obtaining approval for the Scheme of Recruitment. Contrary to that, 69 and 04 employees had been recruited on contract and assignment basis respectively in the year under review without obtaining approval.
- (c) The officer recruited as Director (Music) on 01 July 2004 by following the Scheme of Recruitment, had been assigned the cassette sales division which did not have a post of Director and an officer who had not forwarded an application for the post of Director (Music) and who has no qualifications for that post of Director had been appointed to act in the post from 24 April 2009.



- (d) According to the information furnished, the salaries and wages paid as at the end of the year under review to 867 permanent staff and to 323 excess staff amounted to Rs.483,680,556 and salaries and allowances paid for officers engaged on contract basis and supporting staff and employees recruited on assignment basis amounted to Rs.42,421,916. Despite the existence of excess staff in the permanent staff, obtaining the services from supporting staff and the staff on contract basis was problematic.
- (e) Three high staff posts of the Corporation, namely, Deputy Director General (Finance), Deputy Director General (Engineering) and the Deputy Director General (Administration) had been vacant from a period between 03 years and 08 years.
- (f) Even though the officer who was serving in the capacity of Director General of the Corporation had been released from that post from 19 January 2015, in terms of Section 19(3) (b) of the Sri Lanka Broadcasting Corporation Act, No. 37 of 1966, that officer had not been appointed to the post of Deputy Director General in which he served previously. He had been appointed instead for a post of Instructor of the Corporation from 19 October 2015 without the approval of the Cabinet of Ministers. However, he had informed that he would not accept that post. Moreover, this officer had not been assigned with duties from the date on which he was released and salaries and allowances, contributions for Employees' Provident Fund and Employees' Trust Fund totalling Rs.986,529 had been paid in the year under review. An official motor vehicle with fuel as well had been provided by the Corporation.

4.9 Utilization of Motor Vehicles

The following observations are made.

- (a) According to the information made available to Audit, it had been notified that the Corporation had not obtained any motor vehicle on hire basis. However, according to final accounts, rentals amounting to Rs.4,272,104 had been paid in



the year under review for motor vehicles obtained on hire basis. This payment had included a sum of Rs.489,800 paid for the preceding year.

- (b) Even though expenses totalling Rs.214,565 had been incurred in the year under review for repairs of 03 motor vehicles that had remained idle, those motor vehicles could not be brought back to running condition.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

The financial statements should be furnished to the Auditor General within 60 days of the closure of the year of accounts in terms of Section 6.5.1 of the Public Enterprises Circular No.PED12 of 02 June 2003. However, the financial statements of the year 2015 had been presented to the Auditor General on 25 April 2016.

5.2 Corporate Plan

In terms of Section 5.1.2 of Public Enterprises Circular No. PED/12 of 02 June 2003, the Corporate Plan for the years 2015-2017 had not been prepared.

5.3 Internal Audit

The following observations are made.

- (a) Even though 97 audit queries had been issued by the Internal Audit Unit from the year 2012 to the year 2015, the Management had replied only 37 queries out of those by 30 June 2016.
- (b) According to the approved cadre, 04 posts existed in the Internal Audit Unit for Permanent Audit Assistant. However, only two Audit Assistants had been deployed in service as at 31 December 2015.



a sum of Rs.945,000 and legal action had not been taken even by 30 June 2016 for the recovery of the remaining amount.

- (c) Action had not been taken even by the end of the year under review to obtain proper ownership by obtaining Transfer Deeds for two houses (Anuradhapura and Kandy) purchased by the Corporation, spending a sum of Rs.860,000.
- (d) Out of 22 official quarters belonging to the Corporation, 03 quarters are being used by the Army and it was revealed in Audit that 02 other quarters are being used by persons who are not employed in the Corporation. The bungalow of the Director which was located within the boundaries of the Anuradhapura Urban Council, had remained in an unprotected condition due to non-use. As such, it had to be demolished. Further, 03 more quarters remained unprotected and unused. In addition to this, providing official quarters to the officers of the staff had not been carried out according to a proper methodology. Subsidy documents or reports required for confirmation of officers occupying the official quarters at present, the manner in which those quarters were provided to them and whether a rent is charged, had not been maintained.

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 Corporation from time to time. Special attention is needed in respect of the following areas of control.

Systems and Controls -----	Observations -----
(a) Assets Control	<ul style="list-style-type: none"> (i) Failure in taking action to settle lands vested in the Corporation and to obtain legal ownership. (ii) Unprotected condition of library books



- | | |
|-------------------------------|--|
| (b) Debtors Control | (i) Failure in paying attention to recover loan balances older than 10 years |
| | (ii) Non-availability of a proper supervision on agreements of clients. |
| (c) Staff Administration | (i) Continuous recruitments despite the availability of excess employees recruited without a proper Scheme of Recruitment. |
| | (ii) Failure in following a proper Scheme of Promotion. |
| (d) Accounting | (i) Failure in checking the accuracy of sales with the invoices. |
| | (ii) Failure in updating the Accounting System of the Corporation. |
| (e) Procurement | (i) Non-preparation of a detailed Procurement Plan. |
| | (ii) Deficiencies in awarding a contract on the modernization of a Transmitting Station. |
| (f) Control of Motor Vehicles | (i) Failure in holding inquiries on motor vehicle accidents. |
| | (ii) Non-maintenance of Monthly Running Charts and Log Books in an updated manner. |

H.M.Gamini Wijesinghe
Auditor General

Sgd / H.M. GAMINI WIJESINGHE
Auditor General

Comments of the Corporation on Auditor General's Report



The comments of the corporation on the report of the Auditor General on the financial statements of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2015 in terms of Section 14 (2) (c) of the Finance Act No.38 of 1971

1.2 Managements responsibility for financial statements

In agreement with matters set out in sections 1.2 and 1.3 under the responsibility of the management for financial statements.

2. Financial statements

2.1 Unfavourable opinion

The accounting deficiencies taken into consideration by the Auditor General on which he has based his unfavourable opinion for the year 2015 are in respect of previous years and in the year 2015, most of the accounting deficiencies have been addressed. Given below are explanations in respect of matters indicated as accounting deficiencies.

2.2 Comments on the financial statements

2.2.1 Sri Lanka Accounting Standard

Standard No. 38

Paragraphs 11,12 Since the accessories procured under automation facilities are computer equipment, they have been accounted under computer accessories. As intended by the Audit, those assets have been transferred to the intangible assets on 30.09.2017.

2.2.2 Accounting deficiencies

- (a) Value Added Tax and Nation Building Tax relevant to debtors have been added and accounts have been adjusted in the year 2016.
- (b) Relevant adjustments have been made and corrections made in the current accounts in which transactions between the head office and the regional offices are entered.
- (c) The amount paid in the year 2015 for procuring broadcasting rights of the Cricket World Cup has been corrected through journal notes in the year 2016.
- (d) Vehicles obtained on rent agreements have been transferred to the motor vehicle account through journal notes since the rent agreements had expired.
- (e) What was paid to the officials of the Corporation during the year under review was an incentive and not a bonus.

2.2.3 Unexplained differences

Having identified the balances under dishonoured cheques, employee loans, miscellaneous advances to employees and various deposits, a part of the balances before 2002 which could not be identified have been corrected pursuant to necessary approvals.

2.2.4 Suspense accounts

Having inspected the suspense accounts and identified the responsible parties and adjustments were made.

2.2.5 Lack of evidence for audit

- (a) Deposits payable before 2010 – This account has been corrected.

- (b) These amounts receivable from regional post offices are more than 15 years old and since relevant post offices could not be identified due to the non-availability of any documents, a confirmation could not be obtained even from the Postmaster General. Therefore there is no possibility of recovering these amounts. As the responsible parties too cannot be determined, action has been taken for correction following the relevant approvals.
- (c) The schedule on receivable balances has been prepared.
- (d) The amount shown under the 'Work in progress' account is the amount paid to the Urban Development Authority for the construction of the head office. Invoices, estimates and all plans in respect of these expenses are in the custody of the UDA and a request has been made from the UDA to make available the relevant details. Action will be taken to obtain these details from the UDA and transfer to the assets accounts.
- (e) According to ancillary books, the settlement of advances has been duly entered and a special report on this particular balance which remained unidentified even prior to 2002 as a result of the journal entry of the said settlement not being entered in the main ledger was referred to the Board of Directors on 27.01.2017 and as per decision No. 04:02 of the Board dated 21.03.2017, the unidentified balances had been adjusted to previous years.
- (f) Vouchers that were delayed in presenting to the audit were relating to the payment of salaries and regional offices. They were subsequently presented to the audit.
- (g) 'Lak Handa' Radio had been operated under the SLBC in the SLBC premises and was subsequently acquired by ITN. The amount calculated as receivable for the facilities provided in respect of the period during which it was maintained at the SLBC premises is shown under this account. However, there is no agreement between the two parties to corroborate this.
- (h) For adjustments made through journal notes, the reasons for such adjustments and details referred documents have been specified in the journal entries.

2.3 Accounts receivable and payable

- (a) As indicated in this paragraph, the total of Rs 188.8 million is correct. Of this amount, a sum of Rs. 67.5 is more than 10 years old. A greater portion of this amount was due to the suspension of transactions following the closure of foreign institutions or other reasons. On the recommendation based on a decision taken in this regard, the matter was referred to the Treasury.
- (b) It is acknowledged that a part of the loans shown under this paragraph has exceeded the grace period and an action plan has been prepared for the recovery of loans in arrears.
- (c) In pursuance of the financial situation of the corporation, action will be taken to pay audit fees in installments.
- (d) Of the supplies advances, except for Rs. 6000/- indicated against Mr. Mangala Gunaratne, the remaining amount had been fully settled in the year 2016.
- (e) This error has occurred as a result of the client's misunderstanding about the fees as a result of the failure to clearly indicate the fee levied for broadcasting each segment as per the service agreement and the fee levied for the entire programme.
- (f) As per the account of the SLBC, the moneys receivable from the Sri Lanka Rupavahini Corporation have been settled.
- (g) Audit fees, taxes to be paid to the Telecommunications Regulatory Commission and other

accrued expenses have been included as accrued expenses under current liabilities. These accrued expenses could not be paid during the next financial year due to the poor financial position of the Corporation.

- (h) Of the 16 lessees to whom transmission towers were leased, the deposit had been levied from 12 and action is being pursued to levy the deposits from the remaining lessees.
- (i) Approval was obtained to pay in installments taxes payable to the Inland Revenue Department and the payments are made accordingly.
- (j) It is admitted that there are non recoverable trade debtors shown in financial statements as current assets and current liabilities and accrued expenses have also been included under the current liabilities and action will be taken to pay them in installments.

2.4 Non-compliance with laws, rules and regulations

- (a) (b) The relevant divisional heads have been instructed to act appropriately in future as per the Establishments Code and the provisions of the Financial Regulations in respect of the matters highlighted in subparagraphs from (i) to (iv) in paragraphs (a) and (b).

- (c) Public Enterprises Circulars

The relevant officials have been directed to act in compliance with the instructions of the Public Enterprises Circulars.

- (d) Consultants with expertise on the respective fields have been recruited on short term basis as per service requirements upon the approval of the Board of Directors and when it was felt that such services were required for a further period of time, extensions had been granted with the approval of the Board of Directors.

- e) Fuel allowance is paid on the service requirements of the Corporation with the approval of the Board of Directors.

3. Financial Review

3.1 Financial results

Data and information furnished under the financial results of the audit are correct.

3.2 Legal events initiated against or by the institution

- (a) M.P.M.R. Networks has filed a case against the Corporation for broadcasting the Sri Lanka-England Cricket Series 2014. A settlement has been proposed and a compensation amounting to Rs. 50 million has been demanded from the Corporation.
- (b) Mr. Upali Dharmasiri Yapa has filed a case demanding compensation for physical injuries and mental agony sustained by him as a result of an accident occurred while travelling a vehicle of the Corporation. The case is being heard and he has demanded a Rs 08 million as compensation and the interest thereon from the date of the accident.

- (c) The Corporation has constituted legal action in the Provincial High Court to recover a sum of Rs 7,551,750.29 receivable from Marketing Executive M.N.M. Azam and another case has been filed in the Colombo District Court to recover a sum of Rs. 4,716,812.76.
- (d) 07 employees and 04 trade unions of the Corporation have filed a case challenging the decision of the Corporation to grant promotions and salary increments to 57 employees of the Corporation. The case is pending.
- (e) The Corporation filed an appeal in the Civil Appellate Court, Colombo challenging the ruling of the case No. 23089/MR filed in the Colombo High Court by Mr. R.A.C. Gunathilake. As the ruling of the said case bearing No. 231/2004 too was not in favour of the Corporation, an appeal was filed in the Supreme Court challenging that ruling.

4. Operational Review

4.1 Performance

- (a) Matters indicated from 08 to 10 under the performance as objectives of the Corporation are correct. As mentioned under paragraph (a) of the said paragraph, 03 channels have been automated under the automation of radio channels. The amount spent on this was Rs. 3.4 million.
- (b) Though certain activities in the Action Plan could not be completed in the year mentioned, they were completed during the next year.

4.2 Management Activities

- (a) This matter has been referred to the Legal Division to initiate legal action to recover this amount.
- (b) Action is being pursued to obtain the leasehold of the Nuwaraeliya holiday resort. Having completed the surveying activities, the Divisional Secretariat is proceeding with other relevant matters.

4.3 Operational Activities

- a. Within the space available in the reference library of the Corporation, action has been taken to keep books and shelves safely and securely.
- b. All inventory items of the Mahailuppallama transmission station have been removed and action is being taken to hand over the buildings to the relevant institutions.
- c. In the buildings made available by the Mahaweli Authority for the Kotmale Community Radio, a media training institution is being maintained as the Kotmale radio service was closed down.
- d. Overdraft interest has to be paid as the Corporation has obtained overdraft facilities.
- e. Though the Ambewela holiday resort was temporarily closed for repairs, the employees continued their duties. As of now, the repairs of the one of the bungalows had been completed and made available for tourists.
- f. The value of spare parts of the transmitter antennas of the Trincomalee transmission centre is included in the transfer value. It has also been entered in the inventory registers.
- g. It is admitted that accounting is carried out upon schedules. Having accounted on the basis of publicity schedules, those schedules are forwarded to the marketing division for confirmation. Necessary arrangements have been made where there had been differences.

4.4 Transactions of contentious nature

The land at Ambewela in the Badulla District enjoyed by the Corporation was leased out for maintenance by means of a written memorandum of understanding pursuant to public notice in newspapers. The Corporation has claimed ownership only of the portion developed by the Corporation.

4.5 Idle/underutilized assets

05 Micro vans, 02 double cabs and 02 cars which remained idle were sold in the year 2017 in accordance with the procurement procedure.

4.6 Identified losses

- (a) Compensation had to be paid as per labour laws for underpaying gratuity and a surcharge had to be paid for delaying the payment of income tax.
- (b) This has happened as a result of the client not correctly understanding the agreement and the relevant client had been briefed with a view to recovering the said amount.

4.7 Procurement and Contract Administration

(a)

As shown in this paragraph, the amount paid to relay stations for the linking of programmes is correct. As the acquisition of a permanent linking system suitable to the Corporation would entail a huge cost and the maintenance cost of such a system would be exorbitant, this service has to be outsourced. This matter was discussed at the Audit and Management Committee and it was decided that the service currently obtained from the private sector is more productive.

(b)

- i. A feasibility study has been commenced for the modernization of Karaghatenna relay station.
 - ii. Other than the qualified officers recruited to the Engineering Division, other officers cannot be deployed for engineering projects.
 - iii. The observation which said that 'action had not been taken to provide equal opportunities to tenderers' is not clear. Further the matters related to tender process had been handled by the Ministry of Media.
 - iv. Fines had to be paid due to delay in securing approval from the Telecommunications Regulatory Commission and the Export and Import Controller.
 - v. The completion of the project is delayed due to technical reasons.
 - vi. Field inspection reports and, efficiency of transmitters and engineering certificates requested by you were submitted to the audit on 22nd July 2016.
- (c) A portion of the capital provisions had to be transferred as revenue expenditure in the year 2011.
- (d) All these activities were carried out as per the decisions of the Board of the Corporation and due to problems encountered by Laksala while the project was in progress; it had to be abandoned midway. As action was taken to recover the money, Laksala retained a part of the money for preliminary activities and Rs 4.3 million of the remaining amount had been recovered.

4.8 Staff Administration

- (a) Recruitment procedure is being formulated.
- (b) Measures have been taken to recruit employees on service requirement for the activities of the Corporation.
- (c) The officer recruited as Director (Music) was temporarily attached to Publications Division on service requirement. The duties of the Music Division was assigned to the Controller (Music)
- (d) Though the permanent staff is 867, there are no employees to be deployed for essential services. Therefore employees were recruited for the relevant sectors taking into account service requirement.
- (e) Qualified officers are due to be appointed to these posts in future.
- (f) Matters shown in audit observations are correct. This situation has come into being as a result of an issue which could not be resolved at the institutional level.

4.9 Vehicle utilization

- (a) Vehicles have been obtained on rent basis and deployed for service for 05 regional transmission stations. The procurement procedure was followed and quotations were invited for this purpose. Agreements too were signed.
- (b) Though those repairs were carried out with the intention of bringing the vehicles back to running condition, they were subsequently disposed of with the approval of the Ministry as they were not fit for running.

5. Accountability and good governance

5.1 Presentation of financial statements

The date indicated in the financial statements as the date of presentation of financial statements is correct.

5.2 Corporate Plan

Corporate Plan for 2016-2018 has been prepared.

5.3 Internal Audit

- (a) All answers have been submitted for internal audit queries.
- (b) There are only two audit assistants at the Internal Audit Division. Action has been taken to fill the vacancies in future.

5.4 Audit Committees

Audit committee meetings could not be held on quarterly basis due to the change of Board of Directors from time to time.

5.5 Procurement Plan

Procurement plan has been prepared annually.

5.6 Tabling Annual Reports

Action has been taken out to table reports of 2012 and 2013. Annual report of 2014 has been submitted to the Ministry of Finance and Media together with the draft cabinet memorandum.

5.7 Unresolved audit paragraphs

- (a) Two special committees have been appointed to inspect the equipment and goods at the Ekala transmission station and transfer the usable items to regional transmission stations and take appropriate measures regarding other items. Action is due to be taken regarding the spare parts of transmission towers at the premises of the Ekala transmission station as per the proposals of this Committee.
- (b) The matter has been referred for judicial action.
- (c) Relevant action is being pursued to secure ownership of Kandy and Anuradhapura houses.
- (d) As the medium wave transmission station was closed down, the official quarters belonging to the Corporation were temporarily handed over to the Army owing to the conflict situation prevailed at the time. The buildings and official quarters located at the land are being used by the Army. In allocating quarters, action had been taken in pursuance of the provisions of the Establishments Code.

6. Systems and Controls

Area of control

(a) Control of assets

- i. Action is being pursued for settling lands enjoyed by the Corporation.
- ii. Measures have been taken to properly arrange the library.

(b) Debtors

- i. Having inspected the non-recovering debtors, a report was forwarded to the Treasury regarding very old loans and loans regarding which the relevant files could not be traced.
- ii. Though measures have been taken to accurately draft the agreements with clients, shortcomings have been found in some of them.

(c) Staff Administration

- i. It is admitted that employees have been recruited to various divisions on service requirements.
- ii. Promotions have been granted on the recommendation of the Divisional Heads on the basis of period of service.

(d) Accounting

- i. Accounts are prepared according to the airtime schedule. Differences identified having reconciled invoices as per the schedules are changed through journal entries.

(e) Procurement

- i. In preparing the procurement plan annually, measures have been taken to prepare same with all relevant details.
- ii. In modernizing the transmission stations, the procurement plan has been followed. There have been delays in some instances.

(f) Vehicle Control

- i. Action has been taken to claim insurance when accidents occurred by lodging complaints with police and obtaining police reports.
- ii. Running charts and Log Books have been prepared and are constantly updated.



Buddhaloka Mawatha, Colombo 07, Sri Lanka